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

PRELIMINARY OFFICIAL STATEMENT DATED MAY 4, 2011

NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: See "Ratings" herein.**

In the opinion of Bond Counsel, assuming compliance by the Issuer and the Borrower with certain covenants, under existing statutes, regulations and judicial decisions, the interest on the Bonds will not be included in the gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of certain other tax consequences to holders of the Bonds.

$48,460,000*
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS
SERIES 2011D (City of Hialeah Series)

Dated: Date of Delivery **Due: October 1, as shown on the inside cover**

The Revenue Bonds, Series 2011D (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 April 1 and October 1, commencing October 1, 2011. The principal of, premium, if any, and interest on the Bonds will be paid through the Trustee described herein. 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 the City of Hialeah, Florida (the "Borrower") pursuant to a loan agreement between the Issuer and the Borrower (the "Loan Agreement") for the purposes of (i) funding certain capital improvements in and for the Borrower, including the Borrower's portion of the cost of a water treatment plant, and (ii) paying costs and expenses related to the issuance of the Bonds.

Payments made by the Borrower in repayment of the loan (the "Loan Repayments") will be assigned by the Issuer to the Trustee described herein, pursuant to a Trust Indenture, dated as of May 1, 2011 between the Issuer and Deutsche Bank Trust Company Americas, as 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 (i) the payments to be made by the Borrower pursuant to the Loan Agreement (as defined herein) (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, and 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 obligation of the Borrower pursuant to the Loan Agreement is not a general debt, liability or obligation of the Borrower, but is a limited obligation 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.

If determined to be in the best interest of the Issuer at the time of pricing, the Issuer may elect to provide for municipal bond insurance with respect to all or a portion of the Bonds. The Issuer may also elect not to insure any of the Bonds. In the event the Issuer elects to provide for such insurance, the scheduled payment of the principal of and interest on the insured Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of such Bonds by Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer"). See "BOND INSURANCE OPTION," herein.

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 Olive P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Kraig A. Conn, Esq., counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc., and for the Underwriter by its counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida. Waters and Company, LLC, Birmingham, Alabama, 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 May 20, 2011.

WELLS FARGO SECURITIES

The date of this Official Statement is May __, 2011.

* Preliminary, subject to change.

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

Series 2011D Bonds

$_____ Serial Bonds

Maturity (October 1)	Amount	Interest Rate	Price	CUSIP No.	Maturity (October 1)	Amount	Interest Rate	Price	CUSIP No.

$_____ ___% Term Bonds due October 1, ____- Price _____% CUSIP No. ___
$_____ ___% Term Bonds due October 1, ____ - Price _____% CUSIP No. ___

Florida Municipal Loan Council

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

Directors

Chairman Isaac Salver, Councilman, Town of Bay Harbor Islands
Vice-Chair Lawrence I. Ady, Council Vice-Chair, City of Belle Isle
Frank C. Ortis, Mayor, City of Pembroke Pines
Carmine Priore, Vice-Mayor, Village of Wellington
Julio Robaina, Mayor, City of Hialeah
Heyward Strong, Jr., Mayor Pro Tem, City of Valparaiso
Commissioner Bill Arrowsmith, City of Apopka

Attorney

Kraig A. Conn, Esq.
Tallahassee, Florida

Bond Counsel

Bryant Miller Olive P.A.
Tampa, Florida

Financial Advisor

Waters and Company, LLC
Birmingham, Alabama

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 PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

(The Table of Contents for this Official Statement is for convenience of reference only and is not intended to define, limit or describe the scope or content of any provisions of this Official Statement.)

Page

INTRODUCTION 1
THE BONDS 3
- General Description 3
- Redemption Provisions 3
- Book-Entry Only System 5
- No Assurance Regarding DTC Practices 8

THE ISSUER 8
THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT 9
- The Administrator 9
- The Administration Agreement 10

ESTIMATED SOURCES AND USES 11
SECURITY AND SOURCES OF PAYMENT 11
- Limited Obligations; Trust Estate 11
- Pledge of Net Revenues 11
- Rate Covenant 12
- Flow of Funds for the Bonds 13
- Additional Bonds: Permitted Parity Indebtedness 15

THE PROJECT 16
THE SYSTEM 17
- Service Area 17
- Water and Wastewater Customers 17
- Water System 18
- Wastewater System 20
- Historical Revenues and Expenditures 23
- System Staff 24
- Government Regulation 25
- Water and Wastewater Rates 28
- Capital Facilities Fees and Connection Fees 30
- Capital Improvement Program 32

BOND INSURANCE OPTION 34
DEBT SERVICE REQUIREMENTS 36
TAX MATTERS 37
- General 37

LITIGATION 39
VALIDATION 40
SEC ORDER; VOLUNTARY CLOSING AGREEMENT 40
LEGAL MATTERS 40
RATINGS 41
UNDERWRITING 41
FINANCIAL ADVISOR TO THE ISSUER 41

CONTINUING DISCLOSURE 42
ENFORCEABILITY OF REMEDIES 42
MISCELLANEOUS 43

APPENDIX A - Form of Continuing Disclosure Agreement for Borrower
APPENDIX B - Form of Continuing Disclosure Agreement for Issuer
APPENDIX C - Form of the Indenture
APPENDIX D - Form of the Loan Agreement
APPENDIX E - Form of Opinion of Bond Counsel
APPENDIX F - Form of the City of Hialeah Bond Ordinance
APPENDIX G - City of Hialeah Department of Water and Sewers Engineering Assessment Report
APPENDIX H - General Information Regarding the City of Hialeah
APPENDIX I - Audited Financial Statements of the City of Hialeah for the year ended September 30, 2009 and Unaudited Financial Statements related to the Water and Sewer System for the year ended September 30, 2010

SUPPLEMENT TO PRELIMINARY OFFICIAL STATEMENT
DATED MAY 4, 2011

in connection with

$48,460,000
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS
SERIES 2011D (City of Hialeah Series)

The Preliminary Official Statement is being supplemented as follows:

THE BONDS WILL NOT BE SUBJECT TO EXTRAORDINARY MANDATORY REDMPTION AS A RESULT OF ACCELERATION OF THE LOAN PURSUANT TO THE LOAN AGREEMENT.

FLORIDA MUNICIPAL LOAN COUNCIL

By:_____
Chairman

Date: May 5, 2011

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT
Relating to

$48,460,000*
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS
SERIES 2011D (City of Hialeah Series)

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 $48,460,000* Florida Municipal Loan Council Revenue Bonds, Series 2011D (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 (the "Interlocal Agreement"), dated as of 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. Subsequent to that date, other municipalities and counties have joined in the Interlocal Agreement, including Gadsden County, Florida, Jackson County, Florida and Leon County, Florida.

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, March 25, 2010 and September 23, 2010, and a Trust Indenture (the "Indenture"), dated as of May 1, 2011, between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make a loan to the City of Hialeah, Florida (the "Borrower") pursuant to a Loan Agreement, dated as of May 1, 2011, 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 certain capital improvements in and for the Borrower, including the Borrower's portion of certain of the capital costs of a new water treatment plant to be co-owned by the Borrower and Miami-Dade County. See "THE PROJECT", herein.

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,

*Preliminary, subject to change.

premium, if any, and interest on the Loan when due. The Basic Payments correlate to the debt service on a principal amount of Bonds equal to the principal amount of the Loan. 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 other fees, including any rebate obligations with respect to the Bonds.

The Basic Payments and the Additional Payments are jointly referred to as the "Loan Repayments."

The Borrower has pledged its Pledged Revenues to secure payments due under the Loan. Pledged Revenues are defined in the Loan Agreement to mean (1) the Gross Revenues of the Borrower's water and sewer system (the "System") after deduction of the Cost of Operation and Maintenance, and (2) until applied in accordance with the provisions of Ordnance No. 2010-40 of the Borrower, enacted June 22, 2010 (the "Borrower Ordinance"), all moneys, including investments thereof, in the funds and accounts established under the Borrower Ordinance, except (A) the Rebate Fund, (B) the Revenue Fund, to the extent moneys therein shall be required to pay the Cost of Operation and Maintenance in accordance with the terms of the Borrower Ordinance and (C) to the extent moneys on deposit in each subaccount of the Reserve Account shall be pledged solely for the payment of the Series of Borrower Bonds for which it was established in accordance with the provisions of the Borrower Ordinance. The Borrower Ordinance provides for a pledge of the Pledged Revenues to secure bonds issued thereunder ("Borrower Bonds"). The Borrower's obligation under the Loan Agreement constitutes a Borrower Bond under the Borrower Ordinance. See "SECURITY AND SOURCES OF PAYMENT" and "APPENDIX F – Form of the Hialeah Bond Ordinance", herein. Neither the Indenture nor the Borrower Ordinance establishes a reserve account that secures the Bonds.

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 the Loan Agreement, including the Issuer's right to receive Loan Repayments.

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 (as defined herein) (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, and 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 obligation of the Borrower pursuant to the Loan Agreement is not a general debt, liability or obligation of the Borrower, but is a limited obligation 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.

There follows in this Official Statement descriptions of the Bonds, the Issuer, 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 Managing Underwriter at 2363 Gulf-to-Bay Boulevard, Suite 200, Clearwater, Florida 33765 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 and D 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 the date of their initial issuance and delivery, 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 April 1 and October 1 (each, an "Interest Payment Date,"), commencing October 1, 2011.

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 of 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. For so long as the book-entry only system of ownership of the Bonds is in effect, payments of principal, premium, if any, and interest on the Bonds will be made as described below under the caption "Book-Entry Only System."

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 October 1, ____ are not subject to optional redemption prior to maturity. The Bonds maturing after October 1, ____ are subject to redemption at the option of the Issuer on or after October 1, ____, as a whole or in part at any time, in any manner as determined by the Trustee taking into consideration the maturity of the Loan, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The Bonds maturing on October 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 October 1, ____ and on each October 1 thereafter, in the following principal amounts in the following years:

Year	Principal Amount
*	

*Maturity, not a redemption.

The Bonds maturing on October 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 October 1, ____ and on each October 1 thereafter, in the following principal amounts in the following years:

Year	Principal Amount
*	

*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 described above or as 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.

In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent or a fiduciary institution acting as escrow agent no later than the redemption date or (2) the Issuer retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this section. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Program Administrator delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the Issuer to make such funds available shall constitute an Event of Default under the Indenture. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the affected Bonds called for redemption and not so paid remain Outstanding.

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, DTC 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 or more fully-registered bond certificates will be issued for the Bonds, and will be deposited with the Trustee on behalf of DTC. Individual purchases of beneficial interests in the Bonds will be made in increments of $5,000 or integral multiples thereof.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The contents of such websites do not constitute a part of this Official Statement.

Purchases. 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 ("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 purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants 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.

Transfers. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not

effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. 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, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. 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 to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

NONE OF THE ISSUER, THE BORROWER OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS 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. NEITHER THE ISSUER NOR THE BORROWER CAN PROVIDE ANY ASSURANCE 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.

Payments. Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on the relevant payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing

instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuance of Book-Entry-Only System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificated Bonds are required to be printed and delivered to the holders of record.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Bonds. Under current industry practices, however, DTC would notify its Direct or Indirect Participants of the Issuer's decision but will only withdraw beneficial interests from a Bond at the request of any Direct or Indirect Participant. In that event, certificates for the Bonds will be printed and delivered.

No Assurance Regarding DTC Practices

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, the Borrower, the Underwriter, and the Trustee take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

None of the Issuer, the Trustee or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any Beneficial Owner to receive payment in the event of a partial redemption of the Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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. Subsequent to that date, other municipalities and counties have joined in the Interlocal Agreement, including Gadsden County, Florida, Jackson County, Florida and Leon County, 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 twenty-first series of bonds to be issued by the Issuer.

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

Chairman Isaac Salver, Councilman, Town of Bay Harbor Islands
Vice-Chair Lawrence I. Ady, Council Vice-Chair, City of Belle Isle
Frank C. Ortis, Mayor, City of Pembroke Pines
Carmine Priore, Vice-Mayor, Village of Wellington
Julio Robaina, Mayor, City of Hialeah
Heyward Strong, Jr., Mayor Pro Tem, City of Valparaiso

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 54 members. Directors are elected by the members of the Administrator.

In addition to the Issuer's twenty 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 advice on current and emerging constitutional, legislative, and regulatory issues. The Administrator has 160 full-time employees and an annual operating budget of approximately $26.0 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 Loans comply 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 all Loans outstanding. The annual amount of the fee does not exceed 1/10 of one percent of the par amount of the Loans outstanding, and based upon the original par amount at issuance for each individual Loan, the fee decreases as a percentage as the par amount increases above certain levels.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

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	$
Net Original Issue [Premium/Discount]	
Other Sources of Funds	$
TOTAL SOURCES	$

USES OF FUNDS:

Project Loan Fund	$
Costs of Issuance[1]	$
TOTAL USES:	$

[1] This includes legal fees, Underwriter's discount, costs of printing and other incidental expenses.

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, (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, and 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 obligation of the Borrower pursuant to the Loan Agreement is not a general debt, liability or obligation of the Borrower, but is a limited obligation 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.

Pledge of Net Revenues

The Trust Estate Bonds includes "Revenues," which are defined in the Indenture to mean Loan Repayments paid to the Trustee and all receipts of the Trustee credited to the Borrower under the provisions of the Loan Agreement. Payments due under the Loan Agreement are secured by a pledge of the Pledged Revenues, as described above, including primarily the Net

Revenues of the System. "Net Revenues" is defined in the Loan Agreement to mean the Gross Revenues of the System after deduction of the Cost of Operation and Maintenance. "System" is defined in the Borrower Ordinance to mean, collectively, the City's water system and its sewer system and, upon compliance with certain requirements of the Borrower Ordinance, may include certain other utility functions. See "APPENDIX D – Form of the Loan Agreement" and "APPENDIX F – Form of the City of Hialeah Bond Ordinance," herein. "Gross Revenues" is defined in the Borrower Ordinance to mean all income and earnings, including Connection Fees, received by the Borrower or accrued to the Borrower from the ownership, use or operation of the System and all parts thereof, moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms of the Borrower Ordinance, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year may be designated by the Borrower as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to the Borrower Ordinance, except the Rebate Fund, the Sewer System Capital Facilities Fee Fund, the Water System Capital Facilities Fee Fund, and also including any income or earnings (including investment income) derived from the System in any prior Fiscal Year and which is redeposited into the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the Borrower pursuant to a Qualified Agreement as contemplated in the Borrower Ordinance, but "Gross Revenues" or "Revenues" under the Borrower Ordinance shall not include any direct subsidy payments received from the United States Treasury relating to "Build America Bonds" issued pursuant to Section 54AA of the Code or any other interest subsidy or similar payments made by the federal government, proceeds from the sale or other disposition of the System or any part thereof, condemnation awards or proceeds of insurance received with respect to the System and moneys deposited to the Rate Stabilization Fund from the Surplus Fund, including any moneys transferred from the Surplus Fund to the Rate Stabilization Fund within 90 days following the end of a Fiscal Year which the Borrower determines not to be Gross Revenues of such prior Fiscal Year, Contributions in Aid of Construction, Sewer System Capital Facilities Fees, Water System Capital Facilities Fees, or unrealized gains or losses from investments. See "APPENDIX F – Form of the City of Hialeah Bond Ordinance."

The term "Cost of Operation and Maintenance" is defined in the Loan Agreement as the then current expenses, paid or accrued, in the operation, maintenance and repair of the System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, general administrative and indirect labor costs, personal services, contractual services, repairs and maintenance, and maintenance and supplies, but shall not include expenses not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation, any Bond Service Requirement, any payments in lieu of taxes, franchise fees or other transfers.

Rate Covenant

In the Borrower Ordinance, the Borrower covenants to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide:

(i) Net Revenues in each Fiscal Year sufficient to pay one hundred ten percent (110%) of the Bond Service Requirement on all Outstanding Borrower Bonds in the applicable Bond Year, or

(ii) Net Revenues in each Fiscal Year sufficient to pay one hundred five percent (105%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year; and Net Revenues, Water System Capital Facilities Fees and Sewer System Capital Facilities Fees in each Fiscal Year sufficient to pay at least one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Borrower Bonds in the applicable Bond Year.

In addition to compliance with either subparagraph (i) or (ii) above, Net Revenues in each Fiscal Year shall also be sufficient to provide one hundred percent (100%) of the Bond Service Requirement on all Outstanding Borrower Bonds in the applicable Bond Year, any amounts required by the terms of the Borrower Ordinance to be deposited into the Reserve Fund or with any Credit Facility Issuer as a result of a withdrawal from the Reserve Fund, the Renewal, Replacement and Improvement Fund and debt service on other obligations payable from the Net Revenues of the System, and other payments, and all allocations and applications of revenues therein required in such Fiscal Year.

Flow of Funds for the Bonds

The Borrower Ordinance provides for the establishment of various funds and accounts related to Borrower Bonds, all to be held by the Borrower. The Borrower has covenanted in the Borrower Ordinance that all Gross Revenues shall be deposited into the Revenue Fund established pursuant to the Borrower Ordinance.

All Net Revenues in the Revenue Fund, after payment of the Cost of Operation and Maintenance, are required to be disposed of monthly, but not later than the twenty-fifth (25th) day of each month, in the following manner and the following order of priority:

(1) The Borrower shall first deposit into or credit to the Bond Service Fund established under the Borrower Ordinance, to the following accounts, in the following order (except that payments into the Interest Account and Parity Contract Obligations Account shall be a parity with each other, and payments into the Principal Account and Redemption Account shall be on a parity with one another), the following identified sums:

(a) Interest Account. One-sixth (1/6th) of all interest coming due on all Outstanding Bonds on the next interest payment date, together with any fees and charges of the Paying Agent therefor.

(b) Parity Contract Obligations Account. A pro rata estimated amount necessary to build up over time the amount of any Parity Contract Obligation which will next be due and payable or reasonably expected to be due and payable under any Qualified Agreement on the next payment date thereunder; provided, however that the monthly amount to be so deposited may be adjusted, as appropriate, to reflect the frequency of payment dates thereunder (e.g., if such Parity Contract Obligations are

required to be paid semi-annually, the Borrower shall be required to monthly deposit an amount which is estimated to equal one-sixth ($1/6^{th}$) of the next such payment).

(c) Principal Account. Such sum as will be sufficient, together with the funds then on deposit therein, to pay one-twelfth (1/12th) of the principal amount of the Outstanding Bonds which will mature and become due on such annual maturity dates beginning in the month which is twelve (12) months prior to the first principal maturity date.

(d) Redemption Account. Such sum as will be sufficient to pay one-twelfth (1/12th) of any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such annual maturity date beginning the month which is twelve (12) months prior to the first Amortization Installment date.

(e) Reserve Fund. To the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the Reserve Fund shall be restored, after the application as described above, from the first moneys available in the Revenue Fund; provided, that in the event of a withdrawal, in no event shall the Borrower be required to deposit an amount greater than the amount necessary to restore the Reserve Fund to the Reserve Requirement within sixty (60) months of the date of such withdrawal. **As otherwise described herein, no portion of the Reserve Fund secures the Borrower's obligation under the Loan Agreement or the Bonds.**

(2) From the moneys remaining in the Revenue Fund, the City shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the ordinance or agreement of the Borrower authorizing such Subordinated Debt, but for no other purposes.

(3) The Borrower shall next apply and deposit monthly from the moneys remaining on deposit in the Revenue Fund into the Renewal, Replacement and Improvement Fund, an amount at least equal to one-twelfth ($1/12^{th}$) of five percent (5%) of the Gross Revenues received during the immediately preceding Fiscal Year. The moneys in the Renewal, Replacement and Improvement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System or emergency repairs or extraordinary repairs thereto. No further deposits shall be required to be made into the Renewal, Replacement and Improvement Fund when there shall be on deposit therein an amount equal to or greater than one percent (1%) of the gross book value of the fixed assets of the System pursuant to generally accepted accounting principles, or such other amount as may be determined from time to time by the Consulting Engineer. Funds on hand in the Renewal, Replacement and Improvement Fund may be used to pay the current Cost of Operation and Maintenance to the extent moneys on deposit in the Revenue Fund are insufficient for such purposes. The moneys on deposit in such fund may also be used to supplement the Reserve Fund, if necessary, in order to prevent a default in the payment of the principal and interest on Borrower Bonds.

(4) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made shall be deposited into the Surplus Fund and may be used for

any lawful purpose; provided, however, that none of said money shall be used for any purposes other than those specified above unless all current payments, including any deficiencies for prior payments, have been made in full and unless the Borrower shall have complied fully with all the covenants and provisions of the Borrower Ordinance.

As described above, the Borrower Ordinance provides for a Reserve Fund that may be used to secure Borrower Bonds. **However, no account of such Reserve Fund has been established with respect to the Borrower's obligation under the Loan Agreement or otherwise secures the Bonds.**

Additional Bonds: Permitted Parity Indebtedness

No additional Bonds or debt of the Issuer may be issued pursuant to the Indenture. However, the Issuer may issue additional indebtedness, including future series of bonds, for any other purposes of the Issuer (including in order to make loans to the Borrower), provided that such indebtedness may not be payable from the Trust Estate pledged to the repayment of the Bonds. There is no limitation on the issuance of additional debt by the Borrower except per the limits of the Borrower's Bond Ordinance. The Bond Ordinance provides that no Additional Parity Obligations shall be issued after the issuance of the Borrower Bonds authorized therein, except upon the conditions and in the manner set forth below.

There shall have been obtained and filed with the Clerk a certificate of the Borrower's Finance Director stating: (a) that the books and records of the Borrower relative to the System and Net Revenues, and if applicable, the Sewer System Capital Facilities Fees and the Water System Capital Facilities Fees, have been reviewed by the Finance Director; and either (b) that the amount of the Net Revenues derived for any consecutive twelve (12) months out of the thirty (30) months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as provided in the Borrower Ordinance, is equal to not less than 110% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Borrower Bonds issued under the Borrower Ordinance, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, or (c) that Net Revenues during the Test Period adjusted as provided in the Borrower Ordinance are equal to not less than 105% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Borrower Bonds issued under the Borrower Ordinance, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, and Net Revenues during the Test Period as so adjusted plus Sewer System Capital Facilities Fees and Water System Capital Facilities Fees during the Test Period are equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Borrower Bonds issued under the Borrower Ordinance, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made.

The Borrower need not comply with provisions of the prior paragraph if and to the extent the Borrower Bonds to be issued are Refunding Bonds, if the Borrower shall cause to be delivered a certificate of the Finance Director of the Borrower setting forth the Average Annual Debt Service Requirement (i) for the Borrower Bonds then Outstanding and (ii) for all Series of

Borrower Bonds to be immediately Outstanding thereafter and stating that the Average Annual Debt Service Requirement pursuant to (ii) above is not greater than that set forth pursuant to (i) above.

The Borrower need not comply with the provisions of the first paragraph above if and to the extent the Borrower Bonds to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the System ("Completion Bonds") if originally financed with the proceeds of Borrower Bonds; provided that such Completion Bonds for which the Borrower need not comply with the provision of the first paragraph above may not exceed 10% of the total principal amount of Borrower Bonds estimated to be required for such improvements to the System at the time of issuance of the initial Series of Borrower Bonds to finance such improvements.

THE PROJECT

The Borrower has historically purchased all of its treated water from Miami-Dade County (the "County"). In 2007, the Borrower and the County entered into a Joint Participation Agreement for the Reverse Osmosis Treatment Plant, providing for the construction and operation of a reverse osmosis water treatment plant (the "Project"), initially producing ten million gallons per day and capable of expansion to 17.5 million gallons per day, which will provide potable water to the Borrower and also serve residents in the unincorporated area of the County. The Borrower will operate the Project on behalf of itself and the County. The cost of the Project will be split equally between the Borrower and the County, and the Borrower intends to fund its portion of the cost of the Project through the Loan from the Issuer derived from proceeds of the Bonds. The Borrower and the County have entered into an agreement reflecting payment of incremental costs pursuant to an established cash flow schedule to provide for their respective payments to finance the Project. The Project will be located on a 24-acre site in the area recently annexed into the City of Hialeah as described under the heading "THE SYSTEM – Service Area." The total project cost, including improvements to be made by the Borrower, is estimated at approximately $100 million. The Borrower has awarded construction of the building and plant portion of the Project to INIMA USA Construction Corporation under a guaranteed maximum price contract of $55.7 million, subject to adjustments as provided therein. Proceeds of the Bonds will be used to fund the Borrower's portion of amounts due under the INIMA project, with the remainder of such proceeds used to either reimburse the Borrower for costs previously incurred for the Project or to pay other capital Project costs allocated to the Borrower. Construction of the Borrower's portion of certain Project items, including a production well, two injection wells, a monitoring well and a pump station, has commenced. INIMA is nearing completion of final design of its portion of the Project, and is expected to commence construction soon. The Project as a whole is estimated to be completed and operational by March 2012. Either the Borrower or the County has received the majority of permits necessary to complete the Project, including a consumptive use permit from the South Florida Water Management District. Additional permits are needed (and expected to be obtained) for certain pipelines and wells. See "THE SYSTEM" herein.

THE SYSTEM

The Borrower owns a water utility enterprise system (the "Water System") and a wastewater utility enterprise system (the "Sewer System") (collectively, as more fully described herein, the "System") which serves the citizens of the City of Hialeah. The physical plant of each system is operated separately, but both systems are financially managed as a single utility enterprise fund.

Service Area

The Borrower is located in north-central Miami-Dade County in the southeast part of Florida, and currently encompasses an area of approximately twenty-three square miles. See "APPENDIX H – General Information Concerning the City of Hialeah." From a population of 1,500 in 1925, the year the Borrower was incorporated, the Borrower has grown to a population of approximately 225,000 residents and is ranked as the sixth largest city in Florida.

On March 19, 2004, the Borrower entered into an Interlocal Agreement with Miami-Dade County annexing approximately three square miles of undeveloped area located along the northwest corner of the Borrower between Highway I-75 and the Florida Turnpike. Prior to the annexation of this area, the Borrower was virtually built-out. Although a small number of developed units utilize septic tanks, approximately 99.98% of the Borrower's water customers are also wastewater customers. The annexation area is generally vacant at this time and no services are currently provided within the area. The Borrower is prepared to extend services to the area incrementally, as development occurs.

Water and Wastewater Customers

City of Hialeah – Department of Water and Sewers
Total Number of Accounts

Year	Residential	Commercial	Total No. of Accounts
2003	51,102	656	51,758
2004	53,172	1,165	54,337
2005	53,099	1,232	54,331
2006	53,908	1,357	55,265
2007	53,407	1,233	54,640
2008	53,114	1,286	54,400
2009	53,271	1,309	54,580
2010	53,070	1,309	54,379

Source: City of Hialeah – Department of Water and Sewers – Utility Billing System

Water System

Water Supply. Miami-Dade County through its utility enterprise operations has historically provided wholesale treated potable water to the Borrower for re-pumping and distribution throughout its service area for ultimate delivery to retail customers. The Borrower has historically been the County's largest wholesale customer. The County water supply is obtained from wellfields generally near the Everglades in the western part of the County that primarily tap the surficial Biscayne Aquifer, a non-artesian (or near-surface) aquifer which underlies an area of about 3,200 square miles in Miami-Dade, Broward and Palm Beach Counties, and treated by lime softening at several treatment facilities (including two in the City of Hialeah) before delivery to customers. The County currently supplies virtually all the potable water distributed by the municipal utilities operating in Miami-Dade County and could be forced to limit or pro rate supplies in the unlikely event of a shortage. After completion of the Project (see "THE PROJECT," herein), the new reverse osmosis treatment facility, which will utilize saltier water from the deeper Floridian aquifer, will provide a portion of the Borrower's treated water needs, although the Borrower expects to continue to purchase a portion of its potable water from the County. The table below sets forth the monthly amount of water purchased by the Borrower during its fiscal year ended September 30, 2010:

City of Hialeah – Department of Water and Sewers
Water Billed by Miami-Dade Water and Sewer Department for Fiscal Year 2010

Month	Gallons/Month
October -09	809,790,000
November-09	681,190,000
December-09	678,860,000
January-10	803,385,000
February-10	810,005,000
March-10	664,160,000
April-10	820,500,000
May-10	737,100,000
June-10	794,000,000
July-10	701,916,000
August-10	806,644,000
September-10	795,910,000
TOTAL	**9,103,460,000**
AVERAGE DAILY FLOW (millions)	24.941

Source: Monthly Invoices from MDWASD to the City of Hialeah – Department of Water and Sewers

Such purchased water is billed to the Borrower, by means of a volume-based fee charged to the County's volume customers, which rate is based on the volume utilized and multiplied by a number of factors, including the County's costs of operation and maintenance, renewal and

replacement funding, debt service, transmission and administration. The charge has been imposed pursuant to a Contract Providing for the Rendition of Water Service, dated September 7, 1997, as amended by Amendment Number One dated July 22, 1997 (collectively, the "Prior Water Agreement"). The Prior Water Agreement by its terms expired in 2007, but the parties have continued to operate pursuant to it. The Prior Water Agreement provides that, if the Borrower shall fail to pay amounts due thereunder, the County shall have the right to apply for a court receivership to be appointed as a receiver to operate the Borrower's water facilities and collect from the Borrower's customers the amounts due the County. The Borrower expects to enter into a new water agreement with the County, replacing the Prior Water Agreement, by March 2012. Execution of such new agreement is a condition of the consumptive case permit granted by the South Florida Water Management District with respect to the Project. The wholesale water rate paid by the Borrower in fiscal year 2010 was $1.5630 per thousand gallons. The table below sets forth the amount paid by the Borrower for purchased water for the fiscal years ended September 30, 2005 through September 30, 2009:

City of Hialeah – Department of Water and Sewers
Purchased Water Costs[1]

Fiscal Year	Amount
2005	$6,253,142
2006	8,357,785
2007	8,008,789
2008	7,865,285
2009	10,562,803

Source: City of Hialeah – Department of Water and Sewers
(1) The Borrower also collects a 7.5% fee on the amount of water and sewer billed that is remitted to Miami-Dade County.

The Borrower has engaged Milian, Swain & Associates, Inc. to conduct a leak detection study to determine whether there are any leaks in the System resulting in increased water purchases. In November 2010, the Borrower received a letter from Tenet Healthcare, owner of Palmetto Hospital, requesting, after a replacement of water meters at the facility, an inspection of the old meters and a determination of whether any billing error occurred with respect thereto. The Borrower, although not aware of any error, has begun looking into the matter. The financial impact associated with a billing error, if there is one, is not expected to have a materially adverse impact on the Net Revenues or financial health of the System.

Water Conservation. The service area is subject to wide fluctuations in rainfall, not only in total annual amount, but also month-to-month. An extended dry period usually results in substantial water usage for residential irrigation and corresponding peak demands on the System. In response, the Borrower encourages water conservation through certain water use restrictions, rates and other methods. Since March 2007, Miami-Dade County has been under enforced water restrictions imposed by the South Florida Water Management District.

Delivery Points, Storage and Pumping Facilities. The County provides wholesale potable water to the City at three metered delivery points. The metered delivery points each supply a pumping station owned and operated by the Borrower to meet the potable water, fire protection and pressure needs of the System.

The Borrower also owns a two million gallon ground water storage tank located at W 84th Street and 13th Avenue. The tank is a Crom prestressed concrete tank measuring 110 feet in diameter and is 28 feet high, almost 10" thick at the base wall tapering to 4" thick at the upper sidewall. It has been out of service for more than fifteen years, but the City contracted to have the tank inspected in 2004, with a request for recommendations to put the structure into a first-class serviceable condition. The inspection report indicated no structural damage to the roof exterior or interior, small normal hairline cracks, and an evaluation that the tank could be put back into service with cleaning and repainting and only certain mechanical modifications and minor repairs. The Borrower expects to eventually utilize the storage facility, but has not established a date for its placement back into service.

Distribution System. The water distribution system consists of over 500 miles of water mains ranging from ¾" to 30 inches in diameter and more than 3,000 fire hydrants.

Wastewater System

At the present time, the Borrower does not own any wastewater treatment plant facilities. Wastewater collected within the Borrower's service area is, pursuant to a Sewage Disposal Service Contract between the County and the Borrower, dated February 13, 1979, as amended (the "Sewage Disposal Contract"), pumped to three County pump stations that re-pump the wastewater to the County's north district regional sanitary sewer wastewater treatment plant, where it is treated and disposed of. The Borrower's wastewater collections system consists of eighty-seven pump stations, three of which are master lift stations with four pumps each and generators capable of providing auxiliary power as needed during power failures. The system includes 83 lift station service areas, approximately 460 miles of gravity sewer mains and laterals ranging from 4 inches to 54 inches in diameter and more than 6,500 manholes. The force main network includes approximately 37 miles of pressurized pipe ranging in size from 4 inches to 24 inches in diameter.

The Sewage Disposal Contract expired by its terms in 2009, although the Borrower and the County have continued to operate pursuant to it. Pursuant to the Sewage Disposal Contract, the County charges the Borrower a volume based fee, with metered volumes multiplied by County operation and maintenance expenses, renewal and replacement costs, debt service costs and administrative expenses. The Borrower expects to enter into a new contract for wastewater treatment, replacing the Sewage Disposal Contract, by March 2012. The County's charge for wastewater treatment in fiscal year 2010 was $2.0436 per thousand gallons.

The County currently disposes of its treated wastewater by outfalls into the Atlantic Ocean (two plants) and deep well injection into the Florida aquifer (one plant). On June 30, 2008, the Florida Governor signed a bill into law that prohibits the construction of new ocean outfalls and the use of existing ones for disposal of average flows by 2025. The new law, which became

effective July 1, 2008, requires the County to (i) submit a plan by 2013 for compliance with the advanced wastewater treatment and management requirements related to the use of nutrient removal and high level disinfection technology; (ii) meet the provisions of the advance wastewater treatment and management requirements by December 31, 2018, either by (a) provision of advanced wastewater treatment to all ocean outfall flows, or (b) reducing the volume of wastewater effluent disposed through ocean outfall flows between December 31, 2008 and December 31, 2025 so that the reduction in nutrients discharged would be the same as with advanced wastewater treatment, or (c) use of a combination of advanced wastewater treatment and diversion of ocean outfall flows to meet the nutrient reduction level required on December 31, 2018. By December 31, 2025, a fully functioning reclaimed water system must be installed using a minimum of 60% of the ocean outfall flows for irrigation, groundwater replenishment, industrial cooling or other acceptable forms of reclaimed water. The County's expected cost of eliminating the two large ocean outfalls is expected to be substantial. No assurance can be given as to how much or when these expenditures will affect the rates charged to the Borrower's wastewater customers.

As described under the subheading "Government Regulation - Pump Station I/I" below, the Borrower has implemented a system-wide sewer condition assessment and rehabilitation program in an attempt to comply with a consent order imposed by the County and reduce infiltration and inflow into the sewer system. As of 2010, the cost of relining large portions of the sewer system exceeded $11.8 million, but the Borrower believes it is already receiving benefits by means of lower volume-based treatment charges because of reduced wastewater flows to the County for treatment.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

The table below sets forth the monthly sewer flows treated by Miami-Dade County for the Borrower for the Borrower's fiscal year ended September 30, 2010:

City of Hialeah – Department of Water and Sewers
Sewer Flows as Billed by Water and Sewer Department for Fiscal Year 2010

Month	Gallons/Month
October-09	502,206,200
November-09	488,908,600
December-09	683,328,300
January-10	503,324,000
February-10	521,997,200
March-10	581,035,300
April-10	516,071,100
May-10	445,069,000
June-10	618,195,800
July-10	584,415,600
August-10	642,219,300
September-10	816,517,300
TOTAL	**6,903,287,700**
AVERAGE DAILY FLOW (millions)	18.913

Source: Monthly Invoices from MDWASD to the City of Hialeah – Department of Water and Sewers

The table below sets forth the cost for treatment of wastewater generated within the service area of the Borrower for the fiscal years ending September 30, 2005 through 2009. As can be seen, these numbers have decreased over the past five years, which the Borrower attributes to a reduction in infiltration and inflow:

Year	Cost
2005	$18,811,904
2006	15,277,538
2007	13,380,413
2008	14,187,552
2009	11,160,592

Source: City of Hialeah – Department of Water and Sewers

Historical Revenues and Expenditures

The table set forth below shows historical revenues and expenditures of the System for the past five fiscal years ending September 30:

	Audited 2006	Audited 2007	Audited 2008	Audited 2009	Unaudited 2010[1]
Operating revenues:					
Metered water sales	$14,958,001	$14,504,373	$14,765,828	$14,907,080	$16,314,171
Sanitary sewer service	26,352,078	25,465,066	26,286,533	26,710,230	27,863,732
Sanitation fees	-	-	-	-	-
Other[2]	1,591,834	866,921	1,159,311	1,204,700	858,641
Total operating revenues	42,901,913	40,836,360	42,211,672	42,822,010	45,036,544
Operating expenses:					
Operating administrative and maintenance	33,992,197	32,708,709	35,804,984[3]	35,962,861	42,051,542
Depreciation	2,992,574	3,045,757	3,050,531	3,447,045	3,500,000
Total operating expenses	36,984,771	35,754,466	38,855,515	39,409,906	45,551,542[6]
Operating Income (loss)	5,917,142	5,081,894	3,356,157	3,412,104	(514,998)
Non-operating revenues (expenses):					
Interest income	2,597,400	3,361,773	1,995,210	1,929,614	1,419,630
Interest expense	(247,180)	(104,694)	(32,588)	(161,336)	-
Transfers	-	-	-	-	-
Net non-operating revenues (expenses)	2,350,220	3,257,079	1,962,622	1,768,278	1,419,630
Income (loss) before contributions	8,267,363	8,338,973	5,318,779	5,180,382	904,632
Capital contributions	457,207	3,557,718	4,413,317	3,119,117	8,323,446
Change in net assets	8,724,570	11,896,691	9,732,096	8,299,499	9,228,078
Net assets – beginning	106,931,017	115,655,587	127,552,277	137,360,640[4]	145,660,139
Net assets – ending	$115,655,587	$127,552,278	$137,284,373	$145,660,139[5]	154,888,217

NOTES:

(1) Unaudited obtained from trial balance.

(2) Other revenue includes miscellaneous charges (reconnection charges, returned check charges, new account charges, etc.) and impact fees.

(3) The Borrower attributes the increase in operating expenses in fiscal year 2008 in part to an increase in overhead allocation implemented during such fiscal year.

(4) Adjusted per the audited financial statements.

(5) Adjusted per the audited financial statements.

(6) The Borrower attributes the increase in operating expenses in fiscal year 2010 in part to (i) an increase in purchased water from the County and (ii) the County's true-up in the amount due and owing for water purchases in fiscal year 2008, and (iii) an additional increase in overhead allocation implemented during such fiscal year.

Source: City of Hialeah – Department of Water and Sewers

The Borrower currently has no other debt outstanding secured by a pledge of the revenues of the System. The System does, however, owe certain amounts to the Borrower's general fund as a result of internal loans. See "APPENDIX I – Audited Financial Statements of the City of Hialeah for the year ended September 30, 2009 and Unaudited Financial Statements related to the Water and Sewer System for the year ended September 30, 2010."

For a projection of future revenues and expenses and debt service coverage of the System, see "APPENDIX G – City of Hialeah Department of Water and Sewers Engineering Assessment Report."

System Staff

The System presently employs approximately 100 persons. The System is managed by Armando Vidal, P.E., who reports to the Mayor and administers the activities of the construction, operation and maintenance of the System facilities. The following are brief biographies of key personnel of the System:

Alfredo Hernandez, Water Distribution Supervisor (Acting Appointment). Mr. Hernandez has been working for the Department in water distribution since August 1986. He holds a B-certificate in water distribution and a C-certificate in wastewater collection. Mr. Hernandez, as the Water Section Supervisor, is in charge of the day-to-day activities of the Section, including service connections and disconnections, new construction and repairs and maintenance. Mr. Hernandez also supervises the Meter Room which is responsible for meter maintenance, testing and water quality sampling collection.

James Morris, Sewers and Pump Station Supervisor (Acting Appointment). Mr. Morris started working with the Department in August of 1986. He has worked in all sections in the Operations Division (Water, Wastewater, and Pump Division). He holds a C-certificate in Water and Wastewater. He is also certified in the repair and maintenance of Flygt Pumps. As the Sewer Section Supervisor he is in charge of the day-to-day activities of the Section, including service connections and disconnections, new construction and repairs and maintenance. Mr. Morris is also responsible for the daily maintenance of 86 sewage pump stations in the collection and transmission system, including three regional stations.

Jose Rodriguez, P.E., Engineering Coordinator. Mr. Rodriguez has a B.S. in Meteorology 1972, B.S. in Civil Engineering 1983. He is a Professional Engineer registered in the State of Florida. Mr. Rodriguez started with the City of Hialeah Department of Water and Sewers in 2004. He is responsible for the review and approval of utility designs for permitting, the preparation of engineering reports for regulatory agencies, and other engineering-related matters.

Armando Vidal, P.E., Director. Mr. Vidal, with over 39 years of experience, is a graduate engineer with a B.S.C.E. and a Masters in Public Administration. Mr. Vidal is also a Professional Engineer, registered in the State of Florida. Mr. Vidal first joined the Department as the Assistant Director in May 1998 and became the Director in October 1998. Previously Mr. Vidal was the Director of Miami Dade County Public Works Department and became the Miami

Dade County Manager from 1995 to 1998. Mr. Vidal is responsible for the day-to-day management of the Department and acts as the project manager for the City's Sewer Rehabilitation Program and the Reverse Osmosis Water Treatment Plant. Mr. Vidal holds several certificates in related engineering disciplines.

Government Regulation

Since the System is mainly a collection and distribution system and at the present time does not include either water production and treatment facilities or wastewater treatment and disposal facilities, much of the current government regulation governing the System is from Miami-Dade County pursuant to the Miami-Dade County Code. Pursuant to Section 24-42 of the Miami-Dade County Code, the County regulates such matters as prohibited discharges, infiltration and inflow, pump station operation, overflows, and pretreatment standards. See "Government Regulation—Pump Stations I/I" below for a discussion regarding a consent order entered into between the Borrower and the County with respect to inflow and infiltration. Upon completion of the Project, the reverse osmosis water treatment facility co-owned by the Borrower and the County will be subject to regulation by federal and state authorities, as described below. In addition, the County's wastewater treatment facility that treats wastewater generated within the Borrower's service area and the water production facilities that currently provide wholesale potable water to the Borrower are likewise subject to regulation by federal and state authorities. Although the Borrower is unaware of any pending regulatory actions with respect to such wholesale facilities, it would not necessarily be apprised of such, and any regulatory actions associated therewith could have a direct impact on rates the Borrower is required to pay for both wholesale treated water and the treatment of wastewater generated within the Borrower's service area.

Water Supply Regulation.

1. Federal. All water supply systems in the United States which provide water to at least 15 service connections or 25 individuals are subject to the provisions of, and to regulation by the Environmental Protection Agency ("EPA") under the Safe Drinking Water Act (the "SDWA"). The EPA has promulgated nationwide drinking water regulations which specify the maximum level of harmful contaminants allowed in drinking water and which govern the construction, operation and maintenance of water supply systems as required by SDWA.

2. State. Under the terms of the SDWA, a state has primary enforcement responsibility for public water systems if the EPA determines that the state's drinking water regulations are at least as stringent as the federal drinking water regulations. Florida has adopted all of the primary and secondary regulations promulgated by the EPA pursuant to the SDWA as part of its drinking water program. Consequently, regulation of the water system is primarily under the jurisdiction of the State of Florida. The Borrower's water system has consistently met all Florida Department of Environmental Protection ("FDEP") requirements. In addition, withdrawal of water from Florida underground sources is regulated by the several regional water management districts, including in the Borrower's case the South Florida Water Management District. As described under the headings "THE PROJECT" and "THE SYSTEM – Government Regulation – Regulation of Miami-Dade County" herein, the consumptive use permit required

for the Project has been obtained from the Water Management District by the County through the County's overall water production authority permitting.

Wastewater Regulations.

Federal. The provisions of the Federal Water Pollution Control Act, the Clean Water Act of 1977 (the "Clean Water Act"), the Marine Protection, Research and Sanctuaries Act of 1972 ("MPRSA") and related regulations affect the wastewater system. Federal enforcement of these statutes is entrusted to EPA.

Under the Clean Water Act, EPA administers an extensive program of federal capital construction grants (the "Construction Grants Program") and oversees compliance with regulations and guidelines it has promulgated concerning (i) wastewater treatment plant construction, operation, maintenance, upgrading and rehabilitation, (ii) introduction of toxins and other pollutants into wastewater treatment facilities and (iii) pollutant discharges from all point sources. Included in that regulatory framework is the National Pollutant Discharge Elimination System ("NPDES") Permit Program and the issuance of wastewater treatment plant operating permits. The required NPDES permit and a state permit have been combined into one permit issued by FDEP.

The Clean Water Act also directs the EPA to address the problem of discharges of toxins and other substances that must be met by specific industries ("Categorical Standards") and has directed that publicly-owned treatment facilities establish and enforce industrial pretreatment programs.

The EPA pursuant to the Clean Water Act has indicated its intent to establish numeric criteria for certain nutrients (specifically, phosphorous and nitrogen) for both flowing waters and marine waters in Florida. Although the EPA initially delegated establishment of such rule to the FDEP, EPA has taken back over the establishment of said rule. EPA's proposed criteria are lower than that currently achieved even by advanced wastewater treatment processes in place in Florida, which could necessitate mandatory upgrades to meet the new criteria. The Florida Water Environment Association Utility Council and other local government agencies have filed legal action challenging the proposed criteria. **At this point the Borrower is unable to predict whether and when new, more stringent criteria will be imposed and what impact, financial and otherwise, the same might have on the Borrower and the System.**

State. State regulations set forth various permitting requirements applicable to the wastewater system. Construction of new wastewater facilities or the modifications of existing facilities requires a construction permit issued by the FDEP. Prior approval from the FDEP is required to place new collection and transmission systems into operation. In addition, operation of all treatment and disposal facilities requires an operating permit from the FDEP.

State regulations establish various standards with which the System must comply in operating the wastewater system. The regulations set forth (i) criteria and standards for the FDEP in granting permits to construct or modify domestic wastewater facilities, including specific guidelines for the design and construction of gravity wastewater systems and collection

and transmission systems; (ii) criteria for the discharge of domestic wastewater effluent to certain wetlands; and (iii) standards for treating wastewater before discharge into disposal systems, surface waters, spray irrigation, ocean outfalls or underground geological formations.

In addition to the water effluent limitations set forth above, all activities of the System and all discharges from the wastewater system and the Borrower's stormwater drainage system must also meet certain water quality-based effluent limitations. The regulations prohibit the FDEP from issuing a permit for a discharge to the waters of the State unless the FDEP has established an effluent limit for those pollutants in the discharge that are present in quantities or concentrations that can reasonably be expected to cause or contribute to a violation of the water quality standards for the State's public water supply.

In addition, the regulations require owners of wastewater treatment plants to provide monthly reports concerning the composition, concentration and treatment of the wastewater from the treatment plants. The regulations set forth a schedule of required sampling of effluent discharge for the following: flow, ph-chlorine residual, biochemical oxygen demand, suspended solids and fecal coliform. Failure to maintain records of such sampling and to correct such failure shall subject the wastewater treatment plant to revocation of its permit.

Pump Stations I/I. On February 21, 2007, in response to the Sewer Rehabilitation Program Status Report submitted by the Borrower to the County on January 5, 2007, the County notified the Borrower that the sanitary sewer system was not in compliance with Miami-Dade County Code Section 24-42.2. The report indicated that thirty-five of the Borrower's pump stations were not in compliance with the requirements established in Section 24-42.2. As a result, the Borrower entered into an Administrative Consent Agreement with the County in April 2007, concerning the thirty-five basins for which compliance with the 5,000 gallon per day/inch/mile (gdpim) standard infiltration and inflow ("I/I") specified in the County Code had not been demonstrated.

The Borrower has implemented a system-wide sewer condition assessment and rehabilitation program and has performed various tasks including smoke testing, flow monitoring, manhole inspection, televising sanitary sewer lines, evaluating sewer videotapes, and performing remediation efforts with in-house and outside contractors. The program has been highly successful in reducing I/I. The Borrower's wastewater flow for treatment by the County has declined over the past ten years as a result of the Borrower's infiltration and inflow reduction program.

Although the initial term of the Consent Agreement expired on September 15, 2010, the Borrower has reached a verbal agreement to extend the deadline to September 15, 2012, with the option to extend one additional year, to September 15, 2013, if needed.

Regulation of Miami-Dade County. As the current provider of wholesale purchased water and treated wastewater to the Borrower, the County is subject to both federal and state regulation as described above of its water production facilities and wastewater treatment plants. As any regulatory action which imposes additional costs to the County's operations are ultimately passed on to its wholesale customers, including the Borrower, these actions may have significant

effect on the Borrower, but it may be powerless either to know about them in advance or to do anything to mitigate their effect. The Borrower is aware that there has been regulatory action affecting the County's water system with regard to ground water under direct influence of surface water, disinfection byproducts and aquifer storage and recovery, and affecting the County's wastewater system with regard to effluent movement in the aquifer, inflow and infiltration and overflow violations. At this point the Borrower is unaware of any specific additional costs expected to be passed down as a result of such regulatory action, but can provide no assurance that such costs will not in fact occur, or that additional regulatory actions may be undertaken which will result in increased rates and charges to the Borrower's customers. See also "THE SYSTEM—Wastewater System" herein for a discussion of the proposed elimination of the use of ocean outfalls for disposal of wastewater in Miami-Dade County.

Water and Wastewater Rates

Pursuant to city ordinance, as amended through the Borrower's budget process, the Borrower has established the water and sewer charges set forth below. The Rate Consultant's projections set forth in APPENDIX G attached hereto assume the rate increase recently implemented by the Borrower with no additional rate adjustments needed over the period ending with fiscal year 2015, other than an indexing of such rates to inflation, and the pass-through of any increase in the costs of purchased water or sewer treatment and disposal received from Miami-Dade County. The Borrower's rates are indexed to the "Consumer Price Index for all Urban Consumers – United States City Average – All Items." See "APPENDIX G – City of Hialeah Department of Water and Sewers Engineering Assessment Report."

	Prior Rates		FY2011 Rates Effective 1/1/11	
	Water	Sewer	Water	Sewer
Monthly Charges				
Readiness to Serve Charge	$3.98	$4.50	$4.42	$4.57
Gallonage Charge (per 100 gls)				
0 – 5,000	$0.168	$0.335	$0.187	$0.340
5,001 – 10,000	$0.182	$0.360	$0.202	$0.366
10,001 – 20,000	$0.191	$0.372	$0.212	$0.378
20,001 – 40,000	$0.207	$0.426	$0.230	$0.432
40,001 – 50,000	$0.207	$0.426	$0.230	$0.432
50,001 – 100,000	$0.225	$0.428	$0.250	$0.435
Over	$0.225	$0.428	$0.2506	$0.435

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Bi-monthly Charges				
Gallonage Charge (per 100 gls)	$7.96	$8.80	$8.85	$8.94
Readiness to Serve Charge				
0 – 5,000	$0.168	$0.335	$0.187	$0.340
5,001 – 10,000	$0.168	$0.335	$0.187	$0.340
10,001 – 20,000	$0.182	$0.360	$0.202	$0.366
20,001 – 40,000	$0.196	$0.389	$0.218	$0.395
40,001 – 50,000	$0.207	$0.426	$0.230	$0.432
50,001 – 100,000	$0.207	$0.428	$0.230	$0.435
Over	$0.225	$0.428	$0.250	$0.435

Set forth below is a comparison of residential billing rates for the Borrower and certain neighboring utilities as of February 2010:

	Residential Service Assuming 7,000 Gallons of Utility Service		
City of Hialeah	Water	Wastewater	Total
Rates			
Rates effective January 1, 2011	$17.51	$30.19	$47.70
Other Similar Utilities			
City of Boca Raton	$17.05	$20.39	$37.44
Miami-Dade Water & Sewer Dept.	$12.57	$24.87	$37.44
City of Pembroke Pines	$21.87	$24.27	$46.14
Palm Beach County	$20.34	$25.81	$46.15
City of Orlando	$13.62	$32.67	$46.29
City of Pompano Beach	$22.51	$26.52	$49.03
City of Coral Springs	$22.86	$31.25	$54.11
City of Tamarac	$19.02	$35.52	$54.54
City of Coconut Creek	$33.14	$25.59	$58.73
City of North Miami	$26.21	$32.62	$58.83
City of Fort Lauderdale	$21.83	$37.17	$59.00
City of Hollywood	$21.15	$38.24	$59.39
Broward County	$27.51	$34.22	$61.73
City of Boynton Beach	$28.26	$35.40	$63.66
City of West Palm Beach	$31.19	$35.33	$66.52
City of Sunrise	$34.02	$40.42	$74.44
City of Margate	$32.39	$57.86	$90.25
Average	$23.46	$32.69	$56.15

Source: City of Hialeah – Department of Water and Sewers

Capital Facilities Fees and Connection Fees

The Borrower imposes a charge for all connections to the water or wastewater system, which includes a meter connection fee ("Connection Fee") for physically connecting to the System and an impact fee ("Capital Facilities Fee") for costs reasonably attributable to future expansion of the System. The total of the two fees is referred to herein as the "Connection Charge". In addition, the Borrower is required pursuant to County Ordinance No. 89-95, as amended, to collect the County's water and wastewater impact fees from customers connecting to the System. The Connection Fees are included within the definition of "Gross Revenues" and pledged to secure the Borrower's obligation under the Loan Agreement, while the Capital Facilities Fees are not included within the definition of Gross Revenues. See "APPENDIX F – Form of the City of Hialeah Bond Ordinance." By law, such Capital Facilities Fees may only be used to fund growth-related improvements to the System. See "THE SYSTEM – Planned Capital Improvements," below.

Currently, the Borrower collects Capital Facilities Fees from new connections to its water and sewer systems under various Resolutions as follows:

- Resolution No. 293 provides for the assessment of a rated gallon per day charge to any new building construction connecting to the water transmission and distribution system west of the Palmetto Expressway (SR826) and north of Okeechobee Road. The water transmission charge was established at $0.26 and the water distribution charge was established at $0.82 per daily rated gallon in accordance with the resolution. Currently, as updated in Resolution 306, the Department uses the daily rated gallonage provided by the County.

- Resolution No. 295 provides for the assessment of a rated gallon per day charge to the existing water distribution system by any new building construction requiring water service, except for new construction west of the Palmetto Expressway (See Resolution 293). The charge was established at $0.27 per daily rated gallon in accordance with the resolution.

- Resolution No. 341 provides for the assessment of a rated gallon per day charge to any new building construction in Section 27 and 34 connecting to the sewer collection system. The sewer connection charge was established at $2.50 per daily rated gallon in accordance with the resolution. Currently, as updated in Resolution 306, the Department uses the daily rate gallonage provided by the County. The resolution also established a construction charge for sewage collection in Section 28 at a cost of $1.50 per rated gallon per day use of the sewage main on West 76 Street.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Set forth below are historical receipts of water and wastewater Connection Charges (approximately 27% of which represent Capital Facilities Fees) for Fiscal Years 2006-2010:

City of Hialeah
Historical Connection Charge Receipts

Fiscal Years 2006-2010[1]

Fiscal Year	Water Connection Charges	Wastewater Connection Charges
2006	$66,732	$30,905
2007	158,026	10,008
2008	76,321	1,103
2009	38,932	-
2010	44,520	1,920

Source: City of Hialeah – Department of Water and Sewers

(1) The Borrower attributes the fluctuation in water and wastewater system Connection Charges in part to construction cycles for large-scale projects and general economic conditions.

The Borrower's current Water Capital Facilities Fee and Wastewater Capital Facilities Fee rates are set forth below. The Borrower's rate consultant has recommended modifying the Water Capital Facilities Fee and Wastewater Capital Facilities Fee as also set forth below, and such modification is expected to be considered by the Borrower during its fiscal year 2012 budget process.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Current and 2011 Capital Facilities Fee Rates

City of Hialeah
Department of Water and Sewers
Schedule of Current and Proposed Water and Wastewater Capital Facilities Fees

CURRENT FEES (PER GALLON)	Water Impact Fee per GPD	Sewer Impact Fee per GPD
All Customer Classifications		
Resolution 293:		
Connections West of Palmetto & North of Okeechobee:		
Transmission Fee	0.26	
Distribution Fee	0.82	
Resolution 295:		
All other connections except areas covered under Resolution 293		
Distribution Fee	0.27	
Resolution 341:		
Sewer Collection		
Sections 27 and 34		2.50
Sections 28		1.50

PROPOSED FEES	Water Impact Fee	Sewer Impact Fee
All Customer Classifications		
Per Gallon – Water Transmission & Distribution	0.71	
Per Gallon – RO Water Treatment	7.79	
Per Gallon – Sewer Collection		$2.76
Total Proposed Impact Fee Per Gallon – System Wide	$8.50	$2.76
Total Proposed Impact Fee Per ERC(1) – System Wide	$2,975.00	$966.00

(1) One ERC = 350 Gallons Per Day (GPD)

The County's current water and wastewater connection charge rate is $1.39 per average daily gallon.

Capital Improvement Program

Several capital improvements and expansions to the water and wastewater systems (including the Project) have been planned for the next four years. Funding for the projects will be through a mix of unrestricted operating revenues, low interest state loans, impact fees and bond issues. The total projected cost of these projects is estimated by the Borrower to be $117,456,337, of which $46,000,000 or 39% of the total project cost is anticipated to be funded with Bond proceeds, with the remainder expected to come from Miami-Dade County and the South Florida Water Management District. See "APPENDIX G – City of Hialeah Department of Water and Sewers Engineering Assessment Report."

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

City of Hialeah – Department of Water and Sewers
Capital Improvement Plan (CIP) – Fiscal Year 2011 to Fiscal Year 2014

	FY2011	FY2012	FY2012	FY2014
Water and Sewer Services (9500)				
Vehicle Replacements	167,000			
Completion of Construction of New Administration Building	1,950,000			
Replacement of telephone system and servers for billing system	200,000			
Replacement of office furniture and fixtures for new building	130,000			
Total CIP Water and Sewer Services	$2,447,000			
Water Services (9510)				
Replacement of Existing Water Main on E. 4th Ave.	2,600,000			
Replacement of Existing Water Main on W. 4th Ave.	1,300,000			
Restoration of Swales/Alleyways/Sidewalks due to Water Repairs	100,000	100,000	100,000	100,000
Restoration of Pavement due to Water Repairs	50,000	50,000	50,000	50,000
Total CIP Water Services	$4,050,000	$150,000	$150,000	$150,000
Sewer Services (9520)				
Restoration of Swales/Alleyways/Sidewalks due to Sewer Repairs	100,000	100,000	100,000	100,000
Restoration of Pavement due to Sewer Repairs	50,000	50,000	50,000	50,000
Lining of Sewer Mains Infiltration/Inflow Remediation	2,350,000			
Purchase of Pumps, Control, Generators, ATS to prevent overflows	600,000			
Rehabilitation of 11 Pump Stations in Section 26	1,650,000	1,375,000		
Construction of New Force Mains for Stations in Section 26	2,046,000	4,180,000		
Construction of Regional Pump Station #300 for Section 26	1,100,000	2,750,000		
Rehabilitation of Pump Station #4 to prevent sewer overflows	266,000			
Rehabilitation of Pump Station #5 to prevent sewer overflows	370,000			
Rehabilitation of Pump Station #6 to prevent sewer overflows	2,104,000			
Rehabilitation of Pump Station #12 to prevent sewer overflows	316,000			
Rehabilitation of Pump Station #105 to prevent sewer overflows	316,000			
Rehabilitation of Pump Station #126 to prevent sewer overflows	266,000			
Rehabilitation of Pump Station #131 to prevent sewer overflows	316,000			
Rehabilitation of Pump Station #150 to prevent sewer overflows	516,0000			
Total CIP Sewer Services	$13,366,000	$8,455,000	$150,000	$150,000
Reverse Osmosis (RO) Water Treatment Plant (9530)				
RIWTO – DBO Construction	35,372,064	18,939,373		
ROWTP – Site Improvements	1,295,000			
ROWTP – Injection Well Pump Station	2,673,000			
ROWTP – Production Wells	18,480,000	1,540,000		
ROWTP – Pipeline Construction	10,164,000	924,000		
Total CIP RO Water Treatment Plant	$67,984,964	$21,403,373		
TOTAL CIP PROJECTS	$86,847,964	$30,008,373	$300,000	$300,000

Source: Department of Water and Sewers, FY 2011 Budget Submission – Capital Improvement Plan Charges – Fiscal Years 2011-2014

BOND INSURANCE OPTION

The Issuer has applied for a commitment from Assured Guaranty Corp. ("Assured Guaranty" or the "Bond Insurer") for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. At the option of the Issuer, as determined at the time of pricing, payment of the principal and interest on all or a portion of the Bonds when due may be insured by the insurance policy issued by Assured Guaranty. The Issuer may elect to provide for insurance with respect to all of the Bonds, some of the Bonds or none of the Bonds. If the insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the insured Bonds when all or some becomes due, any owner of the insured Bonds shall have a claim under the Bond Insurance Policy (the "Policy") for such payments. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the insured Bonds by the Issuer which is recovered by the Issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to the Indenture. In the event the Bond Insurer is unable to make payments of principal and interest as such payments become due under the Policy, the insured Bonds would be payable solely from the moneys received by the Trustee pursuant to the Indenture. In the event the Bond Insurer becomes obligated to make payments with respect to insured Bonds, no assurance is given that such event will not adversely affect the market price of such Bonds or the marketability (liquidity) for such Bonds. The issuance of such policy would be subject to the terms and conditions of the commitment obtained from Assured Guaranty and to compliance with standard closing requirements. If the Issuer decides to obtain such a municipal bond insurance policy, the Issuer and the provider of such policy will enter into an insurance agreement providing for the rights of the provider. The terms of such agreement would be incorporated by reference into and become a part of the Indenture.

The long-term ratings on any insured Bonds are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on any insured Bonds will not be subject to downgrade, and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATINGS," herein.

The obligations of any bond insurer are general obligations of such bond insurer and in an event of default by the bond insurer, the remedies available to the Bondholders may be

limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

Neither the Issuer nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer and underlying Borrower(s) to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

No assurance can be given as to (a) whether the Issuer will decide to obtain such municipal bond insurance policy in connection with the issuance of the Bonds or (b) whether the Issuer will insure all or less than all of the Bonds. The decision as to whether or not a financial guaranty insurance policy will be obtained with respect to all or a portion of the Bonds will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions existing at such time. If the Issuer does decide to obtain any such policy, it will be a condition to the issuance of the Bonds that such policy be issued concurrently with the issuance of the Bonds and it is expected that the premium for such policy will be paid from the proceeds of the insured Bonds.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

DEBT SERVICE REQUIREMENTS

The following table sets forth the total annual scheduled debt service requirements for the Bonds.

Year Ending October 1 (Inclusive)	Principal	Interest	Total Annual Debt Service
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance 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 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.

In the opinion of Bond Counsel, assuming compliance with certain 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 will be subject to the Federal alternative minimum tax when any Bond is held by a corporation. The Federal 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" may include a portion of the interest on the Bonds for purposes of computing the alternative minimum tax on corporations. Prospective bondholders should consult with their tax specialists for information and advice with respect to adjusted current earnings.

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 the 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.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Issuer and the Borrower, certificates

of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Bonds), without undertaking to verify the same by independent investigation.

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, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters. Purchasers of the Bonds should consult their tax advisors as to the income tax status of interest on the Bonds in their particular state or local jurisdiction. 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 of the Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Bonds.

Tax Treatment of Original Issue Discount. Under the Code, the difference between the maturity amount of the Bonds maturing on _____through_____, the Bonds maturing on _____, _____through _____, _____ and on _____, and the Bonds maturing on _____ (collectively, the "Discount Bonds"), 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 Discount Bonds of the same maturity was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount 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 or she holds the Discount Bonds, and will increase his adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount 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. Bondholders of the Discount 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 the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

Tax Treatment of Bond Premium The difference between the principal amount of the Bonds other than the Discount Bonds (the "Premium Bonds") 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 such Premium Bonds of

the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at (i) the fourth lowest rate of tax applicable under Section 1(c) of the Code (i.e., a rate applicable to unmarried individuals) for taxable years beginning on or before December 31, 2010; and (ii) the rate of 31% for taxable years beginning after December 31, 2010, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

LITIGATION

On the date of delivery of the Bonds, the Borrower will certify 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 Borrower's knowledge, threatened, against or affecting such Borrower wherein an unfavorable decision, ruling or finding would materially and adversely affect the Borrower, its financial condition or its ability to comply with its obligations under the Loan Agreement or the validity or enforceability of the Loan Agreement.

On the date of delivery of the Bonds, the Issuer will certify 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 knowledge of the Issuer, threatened, against or affecting the Issuer,

wherein an unfavorable decision, ruling or finding would materially and adversely affect the validity of the Bonds, the Indenture or the Loan Agreement.

VALIDATION

On February 13, 2003, 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.

SEC ORDER; VOLUNTARY CLOSING AGREEMENT

On July 19, 2010, the Issuer and the City of South Miami ("South Miami") initiated with the Internal Revenue Service the process for requesting a voluntary closing agreement to resolve several issues which came to the attention of the Issuer and could affect the tax-exempt status of certain prior bonds issued by the Issuer. Specifically, South Miami was a borrower of a portion of the proceeds of the Issuer's Series 2002A and Series 2006 Bonds. South Miami has made the Issuer aware of an issue with regard to the use of the proceeds of such bonds and a long-term lease of a parking facility. On July 19, 2010, the United States Securities and Exchange Commission issued an Order Directing Private Investigation and Designating Officers to Take Testimony, alleging that in the underwriting, offering, sale and purchase of such bonds that there may have been made false statements of a material fact or a failure to disclose material facts concerning, among other things, the tax-exempt status of such bonds. The Issuer intends to cooperate fully with the IRS and SEC in evaluating the matter. However, no action in connection with such issues is expected to have any impact on the Bonds or the tax-exempt status thereof.

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 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 correctness 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" and "TAX MATTERS." A form of the approving opinion of bond counsel is included herein as APPENDIX E. Certain legal matters will be passed upon for the Issuer by 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, Nabors, Giblin & Nickerson, P.A. Certain legal matters will be passed upon for the Borrower by its counsel.

Bond Counsel 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

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, has assigned a rating to the Bonds of "A" (stable outlook) and Fitch, Inc. has assigned a rating to the Bonds of "A+" (stable outlook). 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 have 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

Wells Fargo Bank, National Association , the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of $_____ (which includes net original issue discount of $_____ and Underwriter's discount of $_____), and to reoffer the Bonds at the prices shown on the inside 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.

Wells Fargo Bank, National Association, sole underwriter of the Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, Wells Fargo Bank, National Association will share a portion of its underwriting compensation with respect to the Bonds with WFA. Wells Fargo Bank, National Association and WFA are both subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

FINANCIAL ADVISOR TO THE ISSUER

The Issuer has retained Waters and Company, LLC, Birmingham, Alabama, 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.

As noted elsewhere in this Official Statement, the Bonds constitute the twenty-first series of bonds issued by the Issuer. The Issuer's prior bond issues funded a loan to borrowers (the "Prior Borrowers") in a fashion similar to that described herein with respect to the Bonds. In connection with its prior bond issues, the Issuer and each of the Prior Borrowers entered into continuing disclosure agreements (the "Prior Undertakings") pursuant to the Rule. Pursuant to the Prior Undertakings, the Issuer and each Prior Borrower agreed to provide certain annual financial information on or before the date 270 days after the end of each fiscal year of the Issuer and the respective Prior Borrower. The Issuer has complied with its Prior Undertakings. Likewise, the Borrower has complied with prior undertakings applicable to it as a borrower.

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.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

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 _____
Its: Chairman

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of May 1, 2011 (the "Continuing Disclosure Agreement") is executed and delivered by the City of Hialeah, Florida, a Florida municipal corporation ("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 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 Section 4 hereof, which contains 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 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 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 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 Report" means a document or set of documents which (a) identifies the Borrower; (b) contains (or includes by reference to documents which were filed with the SEC or EMMA 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, Series 2011D.

"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.

"EMMA" means the Electronic Municipal Market Access System as described in Securities and Exchange Commission Release No. 34-59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule as further described in Sections 4 and 6 hereof.

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

"Final Official Statement" means the Final Official Statement 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 of even date herewith by and between Florida Municipal Loan Council, as Issuer, and Deutsche Bank Trust Company Americas, as Trustee.

[**"Insurer"** means_____.]

"Loan Agreement" means the Loan Agreement dated of even date herewith, between the Issuer and the Borrower.

"Listed Events" means any of the events which are set forth in Section 6 hereof

"MSRB" means the Municipal Securities Rulemaking Board.

"Offering" means the primary offering of the Bonds for sale by the Participating Underwriter.

"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 Wells Fargo Bank, National Association.

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

"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 any state information depository that is established within the State of Florida and with which the Borrower is legally required to file the information set forth herein.

"Trustee" means Deutsche Bank Trust Company Americas, 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 this Continuing Disclosure Agreement 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 this Continuing Disclosure Agreement.

SECTION 4. Annual Financial Information. (a) The 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 Annual Report Date and of the Borrower's obligation hereunder not more than 60 and not less than 30 days prior to each Annual 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 EMMA,

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 EMMA 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, EMMA, 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 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 Borrower shall provide to the MSRB and to the SID, if any, on a timely basis not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events, if such event is material with respect to the Bonds or the Borrower's ability to satisfy its payment obligations with respect to the Loan. 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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of the holders of the Bonds;

(viii) optional, contingent or unscheduled redemption calls;

(ix) tender offers with respect to the Bonds;

(x) defeasances;

(xi) release, satisfaction or sale of property securing repayment of the Bonds;

(xii) rating changes;

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

(xiv) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(xv) appointment of a successor or additional trustee or the change of name of a trustee.

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 with respect to or caused by the Borrower, 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, provided, that any event under Sections 6(i), (iii), (iv), (v), (vi), (ix), (x), (xii) and (xiii) above will always be deemed to be material.

(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 an 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 EMMA, 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 EMMA 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 EMMA, 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 EMMA, 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 EMMA 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 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 EMMA of any such amendment and shall provide EMMA 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. Notwithstanding anything to the contrary contained herein, the obligations of the Borrower hereunder shall be limited obligations payable solely from the sources provided under Section 2.02(a) of the Loan Agreement.

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.

(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.

THE CITY OF HIALEAH, 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 Hialeah, a Florida municipal corporation, 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 May 1, 2011 (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 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 EMMA or filed with the SEC.

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 HIALEAH, FLORIDA,
Borrower

By:_____
Its:_____

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

Florida League of Cities, Inc.
301 Bronough Street
Tallahassee, Florida 33401

The undersigned duly authorized signatory of the City of Hialeah, Florida (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of May 1, 2011 (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. 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: Historical Revenues and Expenditures

(b) Operating Data: Total Number of Accounts, Purchased Water Costs, Cost of Wastewater Treatment, Water and Wastewater Rates, Capital Facilities Fee Rates

4. 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 3 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 _____, _____.

CITY OF HIALEAH, FLORIDA, Borrower

By:_____
Its:_____

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: _____

APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of May 1, 2011 (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 filed with the SEC or with EMMA 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, Series 2011D.

"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.

"EMMA" means the Electronic Municipal Market Access System as described in Securities and Exchange Commission Release No. 34-59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule as further described in Sections 4 and 6 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 May 1, 2011, by and between the Issuer and Deutsche Bank Trust Company Americas, as Trustee.

[**"Insurer"** means _____].

"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.

"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 Wells Fargo Bank, National Association.

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

"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 any state information depository that is established within the State of Florida and with which the Borrower is legally required to file the information set forth herein.

"Trustee" means Deutsche Bank Trust Company Americas, 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 Annual Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each Annual 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 EMMA, 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 EMMA 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 EMMA, 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 the Issuer) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent, to the effect that the Financial Information 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 Issuer shall provide to the MSRB and to the SID, if any, on a timely basis not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events, if such event is material with respect to the Bonds or the Issuer's ability to satisfy its payment obligations 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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of the holders of the Bonds;

(viii) optional, contingent or unscheduled redemption calls;

(ix) tender offers with respect to the Bonds;

(x) defeasances;

(xi) release, satisfaction or sale of property securing repayment of the Bonds;

(xii) rating changes;

(xiii) bankruptcy, insolvency, receivership or similar event of the Issuer (this event is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially

all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);

(xiv) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(xv) appointment of a successor or additional trustee or the change of name of a trustee.

Appointment of a successor or additional trustee or the change of name of a trustee; and;

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, provided, that any event under Sections 6(i), (iii), (iv), (v), (vi), (ix), (x), (xii) and (xiii) above will always be deemed to be material.

(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 EMMA, 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 EMMA 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 EMMA, [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 EMMA, [the Insurer], the Rating Agencies and the Trustee. The Dissemination Agent shall provide the Issuer written confirmation that such notice was provided to EMMA 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 EMMA of any such amendment and shall provide EMMA 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 May 1, 2011 (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 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 EMMA or filed with the SEC.

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 Issuer 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:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

Florida League of Cities, Inc.
Tallahassee, Florida
Deutsche Bank Trust Company Americas
New York, New York
Wells Fargo Bank, National Association
Clearwater, Florida

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 May 1, 2011 (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, Series 2011D.

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 1st day of _____, _____.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

FORM OF THE INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

FLORIDA MUNICIPAL LOAN COUNCIL,

Issuer

and

DEUTSCHE BANK TRUST COMPANY AMERICAS,

Trustee

TRUST INDENTURE

$_____ Florida Municipal Loan Council Revenue Bonds, Series 2011D

Dated as of May 1, 2011

This instrument also constitutes a security agreement under the laws of the State of Florida.

This Instrument Prepared by:

JoLinda Herring, Esq.
Bryant Miller Olive P.A.
One Biscayne Tower
2 S. Biscayne Boulevard, Suite 1480
Miami, Florida 33131

and

Grace E. Dunlap, Esq.
Bryant Miller Olive P.A.
One Tampa City Center
201 North Franklin Street, Suite 2700
Tampa, Florida 33602

TABLE OF CONTENTS

Page

GRANTING CLAUSES 2

ARTICLE I - DEFINITIONS AND RULES OF INTERPRETATION 4

SECTION 1.01. Definitions 4
SECTION 1.02. Rules of Interpretation 14

ARTICLE II - THE BONDS 16

SECTION 2.01. Authorization; Book-Entry System 16
SECTION 2.02. Maturity and Interest Rate Provisions 17
SECTION 2.03. Payment Provisions 19
SECTION 2.04. Matters Concerning Bond Insurance Policy 19
SECTION 2.05. Payments in Advance of Scheduled Maturity Dates by the Bond Insurer 19
SECTION 2.06. Mutilated, Lost, Stolen or Destroyed Bonds; Bonds Not Delivered for Redemption 19
SECTION 2.07. Transfer and Exchange of Bonds; Persons Treated as Owners 20
SECTION 2.08. Cancellation of Bonds 20
SECTION 2.09. Temporary Bonds 20
SECTION 2.10. Nonpresentment of Bonds 21
SECTION 2.11. Form of Bonds 21

ARTICLE III - REDEMPTION OF BONDS 22

SECTION 3.01. Optional Redemption of the Bonds 22
SECTION 3.02. Mandatory Redemption of Bonds 22
SECTION 3.03. Notice of Redemption 22
SECTION 3.04. Bonds Due and Payable on Redemption Date; Interest Ceases To Accrue 23
SECTION 3.05. Cancellation 23
SECTION 3.06. Partial Redemption of Bonds 23
SECTION 3.07. Selection of Bonds To Be Redeemed 23

ARTICLE IV - REVENUES AND FUNDS 24

SECTION 4.01. Source of Payment of Bonds 24
SECTION 4.02. Creation of Funds and Accounts 24
SECTION 4.03. Project Loan Fund 24
SECTION 4.04. Principal Fund 24
SECTION 4.05. Revenue Fund 24
SECTION 4.06. Cost of Issuance Fund 25

SECTION 4.07. Application of Bond Proceeds 26
SECTION 4.08. [Reserved] 26
SECTION 4.09. Rebate Fund 26
SECTION 4.10. Moneys To Be Held in Trust 26
SECTION 4.11. Reports From Trustee 26
SECTION 4.12. Certain Verifications 26

ARTICLE V - PROJECT LOANS 28

SECTION 5.01. Terms and Conditions of Loans 28
SECTION 5.02. Loan Closing Submission 28
SECTION 5.03. Disbursement to Borrowers From Project Loan Fund 28

ARTICLE VI - SERVICING OF LOANS 29

ARTICLE VII - INVESTMENT OF MONEYS 30

ARTICLE VIII - DISCHARGE OF INDENTURE 32

ARTICLE IX - DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS 35

SECTION 9.01. Defaults; Events of Default 35
SECTION 9.02. Remedies; Rights of Bondholders 35
SECTION 9.03. Right of Bondholders to Direct Proceedings 36
SECTION 9.04. Appointment of Receivers 36
SECTION 9.05. Application of Moneys 37
SECTION 9.06. Remedies Vested in Trustee 38
SECTION 9.07. Rights and Remedies of Bondholders 38
SECTION 9.08. Termination of Proceedings 39
SECTION 9.09. Waivers of Events of Default 39
SECTION 9.10. Notice of Defaults Under Section 9.01(b); Opportunity of Council To Cure Such Defaults 40
SECTION 9.11. Bond Insurer to be Deemed Bondholder; Rights of Bond Insurer 40

ARTICLE X - THE TRUSTEE 42

SECTION 10.01. Acceptance of the Trusts 42
SECTION 10.02. Fees, Charges and Expenses of Trustee 43
SECTION 10.03. Notice to Bondholders if Default Occurs Under Indenture 44
SECTION 10.04. Intervention by Trustee 44
SECTION 10.05. Successor Trustee 44
SECTION 10.06. Resignation by Trustee 44
SECTION 10.07. Removal of Trustee 44

SECTION 10.08. Appointment of Successor Trustee 45
SECTION 10.09. Concerning Any Successor Trustee 45
SECTION 10.10. Preservation and Inspection of Documents 45
SECTION 10.11. [Reserved] 45
SECTION 10.12. Paying Agent 45
SECTION 10.13. Registrar 46
SECTION 10.14. Effect on Bondholders of Certain Actions 46

ARTICLE XI - SUPPLEMENTAL INDENTURES 47

SECTION 11.01. Supplemental Indentures Not Requiring Consent of Bondholders 47
SECTION 11.02. Supplemental Indentures Requiring Consent of Bondholders 47
SECTION 11.03. Notice to S&P and Fitch 48

ARTICLE XII - AMENDMENT OF LOAN AGREEMENT 49

SECTION 12.01. Amendments, Etc., Not Requiring Consent of Bondholders 49
SECTION 12.02. Amendments, Etc., Requiring Consent of Bondholders 49

ARTICLE XIII - GENERAL COVENANTS 50

SECTION 13.01. Payment of Principal and Interest 50
SECTION 13.02. Performance of Covenants; the Council 50
SECTION 13.03. Instruments of Further Assurance 50
SECTION 13.04. Rights Under the Loan Agreement 50
SECTION 13.05. Possession and Inspection of Loan Agreement 51
SECTION 13.06. Provision of Documents to Bondholders 51
SECTION 13.07. Tax Covenants 51
SECTION 13.08. Security Interest 52

ARTICLE XIV - MISCELLANEOUS 53

SECTION 14.01. Consents, etc., of Bondholders 53
SECTION 14.02. Limitation of Rights 53
SECTION 14.03. The Bond Insurer 53
SECTION 14.04. Severability 54
SECTION 14.05. Notices 54
SECTION 14.06. Payments Due on Saturdays, Sundays and Holidays 54
SECTION 14.07. Counterparts 54
SECTION 14.08. Applicable Provisions of Law 54
SECTION 14.09. Reporting Requirements 54

TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of May 1, 2011, 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 DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York state banking corporation, duly organized, existing and authorized to accept and execute trusts of the character herein set out, as Trustee (the "Trustee").

W I T N E S S E T H:

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 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 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 Loan Agreement between the Borrower and the Council; and

WHEREAS, the Council has previously by a resolution adopted on October 23, 2002 (the "Resolution"), authorized the issuance of its Florida Municipal Loan Council Revenue Bonds, in various series in an additional aggregate principal amount of not exceeding $750,000,000, pursuant to certain trust indentures, to provide funds to finance, refinance or reimburse the cost of qualified Projects of the participating Borrowers; and

WHEREAS, the Council has now determined to issue its $_____ Florida Municipal Loan Council Revenue Bonds, Series 2011D 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 in the Loan Agreement to pay from specific revenues of the Borrower; 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

W I T N E S S E T H:

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 (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 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

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

GRANTING CLAUSE THIRD

All Revenues, any proceeds of the Bond Insurance Policy, 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 [and the Bond Insurer] 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 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:

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, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, as amended, and all other applicable provisions of law.

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

"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.

"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 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 _____ and any successor thereto.]

"Bonds" means the $_____ Florida Municipal Loan Council Revenue Bonds, Series 2011D issued hereunder.

"Bond Year" means a 12-month period beginning on _____ 2, ending on and including the following _____1, except for the first period which begins on _____, 2011 and ends on _____ 1, 2012.

"Borrower" means the City of Hialeah, Florida, 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 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.

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

"Fitch" means Fitch, Inc. d/b/a Fitch Ratings, 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, instrumentalities 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 S&P 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 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 May 1, 2011 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 April 1 and October 1 of each year, beginning October 1, 2011.

"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)

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 GICs, 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 S&P and Moody's, or

b. Banks rated "A" or above by S&P and Moody's.

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 Florida Municipal Investment Trust-a local government investment pool created under Section 163.01, Florida Statutes administered by the Florida League of Cities, Inc., which consists of U.S. Treasuries, federal agency securities, instrumentalities and high grade corporate securities.

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. 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.

"Loan Agreement" or "Loan Agreements" means the Loan Agreement or Loan Agreements 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 establishing the terms and conditions upon which such Loans are to be made.

"Loan Repayment Date" means September 20, 2011 and thereafter each March 20th and September 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.

"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.

"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 [and the Bond Insurer].

"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.

"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.

"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.

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

"Trustee" means Deutsche Bank Trust Company Americas, as Trustee, or any successor thereto under this Indenture.

"Trust Estate" means the property, rights, Revenues 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:

(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.

(Remainder of this page intentionally left blank)

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, Series 2011D". 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 _____ Thousand Dollars ($_____). 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. 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.

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 _____, 2011. 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 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:

$_____ Serial Bonds

Maturity (October 1)	Principal Amount	Interest Rate

Term Bonds Due October 1, 20___ - $_____ - ____%

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:]

[To Come]

[**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 accelerated or are redeemed pursuant to Section 3.02 hereof, the Bond Insurer may at any time and at its sole option 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 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, 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. Nonpresentment 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 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).

(Remainder of this page intentionally left blank)

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds.

The Bonds maturing on or before October 1, 20___ are not subject to optional redemption prior to their maturities. The Bonds maturing after October 1, 20__ are subject to redemption at the option of the Council on or after October 1, 20____ as a whole or in part at any time, in any manner as determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

SECTION 3.02. Mandatory Redemption of Bonds.

The Bonds maturing on October 1, 20___ 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 October 1, 20___ and on each October 1 thereafter, in the following principal amounts in the following years:

Year	Principal Amount

*Maturity, not a redemption.

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.

(Remainder of this page intentionally left blank)

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 except 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.

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) Project Loan Fund;

(2) Principal Fund;

(3) Revenue Fund;

(4) Cost of Issuance Fund;

(5) Rebate Fund.

SECTION 4.03. Project Loan Fund. Interest earnings on investments in the Project Loan Fund shall be held in and credited to the Project Loan Fund.

SECTION 4.04. Principal Fund. Upon the receipt of Loan Repayments, Liquidation Proceeds [or Insurance Proceeds], the Trustee shall deposit in 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 such 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.

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 in connection with the Bonds 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, DTC, 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 each Revenue Fund, other than fees being collected in installments pursuant to the relevant Loan Agreement and amounts which will be credited against the Borrower's next Loan Repayments shall be deposited in the Principal Fund, as provided in Section 5.04 of the Loan Agreement.

SECTION 4.06. Cost of Issuance Fund. Moneys in each 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 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 _____, 2012 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 $_____ shall be deposited with the Trustee as follows:

(i) In the Cost of Issuance Fund, the total sum of $_____;
(ii) In the Project Loan Fund, the total sum of $_____

[The Council understands that $_____ is being transmitted directly to the Bond Insurer.]

SECTION 4.08. [Reserved]

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 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.

(Remainder of this page intentionally left blank)

ARTICLE V

PROJECT LOANS

SECTION 5.01. Terms and Conditions of Loans. The Council will make Loans to the Borrower in order to (i) finance the acquisition, installation and construction of Projects by Borrower and (ii) refund or refinance debt incurred by 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 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 15th 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 LOANS

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 Loans; 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.

(Remainder of this page intentionally left blank)

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 or the Borrower 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 and M.

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).

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 Project Loan Fund shall be credited to such Project Loan Fund.

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 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.

(Remainder of this page intentionally left blank)

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 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, nonpresentment 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 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.

[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 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.]

(Remainder of this page intentionally left blank)

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 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 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 Section 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 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 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 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.

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; or (ii) 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.

(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 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.]

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.

(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 or bankruptcy proceedings 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.

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 $50,000,000 [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 Council may remove the Trustee at any time without cause, by an instrument or concurrent instruments in writing delivered to the Trustee so removed and consented to 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], provided, that all amounts owing to the Trustee shall be paid simultaneous with or prior to such removal. [The Trustee may be removed at any time for cause by the Bond Insurer, with notice to the Council.]

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 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. Such successor Trustee shall give notice of such successors to Fitch 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. [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 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.]

(Remainder of this page intentionally left blank)

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 any of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon such Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, is not to the material prejudice of such 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

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, 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 and Fitch. The Trustee shall give notice to [the Bond Insurer,] S&P and Fitch of any supplemental indentures or any amendments to any Loan Agreement.

(Remainder of this page intentionally left blank)

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, or (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.

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.

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 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 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 Policy] 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

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.

(Remainder of this page intentionally left blank)

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.]

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, Suite 300
Tallahassee, Florida 32301

[Bond Insurer:]

Trustee: Deutsche Bank Trust Company Americas
Trust & Securities Services (Municipal Group)
60 Wall Street
Mail Stop 2715
New York, New York 10005

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.

[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.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By:_____
Name:
Title: Chairman

ATTEST:

FLORIDA LEAGUE OF CITIES, INC.,
Program Administrator

By:_____
Name: Michael Sittig
Title: Executive Director

TRUST INDENTURE

DEUTSCHE BANK TRUST COMPANY
AMERICAS, as Trustee

By:_____
Name: _____
Title:_____

By:_____
Name: _____
Title:_____

EXHIBIT A

[FORM OF BOND]

No. R-____ $

FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BOND
SERIES 2011D

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 _____, 2011, until payment of said Principal Amount has been made or duly provided for, at the Interest Rate set forth above on ____ 1, 20__, 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 Deutsche Bank Trust Company Americas, 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.

This Bond is one of a duly authorized issue of bonds of the Council designated as "Florida Municipal Loan Council Revenue Bonds, Series 2011D" (the "Bonds"), issued in the aggregate principal amount of _____ Dollars ($_____,000), pursuant to the provisions of Chapter 163, Part I, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and pursuant to a Trust Indenture, dated as of May 1, 2011, between the Council and

Deutsche Bank Trust Company Americas, (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 _____ (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").

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 to the Trustee, to the extent and as more particularly described in the Indenture.

[insert redemption provisions]

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 accelerated or redeemed pursuant to the terms of the Indenture or 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.

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.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By:_____
Chairman

Attest:

_____
Executive Director

VALIDATION CERTIFICATE

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 February 13, 2003.

By:_____
Chairman

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Registrar

Date of Authentication:

_____ 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:

_____

[STATEMENT OF INSURANCE]

[END OF BOND FORM]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF THE LOAN AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

LOAN AGREEMENT

By and Between

FLORIDA MUNICIPAL LOAN COUNCIL

and

CITY OF HIALEAH, FLORIDA

Dated as of May 1, 2011

FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS, SERIES 2011D

This Instrument Prepared By:

JoLinda Herring, Esq.
Bryant Miller Olive P.A.
One Biscayne Tower
2 S. Biscayne Boulevard, Suite 1480
Miami, Florida 33131

TABLE OF CONTENTS

Page

ARTICLE I - DEFINITIONS 2

ARTICLE II - REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER AND COUNCIL 11

SECTION 2.01. Representations, Warranties and Covenants 11
SECTION 2.02. Covenants of Borrower 14

ARTICLE III - THE LOAN 18

SECTION 3.01. The Loan 18
SECTION 3.02. Evidence of Loan 18

ARTICLE IV - LOAN TERM AND LOAN CLOSING REQUIREMENTS 19

SECTION 4.01. Commencement of Loan Term 19
SECTION 4.02. Termination of Loan Term 19
SECTION 4.03. Loan Closing Submissions 19

ARTICLE V - LOAN REPAYMENTS 21

SECTION 5.01. Payment of Basic Payments 21
SECTION 5.02. [Reserved] ..... **Error! Bookmark not defined.**
SECTION 5.03. Payment of Additional Payments 21
SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments 22
SECTION 5.05. Obligations of Borrower Unconditional 23
SECTION 5.06. Refunding Bonds 23
SECTION 5.07. Prepayment 23

ARTICLE VI - DEFEASANCE 24

ARTICLE VII - ASSIGNMENT AND PAYMENT BY THIRD PARTIES 25

SECTION 7.01. Assignment by Council 25
SECTION 7.02. Assignment by Borrower 25
SECTION 7.03. Payments by the Bond Insurer 25

ARTICLE VIII - EVENTS OF DEFAULT AND REMEDIES 26

SECTION 8.01. Events of Default Defined 26
SECTION 8.02. Notice of Default 27
SECTION 8.03. Remedies on Default 27
SECTION 8.04. [Reserved] 28
SECTION 8.05. No Remedy Exclusive; Waiver, Notice 28
SECTION 8.06. Application of Moneys 28

ARTICLE IX - MISCELLANEOUS 29

SECTION 9.01. Notices 29
SECTION 9.02. Binding Effect 29
SECTION 9.03. Severability 29
SECTION 9.04. Amendments, Changes and Modifications 30

SECTION 9.05. Execution in Counterparts 30
SECTION 9.06. Applicable Law 30
SECTION 9.07. Benefit of Bondholders; Compliance with Indenture 30
SECTION 9.08. Consents and Approvals 30
SECTION 9.09. Immunity of Officers, Employees and Members of Council and Borrower 30
SECTION 9.10. Captions 30
SECTION 9.11. No Pecuniary Liability of Council 31
SECTION 9.12. Payments Due on Holidays 31
SECTION 9.13. Calculations 31
SECTION 9.14. Time of Payment 31

EXHIBIT A USE OF LOAN PROCEEDS
EXHIBIT B CERTIFIED ORDINANCE OF BORROWER
EXHIBIT C OPINION OF BORROWER'S COUNSEL
EXHIBIT D DEBT SERVICE SCHEDULE
EXHIBIT E FORM OF REQUISITION CERTIFICATE

LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of May 1, 2011 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 HIALEAH FLORIDA (the "Borrower"), a duly constituted municipality under the laws of the State of Florida.

W I T N E S S E T H:

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 duly 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 (the "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 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 and that certain Trust Indenture dated as of May 1, 2011, between the Council and the Trustee (as defined herein) relating to the Bonds (as hereinafter defined), including any amendments and supplements thereto (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 each Borrower to the extent of their obligations under their respective Loan Agreements 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, Series 2011D" (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 and the Indenture.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereto agree as follows:

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 the meanings defined in the Original Ordinance, 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.

"Act" means, collectively, to the extent applicable to the Borrower, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 hereof.

"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 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, 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 a Borrower which is a County means the person performing the function 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.

"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 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 _____ and any successors thereto.]

"Bonds" means the $_____ Florida Municipal Loan Council Revenue Bonds, Series 2011D issued pursuant to Article II of the Indenture.

"Bond Year" means a 12-month period beginning on October 2 and ending on and including the following October 1, except for the first period which begins on May ___, 2011.

"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.

"Borrowers" means, collectively, the Borrower executing this Loan Agreement and the other governmental units which have received loans from the Council made from proceeds of the Bonds.

"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.

"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 Borrowers.

"Cost of Operation and Maintenance" of the System shall mean the then current expenses, paid or accrued, in the operation, maintenance and repair of the System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, general administrative and indirect labor costs, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include expenses not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation, any Bond Service Requirement, any payments in lieu of taxes, franchise fees or other transfers.

"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.

"Direct Subsidy Payments" means a direct subsidy payment expected to be received from the United States Treasury relating to "Build America Bonds' issued by the Council and loaned to the Borrower, pursuant to Section 54AA of the Code, or any other interest subsidy payments made by the federal government.

"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 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.

"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;

(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" or "Revenues" shall mean all income and earnings, including Connection Fees, received by the Issuer or accrued to the Issuer from the ownership, use or operation of the System and all parts thereof, moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms hereof, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year may be designated by the Issuer as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to this Ordinance, except the Rebate Fund, the Sewer System Capital Facilities Fee Fund, the Water System Capital Facilities Fee Fund, and also including any income or earnings (including investment income) derived from the System in any prior Fiscal Year and which is redeposited into the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the Issuer as contemplated in Section 28 of the Original Ordinance, but "Gross Revenues" or "Revenues" shall not include any direct subsidy payments received from the United States Treasury relating to "Build America Bonds" issued pursuant to Section 54AA of the Code or any other interest subsidy or similar payments made by the federal government, proceeds from the sale or other disposition of the System or any part thereof, condemnation awards or proceeds of insurance received with respect to the System and moneys deposited to the Rate Stabilization Fund from the Surplus Fund, including any moneys transferred from the Surplus Fund to the Rate Stabilization Fund within 90 days following the end of a Fiscal Year which the Issuer determines not to be Gross Revenues of such prior Fiscal Year, Contributions in Aid of Construction, Sewer System Capital Facilities Fees, Water System Capital Facilities Fees, or unrealized gains or losses from investments.

"Indenture" means the Trust Indenture dated as of May 1, 2011 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 April 1 and October 1 of each year, commencing October 1, 2011.

"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 DeLand, 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 from Bond proceeds to finance certain Project(s) in the amount specified in Section 3.01 herein.

"Loans" means all loans made by the Council under the Indenture to the Borrowers.

"Loan Agreement" or "Loan Agreements" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means September 20, 2011, and thereafter each March 20th and September 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 this Loan Agreement, including, without limitation, Additional 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.

"Net Revenues" of the System shall mean the Gross Revenues or Revenues, after deduction of the Cost of Operation and Maintenance.

"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.

"Original Ordinance" means Ordinance No. _____ enacted by the governing body of the Borrower on _____, 2010, as amended and supplemented from time to time.

"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 (1) Net Revenues and (2) until applied in accordance with the provisions of the Original Ordinance, all moneys, including investments thereof, in the funds and accounts established under the Original Ordinance, except (A) the Rebate Fund, (B) the Revenue Fund, to the extent moneys therein shall be required to pay the Cost of Operation and Maintenance in accordance with the terms of the Original Ordinance and (C) to the extent moneys on deposit in each subaccount of the Reserve Account shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Original Ordinance.

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

"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" 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 Series 2011D Project Loan Fund established pursuant to Section 4.02 of the Indenture.

"Proportionate Share" means, with respect to any Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of such Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds and then outstanding.

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

"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.

"Revenue Fund" means the Series 201D Revenue Fund created by Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrowers for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption, at maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this 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 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.

"System" or "Utility System" shall mean, collectively, the Water System and the Sewer System of the Issuer. Upon compliance with the provisions of Section 26 of the Original Ordinance, the term "System" may be deemed to include other utility functions added to the System, including, but not limited to a stormwater system, a residential reuse system, the acquisition, distribution and sale of natural gas, the providing of electricity, the providing of cable television services, the providing of telecommunication services or other utility functions that are authorized from time to time pursuant to the Act. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interest in properties of the Borrower which the Borrower determines shall not constitute a part of the System for the purpose of the Original Ordinance.

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

"Trustee" means Deutsche Trust Company Americas, as Trustee, or any successor thereto under the Indenture.

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, Wells Fargo Bank, National Association, 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, Wells Fargo Bank, National Association, 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, Wells Fargo Bank, National Assocation, 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.

(d) Borrowing Legal and Authorized. The execution and delivery of this Agreement and the consummation of the transactions provided for in this Agreement and compliance by the Borrower with the provisions of this Agreement:

(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.

(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 Projects as set forth in Exhibit A hereto. 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 _____, 2014, 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 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 an 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 _____, 2014. 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 portion of the Bonds issued to fund only its Loan including the portion issued to fund 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.

(i) Project. All items constituting the Project are permitted to be financed with the proceeds of the Bonds and the Loan pursuant to the Act.

(j) Compliance with Interlocal Act and Interlocal Agreement. All agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Agreement and 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 Loan shall be considered Additional Parity Obligations pursuant to the Original Ordinance. The Borrower agrees to pay when due under this Loan Agreement as promptly as money becomes available 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 Loan Repayment as required under this Loan Agreement. The Borrower does hereby irrevocably pledge the Pledged Revenues to the payment of the Loan Repayments.

[(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) Pledge. 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) 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 to realize 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 required by the Trustee to validate, preserve and protect the position of the Trustee under this Loan Agreement.

(f) 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.

(g) 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.

(h) Compliance with Laws, Etc. Subject to an annual appropriation of legally available funds, 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 business, properties, earnings, prospects or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(i) 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 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 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.

(k) Limited Obligations. Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder shall be payable only from Pledged Revenues as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Trustee [or the Bond Insurer], may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory or charter provision or limitation, and neither the Trustee, the Council, [the Bond Insurer], or the Bondholders or any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the payment by the Borrower of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the

Borrower to pledge or covenant to pledge said Pledged Revenues or any revenues or taxes of the Borrower for other legally permissible purposes.

(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. 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.

(m) Provisions of Original Ordinance Incorporated Herein. The covenants of the Borrower contained in the Original Ordinance are incorporated herein by reference, and until such time as the principal of, premium, if any, and interest on the Loan shall have been paid, the Borrower agrees that it shall continue to comply with the covenants set forth in the Original Ordinance regardless of any payment or discharge of any obligations issued thereunder.

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 $_____ ($_____ par amount of Bonds plus $_____ reoffering premium). This amount includes an amount equal to ____% 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. The amounts advanced net of the cost of the initial issuance are 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.

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 shall terminate after payment in full of all amounts due under this Loan Agreement 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 its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrowers 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.

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 resolutions of the Borrower substantially in the form of Exhibit B attached hereto;

(b) An opinion of the Borrower's Counsel in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation 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 _____, 2014, 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; and

(g) Such other certificates, documents, opinions and information as the Council, [the Bond Insurer], the Trustee or Bond Counsel may require, such requirement to be evidenced (in the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.

All opinions and certificates shall be dated the date of the Closing.

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 or before 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 [as determined in Section 5.01(a) and (b) above less any Direct Subsidy Payments allocated to the Borrower. The Basic Payments shall be due on each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing September 20, 2011, and extending through September 20, 20__, unless the due date of the Basic Payments is accelerated pursuant to the terms of Section 8.03 hereof.

SECTION 5.02. [Reserved]

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:

(a) (i) Borrower's Proportionate Share of: 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); and (ii) Borrower's equal share of the annual fees of the Trustee; annual fees of the Registrar and Paying Agent.

(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;

(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 reasonable fees and expenses of the Bond Insurer relating directly to the Loan; and][

(7) the Borrower's share of 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.

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 (except the Project Loan Fund) held under the Indenture; 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 (except the Project Loan Fund) 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, including but not limited to Section 2.02(a) and (k) hereof, 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 or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such 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.

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 shall continue to be secured by this Loan Agreement 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 and shall have paid all amounts due pursuant to Section 5.03 hereof, then, and in that event, the lien on the Pledged Revenues 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 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, the principal, interest and prepayment premiums, if any, 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 prepayment premiums, if any, on the Outstanding Loan, shall be considered "provision for payment." The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

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 Section 5.03 hereof, except as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least 60 days' irrevocable notice by certified or registered mail to the Council.

ARTICLE VII

ASSIGNMENT AND PAYMENT BY THIRD PARTIES

SECTION 7.01. Assignment by Council. The Borrower expressly acknowledges that this Loan Agreement 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 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.]

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;

(b) 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, provided the Borrower has prior written notice of any such payments being due;

(c) 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;

(d) 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;

(e) 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;

(f) 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;

(g) 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;

(h) Default under any agreement to which the Borrower is a party evidencing, securing or otherwise respecting any indebtedness of the Borrower outstanding in the amount of $100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable or other remedies may be exercised with respect thereto;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement; or

(j) Final judgment for the payment of money in the amount of $250,000 or more is rendered against the 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) the 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 execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes.

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(e), 8.01(f) and 8.01(g) 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, without limitation, 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. [Reserved].

SECTION 8.05. 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 8.06. 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 the 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 8.06).

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:]

Trustee: Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
Mailstop NYC60-2715
New York, New York 10005
Attn: Trust & Securities Services (Municipal Group)

For purposes other than presentation of Bonds for transfer, exchange or payment:

Borrower: City of Hialeah, Florida
501 Palm Avenue
Hialeah, Florida
Attention: Finance Director

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, 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 9.08. 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 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.

[Remainder of page intentionally left blank]

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 Hialeah, 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.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By:_____
Name:
Title: Chairman

ATTEST:

By:_____
Name: Michael Sittig
Title: Executive Director

LOAN AGREEMENT

CITY OF HIALEAH, FLORIDA

(SEAL)

By:_____
Name:
Title: Mayor

ATTESTED BY:

By:_____
Name: Title: City Clerk

Approved as to form and correctness
this _____ day of _____, 2011.

By:_____
Name:
Title: City Attorney

EXHIBIT A

CITY OF HIALEAH, FLORIDA
USE OF LOAN PROCEEDS

DESCRIPTION OF PROJECT TO BE ACQUIRED OR CONSTRUCTED

PROJECT	TOTAL AMOUNT TO BE FINANCED
The construction expansion and improvement of the Borrower's sewer treatment plant	$

EXHIBIT B

CERTIFIED ORDINANCE OF THE BORROWER

See Document No. _____

EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

_____, 2011

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

Wells Fargo Bank, National Association
2363 Gulf-to-Bay Boulevard
Clearwater, Florida 33765

Bryant Miller Olive P.A.
One Tampa City Center
Tampa, Florida 33602

Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
New York, New York 10005

Gentlemen:

We are counsel to [Name of Borrower], 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 May 1, 2011 (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 [name of governing board] of the Borrower, the Loan Agreement, an Trust Indenture dated as of May 1, 2011 (the "Indenture") between the Council and Deutsche Bank Trust Company Americas, as trustee (the "Trustee") and Ordinance No. _____ enacted by the Borrower on _____, 2010 (the "Ordinance"). 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 enact the Ordinance and to consummate the transactions contemplated thereby and otherwise to carry on its activities and own its property.

(b) The Borrower has duly authorized, executed and delivered the Ordinance, the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except to the extent that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity, and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The execution and delivery of the Ordinance, the Continuing Disclosure Agreement, the Bond Purchase Contract and the Loan Agreement, the consummation of the transactions contemplated thereby, the purchase or construction of the Project or the reimbursement for costs of the acquisition or construction thereof or the refinancing of the indebtedness to be refinanced with the proceeds of the loan and the fulfillment of or compliance with the terms and conditions of the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry or investigation pending or, to the best of our knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been disclosed in writing to the Council and the Bond Insurer and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the Loan Agreement, the Bond Purchase Contract or the Continuing Disclosure Agreement.

(e) Any indebtedness being refinanced, directly or indirectly, with the proceeds of the Loan was initially incurred by the Borrower, and the proceeds of such indebtedness have been fully expended, to finance the cost of the Project.

We are attorneys admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to the status of interest on the Bonds under either Federal laws or the laws of the State of Florida.

Very truly yours,

EXHIBIT D

DEBT SERVICE SCHEDULE

Exhibit D-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

EXHIBIT E TO LOAN AGREEMENT

FORM OF REQUISITION CERTIFICATE

TO: DEUTSCHE BANK TRUST COMPANY AMERICAS, AS TRUSTEE

FROM: CITY OF HIALEAH, FLORIDA (THE "BORROWER")

SUBJECT: LOAN AGREEMENT DATED AS OF THE 1ST DAY OF _____, 2011

This represents Requisition Certificate No. ___ in the total amount of $_____ for payment of those Costs of the Project detailed in the schedule attached.

The undersigned does certify that:

1. All of the expenditures for which monies are requested hereby represent proper Costs of the Project, have not been included in a previous Requisition Certificate and have been properly recorded on the Borrower's books as currently due and owing.

2. The monies requested thereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for funds actually advanced for Costs of the Project. The monies requested do not include retention or other monies not yet due or earned under construction contracts.

3. This requisition is in compliance with Section 5.03 of the Indenture.

4. After payment of monies hereby requested, to the knowledge of the undersigned, there will remain available to the Borrower sufficient funds to complete the Project substantially in accordance with the plans.

5. The Borrower is not in default under the Loan Agreement and nothing has occurred that would prevent the performance of its obligations under the Loan Agreement.

Executed this ___ day of _____, ____.

CITY OF HIALEAH, FLORIDA

By: _____
Name: _____
Title: _____

Exhibit E-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2011D Bonds in definitive form, Bryant Miller Olive P.A., Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

Florida Municipal Loan Council
Tallahassee, Florida

RE: $_____Florida Municipal Loan Council Revenue Bonds, Series 2011D (City of Hialeah Series)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its $_____Florida Municipal Loan Council Revenue Bonds, Series 2011D (City of Hialeah Series) (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, a Trust Indenture dated as of May 1, 2011, between the Council and Deutsche Bank Trust Company Americas, as Trustee (the "Indenture"), and Resolution No.98-1 adopted by the Council on December 17, 1998, as amended and supplemented, Resolution No. 2010-03 adopted March 25, 2010 and Resolution No. 2010-05 adopted September 23, 2010 (collectively, the "Resolution"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be loaned to the City of Hialeah, Florida (the "Borrower") for the purpose of financing, refinancing or reimbursing the cost of qualified projects of such Borrower and to pay certain costs of issuing the Bonds pursuant to Loan Agreements between the Council and such Borrower 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 Agreements and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not

undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Council, as to the due creation and valid existence of the Council, the due adoption of the Resolution, the due 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 Agreements by the Borrower and the validity of such Loan Agreements and in rendering this opinion are not passing upon such matters.

The Bonds do not constitute a general obligation or indebtedness 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.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion that under existing law:

1. The Resolution constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms.

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 their Loan Agreements 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.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Bonds. 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 underwriter with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds or regarding the perfection or priority of the lien on the revenues pledged and created by the Indenture. Further, we express no opinion regarding federal income tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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 OLIVE P.A.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF THE CITY OF HIALEAH BOND ORDINANCE

[THIS PAGE INTENTIONALLY LEFT BLANK]

ORDINANCE NO. _____

AN ORDINANCE OF THE MAYOR AND THE CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA AUTHORIZING THE ISSUANCE OF UTILITY SYSTEM REVENUE BONDS; PLEDGING CERTAIN NET REVENUES OF THE UTILITY SYSTEM FOR THE PAYMENT OF SUCH BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; AUTHORIZING THE ISSUANCE OF SUCH BONDS IN VARIOUS SERIES; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; REPEALING OTHER INSTRUMENTS; REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT HEREWITH; PROVIDING PENALTIES FOR VIOLATION HEREOF; PROVIDING FOR A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Hialeah finds that it is in the best interest of its residents and the users of the water and sewer system to use the proceeds of bonds to pay for project costs for the construction and acquisition of additions, extensions and improvements to the water and sewer system.

NOW THEREFORE BE IT ORDAINED BY THE MAYOR AND THE CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA, THAT:

Section 1: Authority. This Ordinance is enacted pursuant to Chapter 159, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, as amended, the Charter of the City of Hialeah, Florida and other applicable provisions of law (the "Act").

Section 2: Definitions. Unless the context otherwise requires, the terms used in this Ordinance shall have the meanings specified in this Section 2. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"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 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 semi-annual period in equal daily amounts on the basis of a 360-day year.

"Acquired Obligations" shall mean cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination thereof).

"Additional Parity Obligations" shall mean additional obligations issued or incurred in compliance with the terms, conditions and limitations contained herein and which (i) shall have a lien on the Pledged Revenues equal to that of the Outstanding Bonds and any Parity Contract Obligations, (ii) shall be payable from the Pledged Revenues on a parity with the Outstanding Bonds and any Parity Contract Obligations, and (iii) shall rank equally in all other respects with the Outstanding Bonds and any Parity Contract Obligations.

"Amortization Installment" with respect to any Term Bonds of a Series means an amount so designated for mandatory principal installments for the Term Bonds of such Series, and provided that each such installment shall be deemed to be due on a principal maturity anniversary date of each applicable year and the aggregate of such installments for such Series shall equal the aggregate principal amount of Term Bonds of such Series delivered.

"Average Annual Bond Service Requirement" shall mean, as of each date on which a Series of Bonds is issued, the total amount of Bond Service Requirement which is to become due on all Bonds deemed to be Outstanding immediately after the issuance of such Series of Bonds divided by the total number of years for which Bonds are deemed to be Outstanding, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments to be made in prior Bond Years.

"Bond Anticipation Notes" shall mean notes of the Issuer issued in anticipation of any Series of Bonds and shall be secured by a first lien on the proceeds of the Bonds for which such Bond Anticipation Notes were issued.

"Bond Counsel" shall mean any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes 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.

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the scheduled payment of principal of and interest on any portion of such Series of Bonds when due as determined by Supplemental Ordinance, or supplemental resolution, as applicable.

"Bond Service Fund" shall mean the Bond Service Fund created and established pursuant to Section 16 of this Ordinance.

"Bond Service Requirement" shall mean, for any Bond Year, at any time, the amount required to be deposited in such Bond Year into the Bond Service Fund, as provided herein including any Reimbursement Obligation (any interest shall not include interest to the extent it is to be paid from a direct subsidy payment expected to be received from the United States Treasury relating to "Build America Bonds" issued pursuant to Section 54AA of the Code, or any other interest subsidy or similar payments made by the federal government). In calculating such amount, the Issuer shall subtract therefrom any amounts to be transferred from the Project Fund for the purpose of paying interest on the Bonds. With respect to Variable Rate Bonds which are not subject to a Qualified Agreement, if any, the interest rate used to calculate the Bond Service Requirement shall be (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if the indebtedness has been outstanding for twelve months or less, if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds which are not subject to a Qualified Agreement shall be deemed to bear interest at the actual rate per annum applicable during the test period. If Bonds are Option Bonds, the date or dates of tender shall be disregarded, unless actually tendered and not remarketed, and the stated maturity dates thereof shall be used for purposes of this calculation, if such Option Bonds are required to be paid from Pledged Revenues hereunder on such date of tender. If the Issuer has entered into a Qualified Agreement with respect to certain Variable Rate Bonds Outstanding hereunder or to be issued hereunder, the interest coming due on such Variable Rate Bonds for purposes of this definition shall be deemed to be based upon the synthetic fixed interest rate under the Qualified Agreement, without giving any regards to fees and expenses incurred in connection with the purchase of a liquidity facility. If the Issuer has entered into a Qualified Agreement with respect to certain Bonds Outstanding hereunder or to be issued hereunder which have a fixed rate of interest, the interest coming due on such Bonds for purposes of this definition shall be deemed to be based upon the assumptions described above for Variable Rate Bonds, without giving any regards to fees and expenses incurred in connection with the purchase of a liquidity facility.

"Bond Year" shall mean the period commencing on October 2 of the preceding year and ending twelve months later on October 1.

"Bonds" shall mean Bonds of all Series issued pursuant to this Ordinance and any Additional Parity Obligations issued hereafter in accordance with the provisions hereof.

"Build America Bond" shall mean any taxable bond issued by the Issuer pursuant to Section 54AA of the Code for which either (1) the Issuer receives direct subsidy payments in an amount equal to a percentage of the interest paid on such bond, or (2) the holder of such bond receives a tax credit in an amount equal to a percentage of the interest paid on such bond.

"Capital Appreciation Bonds" shall mean the aggregate principal amount of the Bonds that bear interest payable solely at maturity or upon redemption prior to maturity in the amounts determined by reference to the Accreted Values, all as shall be determined by Supplemental Ordinance of the Issuer. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Capital Appreciation Income Bonds" shall mean those Bonds initially issued as Capital Appreciation Bonds and which become Serial Bonds when the original issue amount and the Accreted Value equals $5,000 principal amount or an integral multiple thereof as determined by Supplemental Ordinance of the Issuer.

"City Clerk" shall mean the City Clerk of the Issuer and any deputy city clerk.

"City Manager" shall mean the City Manager of the Issuer.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Connection Fees" shall mean the charges imposed on those connecting to the System for the actual cost of physically connecting into the System; provided, however, that "Connection Fees" shall not include Sewer System Capital Facilities Fees or Water System Capital Facilities Fees.

"Consulting Engineers" shall mean one or more independent, qualified and recognized consulting engineers or firm of consulting engineers having favorable repute, skill and experience with respect to the planning and operation of the System who shall be retained from time to time by the Issuer.

"Contributions in Aid of Construction" shall mean any amount or item of money, services, or property received by the Issuer, any portion of which is provided at no cost to the System, which represents an addition or transfer to the capital of the System, and

which is utilized to offset the acquisition, improvement or construction costs of the System.

"Cost of Operation and Maintenance" of the System shall mean the then current expenses, paid or accrued, in the operation, maintenance and repair of the System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, general administrative and indirect labor costs, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include expenses not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation, any Bond Service Requirement, any payments in lieu of taxes, franchise fees or other transfers.

"Credit Facility" or "Credit Facilities" shall mean either individually or collectively, as appropriate, any bond insurance policy, surety bond, letter of credit, line of credit, guaranty or other instrument or instruments that would enhance the credit of the Bonds.

"Credit Facility Issuer" or "Credit Facility Issuers" shall mean the provider or providers of a Credit Facility or Credit Facilities.

"Expansion Percentage" with respect to the Sewer System, shall mean that number, expressed as a percentage, which represents that portion of the total cost of any Project or Projects financed from the proceeds of Bonds which is attributable to any improvements, extensions and additions to the Sewer System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the Sewer System, whether actual or anticipated, created by new users connecting to the Sewer System, as shall be calculated or re-calculated by the Consulting Engineers and set forth in a certificate delivered each time a Series of Bonds are issued hereunder. Upon completion of a Project, the Consulting Engineer shall adjust the Expansion Percentage to take into consideration proceeds expected to be utilized for Project purposes which in fact were not utilized for Project purposes.

"Expansion Percentage" with respect to the Water System, shall mean that number, expressed as a percentage, which represents that portion of the total cost of any Project or Projects financed from the proceeds of Bonds which is attributable to any improvements, extensions and additions to the Water System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the Water System, whether actual or anticipated, created by new users connecting to the Water System, as shall be calculated or re-calculated by the Consulting Engineers and set forth in a certificate delivered each time a Series of Bonds are issued hereunder. Upon completion of a Project, the Consulting Engineer shall adjust the Expansion Percentage to take into

consideration proceeds expected to be utilized for Project purposes which in fact were not utilized for Project purposes.

"Federal Securities" shall mean direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America or obligations guaranteed as to principal or interest by the United States of America, including, but not limited to, obligations of the Resolution Funding Corporation.

With respect to any Series of Bonds, the definition of Federal Securities set forth above may be further limited as set forth in a Supplemental Ordinance of the Issuer enacted prior to the issuance of such Bonds.

"Finance Director" shall mean the Finance Director of the Issuer.

"Financial Advisor" shall mean the financial advisor appointed from time to time by the Issuer.

"Fiscal Year" shall mean the period commencing on October 1 of each year and ending on the next succeeding September 30 or such other annual period as may be prescribed by law from time to time for the Issuer.

"Fitch" shall mean Fitch Ratings, and any assigns or successors thereto.

"Gross Revenues" or "Revenues" shall mean all income and earnings, including Connection Fees, received by the Issuer or accrued to the Issuer from the ownership, use or operation of the System and all parts thereof, moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms hereof, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year may be designated by the Issuer as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to this Ordinance, except the Rebate Fund, the Sewer System Capital Facilities Fee Fund, the Water System Capital Facilities Fee Fund, and also including any income or earnings (including investment income) derived from the System in any prior Fiscal Year and which is redeposited into the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the Issuer as contemplated in Section 28 hereof, but "Gross Revenues" or "Revenues" shall not include any direct subsidy payments received from the United States Treasury relating to "Build America Bonds" issued pursuant to Section 54AA of the Code or any other interest subsidy or similar payments made by the federal government, proceeds from the sale or other disposition of the System or any part thereof, condemnation awards or proceeds of insurance received with respect to the System and moneys deposited to the Rate Stabilization Fund from the Surplus Fund, including any moneys transferred from the Surplus Fund to the Rate Stabilization Fund within 90 days following the end of a Fiscal Year which the Issuer determines not to be Gross Revenues of such prior Fiscal Year, Contributions in Aid of

Construction, Sewer System Capital Facilities Fees, Water System Capital Facilities Fees, or unrealized gains or losses from investments.

"Holder" or "Bondholders" or any similar term shall mean any persons who shall be the registered owner of any outstanding Bonds.

"Insurer" shall mean, with respect to any Series of Bonds, such Person as shall be insuring or guaranteeing the scheduled payment of principal of and interest on such Series of Bonds, when due.

"Interest Account" shall mean the special account of the same name created within the Bond Service Fund.

"Interest Date" or "interest payment date" shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Ordinance.

"Issuer" shall mean the City of Hialeah, Florida.

"Maximum Bond Service Requirement" shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirement for the then current or any future Bond Year, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments which were to be made in prior Bond Years.

"Mayor" shall mean the Mayor of the Issuer as provided in the City Charter.

"Moody's" or "Moody's Investors Service" shall mean Moody's Investors Services, Inc., and any assigns or successors thereto.

"Net Revenues" of the System shall mean the Gross Revenues or Revenues, after deduction of the Cost of Operation and Maintenance.

"Option Bonds" shall mean Bonds subject to tender for payment prior to their maturity at the option of the Holder thereof.

"Ordinance" shall mean this Ordinance as from time to time may be amended or supplemented by Supplemental Ordinance, in accordance with the terms hereof.

"Outstanding" or "Bonds Outstanding" shall mean all Bonds which have been issued pursuant to this Ordinance, except:

(i) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(ii) Bonds for the payment or redemption of which cash funds or Acquired Obligations or any combination thereof shall have been theretofore irrevocably set aside in a special account with an escrow agent (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Acquired Obligations, will be sufficient to pay the principal of, interest on and any redemption premium with respect to such Bonds at maturity or upon their earlier redemption; provided that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of this Ordinance or irrevocable instructions directing the timely publication of such notice and directing the payment of the principal of and interest on all such Bonds at such redemption dates shall have been given; and

(iii) Bonds which are deemed paid pursuant to this Ordinance or in lieu of which other Bonds have been issued under Sections 11 and 13 hereof.

"Parity Contract Obligation" shall have the meaning set forth in Section 28 hereof.

"Parity Contract Obligation Account" shall mean the special account of the same name created within the Bond Service Fund.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to a Supplemental Ordinance and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to a Supplemental Ordinance. Once appointed, no resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of Paying Agent. Each of the Insurers of Bonds, if any, shall be furnished with written notice of the resignation or removal of the Paying Agent and the appointment of any successor thereto.

"Permitted Investments" shall mean investments permitted by applicable law and the Issuer's written investment policy, if any, as may be further limited as set forth in a Supplemental Ordinance of the Issuer.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Revenues" shall mean (i) the Net Revenues of the System, (ii) until applied in accordance with this Ordinance, the moneys on deposit in the various funds and accounts created pursuant to this Ordinance, except (A) as for the Rebate Fund, (B) the Revenue Fund, to the extent moneys therein shall be required to pay the Cost of Operation and Maintenance in accordance with the terms hereof, and (C) to the extent moneys on deposit in a subaccount of the Reserve Fund shall be pledged solely for the

payment of the Series of Bonds for which it was established in accordance with the provisions hereof, and (iii) to the extent applicable, Sewer System Capital Facilities Fees and Water System Capital Facilities Fees. [or here we can delete (iii) and use the concept of Additional Security]

"Principal Account" shall mean the special account of the same name created within the Bond Service Fund.

"Project" or "Projects" shall mean any actual, proposed or potential acquisition, addition, extension, supplement, or replacement of the System or joint ownership of similar properties or any interest therein or any right to use the capacity from any facilities or services thereof, or any other lawful purpose related to the System, all as determined by the Issuer and in accordance with plans and specifications on file or to be filed with the Issuer.

"Project Costs" shall mean all costs authorized to be paid from the Project Fund pursuant to Section 18 hereof to the extent permitted under the laws of the State. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of the Issuer related to the System which on the date of this Ordinance or in the future shall be permitted to be funded with the proceeds of any Series of Bonds pursuant to the laws of the State.

"Project Fund" shall mean the Project Fund created and established pursuant to Section 16 of this Ordinance.

"Prudent Utility Practice" shall mean, in respect of any particular municipal utility industry, any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of such utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

"Qualified Agreement" means, to the extent from time to time permitted pursuant to law, any contract or contracts, in whole or in part, based on the interest rate, currency, cashflow, or other basis desired by the Issuer, including, without limitation, contracts commonly known as current or forward interest rate swap or swaption agreements, currency swap agreements, forward payment conversion agreements, futures, or contracts providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency, rate, spread, or similar exposure. The contracts

or arrangements may also be entered into by the Issuer in connection, with or incidental to, entering into or maintaining any agreement which secures all or a portion of the Bonds.

"Qualified Agreement Provider" means, an entity whose senior long term obligations, other senior long term obligations or claims paying ability or whose payment obligations under a Qualified Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated at the time of execution of such Qualified Agreement either (i) at least as high as A3 by Moody's, and A- by S&P, or the equivalent thereof by any successor thereto for so long as such rating agency is then maintaining a rating on the Bonds Outstanding, or (ii) any such lower rating categories which each such rating agency then maintaining a rating on the Bonds Outstanding indicates in writing to the Issuer will not, by itself, result in a reduction or withdrawal of its rating on the Bonds Outstanding that is in effect prior to entering into such Qualified Agreement.

"Qualified Independent Consultant" shall mean one or more qualified and recognized independent consultants, having favorable repute, skill and experience with respect to the acts and duties of the 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.

"Rate Stabilization Fund" shall mean the "Rate Stabilization Fund" established pursuant to Section 16 hereof.

"Rebate Fund" shall mean the Rebate Fund created pursuant to Section 31 of this Ordinance.

"Record Date" shall mean each date that is 15 days prior to an interest payment date.

"Redemption Account" shall mean the special account of the same name created within the Bond Service Fund.

"Refunding Bonds" shall mean that amount of any Series of Bonds, the proceeds of which will be applied to the refunding of any previously issued Bonds.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to Supplemental Ordinance and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Ordinance. Once appointed, no resignation or removal of the Registrar shall become effective until a successor has been appointed and has accepted the duties of Registrar. The Insurers of Bonds shall be furnished with written notice of the resignation or removal of the Registrar and the appointment of any successor thereto.

"Reimbursement Obligation" shall have the meaning set forth in Section 29 hereof.

"Renewal, Replacement and Improvement Fund" shall mean the Renewal, Replacement and Improvement Fund created and established pursuant to Section 16 of this Ordinance.

"Reserve Fund" shall mean the Reserve Fund created and established pursuant to Section 16 of this Ordinance.

"Reserve Fund Insurance Policy" shall mean an insurance policy or surety bond deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 20(B)(2) hereof.

"Reserve Fund Letter of Credit" shall mean an unconditional irrevocable letter of credit or line of credit (other than a Reserve Fund Insurance Policy) deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 20(B)(2) hereof.

"Reserve Requirement" shall be the lesser of (i) the Maximum Bond Service Requirement, (ii) 125% of the Average Annual Bond Service Requirement, or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes; provided, however, the Issuer may establish by Supplemental Ordinance a different Reserve Requirement for a subaccount of the Reserve Fund which secures a Series of Bonds pursuant to Section 20(B)(2) hereof. In computing the Reserve Requirement in accordance with clause (iii) of this definition in respect of any Capital Appreciation Bonds, the principal amount of such Bonds shall be the original principal amount thereof, not the Accreted Value.

"Revenue Fund" shall mean the Revenue Fund created and established pursuant to Section 16 of this Ordinance.

"Separately Financed Project" means any Project described as such in Section 27 hereof.

"Serial Bonds" shall mean all of the Bonds other than Term Bonds.

"Series" or "Series of Bonds" or "Bonds of a Series" shall mean all Bonds designated as being of the same Series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to this Ordinance.

"Sewer System" shall mean the complete sewer system now owned, operated and maintained by the Issuer and which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including

plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

"Sewer System Capital Facilities Fees" shall mean the impact fees, if any, imposed by the Issuer upon and collected from new users of the Sewer System which represent an equitable share of the capital costs of the Sewer System which are attributable to the increased demand such additional connections create upon the Sewer System. The term "Sewer System Capital Facilities Fees" in each Fiscal Year shall not include any amounts in excess of the Bond Service Requirement for such Bond Year multiplied by the Expansion Percentage.

"Sewer System Capital Facilities Fees Fund" shall mean the Sewer System Capital Facilities Fees Fund created and established pursuant to Section 16 of this Ordinance.

"State" shall mean the State of Florida.

"Standard & Poor's" or "Standard & Poor's Corporation" or "S&P" shall mean Standard and Poor's Ratings Group and any assigns and successors thereto.

"Subordinated Debt" shall mean any obligations payable on a junior, inferior and subordinate basis under Section 20(B) hereof. "Subordinated Debt" shall include, but shall not be limited to, (i) Subordinated Contract Obligations, (ii) payments to a Qualified Agreement Provider pursuant to a Qualified Agreement which the Issuer has designated as Subordinated Debt, (iii) Reimbursement Obligations, and (iv) any other obligations payable from any of the Pledged Revenues on a junior, inferior and subordinate basis to the Bonds.

"Subordinated Debt Service Fund" shall mean the Subordinated Debt Service Fund.

"Supplemental Ordinance" shall mean any ordinance of the Issuer amending or supplementing this Ordinance enacted and becoming effective in accordance with the terms of Sections 22 and 23 hereof.

"System" or "Utility System" shall mean, collectively, the Water System and the Sewer System of the Issuer. Upon compliance with the provisions of Section 26 hereof, the term

"System" may be deemed to include other utility functions added to the System, including, but not limited to a stormwater system, a residential reuse system, the acquisition, distribution and sale of natural gas, the providing of electricity, the providing of cable television services, the providing of telecommunication services or other utility functions that are authorized from time to time pursuant to the Act. Notwithstanding the

foregoing definition of the term System, such term shall not include any properties or interest in properties of the Issuer which the Issuer determines shall not constitute a part of the System for the purpose of this Ordinance.

"Term Bonds" shall mean the Bonds other than Serial Bonds which shall be stated to mature on one date, and shall have such Amortization Installments, as shall be determined by Supplemental Ordinance of the Issuer.

"Variable Rate Bonds" shall mean obligations issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage at the date of issue for the entire term thereof as shall be determined by Supplemental Ordinance of the Issuer.

"Water System" shall mean the complete water system now owned, operated and maintained by the Issuer or which is proposed to be acquired by and operated and maintained by the Issuer and which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

"Water System Capital Facilities Fees" shall mean the impact fees, if any, imposed by the Issuer upon and collected from new users of the Water System which represent an equitable share of the capital costs of the Water System which are attributable to the increased demand such additional connections create upon the Water System. The term "Water System Capital Facilities Fees" in each Fiscal Year shall not include any amounts in excess of the Bond Service Requirement for such Bond Year multiplied by the Expansion Percentage.

"Water System Capital Facilities Fees Fund" shall mean the Water System Capital Facilities Fees Fund created and established pursuant to Section 16 of this Ordinance.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms shall refer to this Ordinance; the term "heretofore" shall mean before the date of adoption of this Ordinance; and the term "hereafter" shall mean after the date of adoption of this Ordinance. Words importing the masculine gender include every other gender. Words importing the singular number include the plural number, and vice versa.

Section 3: Findings. It is hereby ascertained, determined and declared that it is in the best interest of the health and welfare of the residents of the Issuer and other users of the Utility System to use the proceeds of the Bonds to pay the Project Costs. The Issuer owns, operates and maintains the System and derives certain revenue from rates, fees, rentals and other charges made and collected for the services of such System, which such revenues are not now pledged or encumbered in any manner. It serves a paramount public purpose and is in the best interests of the Issuer, the residents thereof and the other

current users of the water and sewer system that the Issuer authorizes the issuance of Bonds for the constructing and acquiring of certain additions, extensions and improvements to the Utility System as more particularly described herein.

The Issuer deems it necessary and in its best interest to provide for the construction and improvement of the Utility System.

The costs associated with issuance of Bonds shall be deemed to include, but not limited to, legal fees and expenses, engineering expenses, fiscal expenses, underwriting fees and expenses, rating agency fees, expenses for estimates of costs and of revenues, accounting expenses, municipal bond insurance premiums, surety policy premiums, if applicable, costs of printing, fees and expenses for the escrow agent, fees and expenses for the paying agent and registrar, fees and expenses for verification, accrued and capitalized interest, provisions for reserves, and such other fees and expenses as may be necessary or incidental for the financing herein authorized.

The principal of and interest and redemption premium on the Bonds and all reserve and other payments shall be payable solely from the Pledged Revenues. The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Bonds herein authorized or to make any other payments provided for herein. The Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer or upon any property other than the Pledged Revenues.

The Pledged Revenues should be sufficient to pay all principal of and interest and redemption premium on the Bonds to be issued hereunder, as the same become due, and to make all required deposits or payments required by this Ordinance.

It is the intention of the Issuer to adopt this Ordinance to establish the general terms of the Bonds with the specific terms of each Series of Bonds to be determined pursuant to the provision of various Supplemental Ordinances to be hereafter enacted by the Issuer. While the purpose of this Ordinance is to establish general terms of the Bonds, it is recognized that new, innovative and beneficial methods of financing may exist or may be developed in future years which are not specifically authorized by this Ordinance. Because of such fact, it is the intention of the Issuer that the amendment provisions contained herein be broadly interpreted in order to provide the broadest possible financing alternatives for the Issuer for so long as the security of the Holders of any Bonds then Outstanding shall not be impaired.

Section 4: Authorization of the Project. There is hereby authorized the Project.

Section 5: This ordinance to constitute contract. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security

of the legal Holders of any and all of the Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided therein and herein.

Section 6: Authorization of bonds. Subject and pursuant to the provisions hereof, the obligations of the Issuer to be known as "Utility System Revenue Bonds", which may be issued from time to time, are hereby authorized to be issued. The aggregate principal amount of the Bonds which may be executed and delivered under this Ordinance is not limited except as is or may hereafter be provided in this Ordinance or as limited by the Act or by law. The Bonds may, if and when authorized by the Issuer pursuant to this Ordinance, be issued in one or more Series, with 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 shall be payable in lawful money of the United States of America on such dates; all as determined herein or by Supplemental Ordinance of the Issuer.

Section 7: Description of the bonds. The Bonds are hereby authorized to be issued in fully registered form without coupons; may be Capital Appreciation Bonds, Serial Bonds or Term Bonds; shall be dated; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R" if Serial Bonds or Term Bonds, and preceded by the letters "CABR" if Capital Appreciation Bonds; shall be in the denomination of $5,000 each, or integral multiples thereof for the Serial Bonds and Term Bonds, and in $5,000 Accreted Values at maturity for the Capital Appreciation Bonds or in $5,000 multiples thereof, or such other denominations as shall be approved by the Issuer in a Supplemental Ordinance; shall bear interest at such rate or rates not exceeding the maximum rate allowed by State law, the actual rate to be approved by the governing body of the Issuer prior to or upon the sale of the Bonds; such interest to be payable semiannually at such times as are fixed by Supplemental Ordinance of the Issuer if Serial Bonds or Term Bonds or payable at maturity if Capital Appreciation Bonds, and shall mature annually on such date in such years and such amounts as will be fixed by Supplemental Ordinance of the Issuer prior to or upon the sale of the Bonds; and may be issued with variable, adjustable, convertible or other rates with original issue discounts and as zero coupon bonds; all as the Issuer shall provide herein or hereafter by Supplemental Ordinance.

Each Serial or Term Bond shall bear 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 interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication, payment of any interest which is due and payable has not been made, such Serial or Term Bond shall bear interest from the date to which interest shall have been paid.

Each Capital Appreciation Bond shall bear interest only at maturity or upon redemption prior to maturity in the amount determined by reference to the Accreted Value.

The principal of and the interest and redemption premium, if any, 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. The interest on the Serial or Term Bonds shall be payable by the Paying Agent on each interest payment date, or the first business day following an interest payment date if such interest payment date is not a business day, to the person appearing on the registration books of the Issuer hereinafter provided for as the registered Holder thereof, by check or draft mailed to such registered Holder at his address as it appears on such registration books or by wire transfer to Holders of $1,000,000 or more in principal amount of the Bonds. Payment of the principal of all Serial or Term Bonds (reduced by any Amortization Installments previously paid by the Issuer on any Term Bonds) and the Accreted Value with respect to the Capital Appreciation Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

As long as any Bonds are outstanding in book-entry form, the provisions of this Ordinance inconsistent with such system of book-entry registration shall not be applicable to such Bonds, and the Issuer covenants to cause adequate records to be kept with respect to the ownership of any Series of Bonds issued in book-entry form or the beneficial ownership of bonds issued in the name of a nominee.

Section 8: Execution of bonds. The Bonds shall be signed by, or bear the facsimile signature of the Mayor and shall be attested by, or bear the facsimile signature of, the City Clerk, and a facsimile of the official seal of the Issuer shall be imprinted on the Bonds. In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if such person remained in office until such delivery. Any Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Bond, shall be the proper officers to sign such Bonds although, at the date of such Bond, such persons may not have been such officers.

Section 9: Authentication of bonds. Only such of the Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinbelow set forth, duly executed by the Registrar, as authenticating agent, shall be entitled to any benefit or security under this Ordinance. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such certificate of the Registrar upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Ordinance. The Registrar's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication of all of the Bonds that may be issued hereunder at any one time.

Section 10: Exchange of bonds. Any Bonds, upon surrender thereof at the designated corporate trust office of the Registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Bondholder, be exchanged for an aggregate principal amount of Bonds of the same Series equal to the principal amount of the Bond or Bonds so surrendered. The Registrar shall make provision for the exchange of Bonds at the designated corporate trust office of the Registrar.

Section 11: Negotiability, Registration and Transfer of Bonds. The Registrar shall keep books for the registration of and for the registration of transfers of Bonds as provided in this Ordinance. The transfer of any Bonds may be registered only upon such books and only upon surrender thereof to the Registrar together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such registration of transfer, the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Bond, a new Bond or Bonds registered in the name of the transferee, and in an aggregate principal amount equal to the principal amount of such Bond or Bonds so surrendered and of the same Series.

In all cases in which Bonds shall be exchanged, the Issuer shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, a new Bond or Bonds of the same type (e.g., Serial Bonds will be exchanged for Serial Bonds and Capital Appreciation Bonds will be exchanged for Capital Appreciation Bonds) and of the same Series in accordance with the provisions of this Ordinance. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Registrar. The Issuer or the Registrar may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Bondholder for the privilege of exchanging or registering the transfer of Bonds under the provisions of this Ordinance. Neither the Issuer nor the Registrar shall be required to make any such exchange, registration or transfer of Bonds after the Record Date.

Section 12: Ownership of bonds. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Bond, and the interest on any such Bonds shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

Section 13: 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, cause to be executed, and the Registrar shall authenticate and deliver, a new Bond of like date and tenor as the Bond so mutilated, destroyed, stolen or lost (e.g., Serial Bonds shall be issued in exchange for Serial Bonds and Capital Appreciation Bonds shall be issued in

exchange for Capital Appreciation Bonds) 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 his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer and the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be canceled by the Issuer. 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, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 13 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder.

Section 14: Provisions for redemption. The Bonds shall be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by Supplemental Ordinance of the Issuer prior to or at the time of sale of such Series of Bonds. Notice of such redemption shall, at least thirty (30) days prior to the redemption date, be filed with the Registrar, and mailed by the Registrar on behalf of the Issuer, first class mail, postage prepaid, to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books hereinbefore provided for on the Record Date, but failure to mail such notice to one or more Holders of Bonds, or any defect therein, shall not affect the validity of the proceedings for such redemption with respect to Holders of Bonds to which notice was duly mailed hereunder and no defect occurred. Such notice shall also be sent to the registered securities depositories and to the Electronic Municipal Market Access System ("EMMA"). Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds of one maturity are to be called, the distinctive numbers of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Any notice of optional redemption given pursuant to this Section 14 may state that it is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price, plus interest accrued to the redemption date, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price and accrued interest if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Paying Agent to affected Holders of Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Official 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. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Each check or other transfer of funds issued by the Registrar for the purpose of the payment of the redemption price of Bonds being redeemed shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Holder a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such partially redeemed Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Section 15: Form of bonds. The text of the Bonds, together with the certificate of authentication to be endorsed therein, shall be in substantially the following form, with such omissions, insertions and variations as may be necessary, desirable, authorized or permitted by this Ordinance or by any Supplemental Ordinance enacted prior to the issuance of a Series of Bonds, or as may be necessary if the Bonds or a portion thereof are issued as Capital Appreciation Bonds, Capital Appreciation Income Bonds, Option Bonds, Variable Rate Bonds, or as may be necessary to comply with applicable laws, rules and regulations of the United States and of the State in effect upon the issuance thereof.

[FORM OF BOND]

No. R-____

$____

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF MIAMI-DADE
CITY OF HIALEAH
UTILITY SYSTEM REVENUE BONDS, SERIES _____

MATURITY DATE: INTEREST RATE: DATED DATE: CUSIP:

Registered Owner:

Principal Amount:

The City of Hialeah, Florida (hereinafter called the "Issuer") for value received, hereby promises to pay to the order of the Registered Owner identified above or registered assigns, as herein provided, on the Maturity Date identified above, upon the presentation and surrender hereof at the designated corporate trust office of _____, _____, Florida from the sources hereinafter mentioned, the Principal Amount identified above in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, solely from said sources, to the Registered Owner hereof by wire transfer or check transmitted to the Registered Owner at his address as it appears on the Bond registration books of the Issuer as it appears on the 15th day of the calendar month preceding the applicable interest payment date, interest on said Principal Amount at the Interest Rate per annum identified above on each _____ 1 and _____ 1 commencing _____ 1, _____ from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated as of an interest payment date, in which case it shall bear interest from said interest payment date, or unless this Bond is registered and authenticated prior to _____, _____, in which event this Bond shall bear interest from _____, _____.

The Bonds of this issue shall be subject to redemption prior to their maturity at the option of the Issuer.

(Insert Optional and/or Mandatory Redemption Provisions)

Notice of such redemption shall be given in the manner required by the Ordinance described below.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of $_____ of like date, tenor and effect, except as to number, principal

amount, maturity, redemption provisions and interest rate, issued to _____, all in full compliance with the Constitution and Statutes of the State of Florida, including particularly [Chapter 159, Part I,] Chapter 166, Part II, Florida Statutes, as amended, and Ordinance No. __-__ duly enacted by the Issuer on _____, 2010, as amended and supplemented (hereinafter collectively called the "Ordinance") and is subject to all the terms and conditions of such Ordinance. All capitalized undefined terms used herein shall have the meaning set forth in the Ordinance.

This Bond is payable solely from and secured by a pledge of the Net Revenues of the System levied and collected by the Issuer, [the Sewer System Capital Facilities Fees, the Water System Capital Facilities Fees,] and the moneys in certain funds and accounts created pursuant to the Ordinance (collectively, the "Pledged Revenues") in the manner and to the extent provided in the Ordinance. Reference is made to the Ordinance for more complete definition and description of the System and the Pledged Revenues.

This Bond does not constitute a general indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provision or limitation, and it is expressly agreed by the Holder of this Bond that such Bondholder shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer or taxation of any real or personal property therein for the payment of the principal of and interest on this Bond or the making of any debt service fund, reserve or other payments provided for in the Ordinance.

It is further agreed between the Issuer and the Holder of this Bond that this Bond and the indebtedness evidenced thereby shall not constitute a lien upon the System, or any part thereof, or on any other property of or in the Issuer, but shall constitute a lien only on the Pledged Revenues all in the manner provided in the Ordinance.

The Issuer has covenanted, in the Ordinance, to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide, Net Revenues in each Fiscal Year sufficient to pay one hundred ten percent (110%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, or Net Revenues in each Fiscal Year sufficient to pay one hundred five percent (105%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year; and Net Revenues, [Water System Capital Facilities Fees and Sewer System Capital Facilities Fees] in each Fiscal Year sufficient to pay at least one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.

In addition to compliance with either subparagraph (i) or (ii) above, such Net Revenues in each Fiscal Year shall also be sufficient to provide one hundred percent (100%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, any amounts required by the terms hereof to be deposited into the Reserve Fund or with any Credit Facility Issuer as a result of a withdrawal from the Reserve

Fund, the Renewal, Replacement and Improvement Fund and debt service on other obligations payable from the Revenues of the System, and other payments, and all allocations and applications of revenues herein required in such Fiscal Year.

Net Revenues will not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by the Ordinance. Nothing in the Ordinance will obligate the Issuer to impose Sewer System Capital Facilities Fees or Water System Capital Facilities Fees.

The Issuer has entered into certain further covenants with the Holders of the Bonds of this issue for the terms of which reference is made to the Ordinance.

It is certified that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and Statutes of the State of Florida.

This Bond is and has all the qualities and incidents of a negotiable instrument under Article 8 of the Uniform Commercial Code, the State of Florida, Chapter 678, Florida Statutes, as amended.

The transfer of this Bond is registrable by the Bondholder hereof in person or by his attorney or legal representative at the designated corporate trust office of the Registrar but only in the manner and subject to the conditions provided in the Ordinance and upon surrender and cancellation of this Bond.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Ordinance until it shall have been authenticated by the execution by the Registrar of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the City of Hialeah, Florida, has issued this Bond and has caused the same to be signed by the Mayor and countersigned and attested to by the City Clerk (the signatures of the Mayor and the City Clerk being authorized to be facsimiles of such officers' signatures), and its seal or facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, all as of the _____ day of _____, _____.

CITY OF HIALEAH, FLORIDA

(SEAL)

(manual or facsimile)

Mayor

ATTESTED AND COUNTERSIGNED:

(manual or facsimile)

City Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds issued under the provisions of the within mentioned Ordinance.

_____
Registrar, as Authenticating Agent

Date of Authentication:

_____ By: (manual or facsimile)_____
Authorized Officer

ATTEST:

_____(manual or facsimile)_____
Authorized Officer

ASSIGNMENT AND TRANSFER

For value received the undersigned hereby sells, assigns and transfers unto _____ _____ (Please insert Social Security or other identifying number of transferee) _____ the attached bond of the City of Hialeah, Florida, and does hereby constitute and appoint, _____, attorney, to transfer the said Bond on the books kept for Registration thereof, with full power of substitution in the premises.

Date: _____
Signature Guaranteed by _____
_____ [member firm of the New York Stock Exchange or a commercial bank or a trust company.]

By: __(manual or facsimile)_____

Authorized Officer

_____

_____

NOTICE: No transfer will be registered and no new Bonds will be issued in the name of the transferee, unless the signature to this assignment corresponds with the name 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 Federal Employer Identification Number of the transferee is supplied.

[END OF FORM OF BOND]

Section 16: Creation of funds. There are hereby created and established the following funds and accounts, which funds and accounts shall be trust funds held by the Finance Director for the purposes herein provided and used only in the manner herein provided:

(A) The "City of Hialeah Utility System Revenue Fund" (hereinafter sometimes called the "Revenue Fund") to be held by the Issuer and to the credit of which deposits of Gross Revenues shall be made as required by Section 20(A) hereof.

(B) The "City of Hialeah Utility System Bond Service Fund" (hereinafter sometimes called the "Bond Service Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(1) hereof. In such fund there shall be maintained the following accounts: the Principal Account, the Interest Account, the Parity Contract Obligation Account and the Redemption Account.

(C) The "City of Hialeah Utility System Reserve Fund" (hereinafter sometimes called the "Reserve Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(2) hereof.

(D) The "City of Hialeah Utility System Subordinated Debt Service Fund" (hereinafter sometimes called the "Subordinated Debt Service Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(3) hereof.

(E) The "City of Hialeah Utility System Renewal, Replacement and Improvement Fund" (hereinafter sometimes called the "Renewal, Replacement and Improvement Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(4) hereof.

(F) The "City of Hialeah Utility System Project Fund" (hereinafter sometimes called the "Project Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 17 hereof. Within such fund there shall be created, established and maintained separate accounts for each Series of Bonds and furthermore be created, established and maintained separate accounts for capitalized interest funded from the proceeds of any Series of Bonds.

(G) The "City of Hialeah Sewer System Capital Facilities Fees Fund" (hereinafter sometimes called the "Sewer System Capital Facilities Fees Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(R) hereof.

(H) The "City of Hialeah Water System Capital Facilities Fees Fund" (hereinafter sometimes called the "Water System Capital Facilities Fees Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(S) hereof.

(I) The "City of Hialeah Rate Stabilization Fund" (hereinafter sometimes called the "Rate Stabilization Fund ") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20 (T) hereof.

(J) The "City of Hialeah Surplus Fund" (hereinafter sometimes called the "Surplus Fund ") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20 (B)(5) hereof.

The Revenue Fund, the Bond Service Fund (including the accounts therein), the Reserve Fund, the Renewal, Replacement and Improvement Fund, the Project Fund, the Sewer System Capital Facilities Fees Fund, the Water System Capital Facilities Fees Fund, the Rate Stabilization Fund, the Surplus Fund and any other special funds herein established and created shall be deemed to be held in trust for the purposes provided herein for such funds. The money in all such funds shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State of Florida.

Section 17: Application of bond proceeds. The proceeds, including accrued interest and premium, if any, received from the sale of the Bonds shall be applied by the Issuer simultaneously with the delivery of such Series of Bonds to the purchaser thereof, as provided in a Supplemental Ordinance authorizing the issuance of such Series of Bonds.

Section 18: Disbursements from Project Fund. Moneys on deposit from time to time in the Project Fund shall be used to pay or reimburse the following Project Costs:

(A) Costs incurred directly or indirectly for or in connection with a Project or a proposed or future Project or acquisition including, but not limited to, those for preliminary planning and studies, architectural, legal, financial, engineering and supervisory services, labor, services, materials, equipment, accounts receivable, acquisitions, land, rights-of-way, improvements and installation;

(B) Premiums attributable to all insurance required to be taken out and maintained during the period of construction with respect to a Project to be acquired or constructed, the premium on each surety bond, if any, required with respect to work on such facilities, and taxes, assessments and other charges hereof that may become payable during the period of construction with respect to such a Project;

(C) Costs incurred directly or indirectly in seeking to enforce any remedy against a contractor or subcontractor in respect of any default under a contract relating to a Project or costs incurred directly or indirectly in defending any claim by a contractor or subcontractor with respect to a Project;

(D) Financial, legal, accounting, appraisals, title evidence and printing and engraving fees, charges and expenses, and all other such fees, charges and expenses

incurred in connection with the authorization, sale, issuance and delivery of such Series of Bonds;

(E) Capitalized interest funded from Bond proceeds, if any, for a reasonable period of time, which shall be deposited in a separate subaccount of the Project Fund and shall be used as provided in a Supplemental Ordinance of the Issuer;

(F) Any other incidental and necessary costs including without limitation any expenses, fees and charges relating to the acquisition, construction or installation of a Project, and the making of extraordinary repairs, renewals and replacements, decommissioning or retirement of any portion of the System, including the cost of temporary employees of the Issuer retained to carry out duties in connection with the acquisition, construction or erection of a Project and costs related to transition of such Project into ownership by the Issuer;

(G) Costs incurred directly or indirectly in placing any Project in operation in order that completion of such Project may occur;

(H) Costs of acquiring an existing utility system from a Person, including but not limited to the costs relating to any real estate transaction related thereto;

(I) Any other costs relating to the System authorized pursuant to a Supplemental Ordinance of the Issuer and permitted under the laws of the State subject to the prior written approval of Bond Counsel; and

(J) Reimbursements to the Issuer for any of the above items hereinbefore paid by or on behalf of the Issuer, to the extent deemed advisable by Bond Counsel.

Notwithstanding anything else in this Ordinance to the contrary, in the Event of Default, the trustee acting for the Holders of Bonds shall, to the extent there are no other available funds held hereunder, use the remaining funds in the Project Fund to pay principal and interest on the Series of Bonds to which such funds relate and were provided by.

Section 19: Special obligations of issuer. The Bonds and any Parity Contract Obligations shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State, but shall be payable solely from and secured by a first lien upon and a pledge of the Pledged Revenues as herein provided. No Holder or Holders of any Bonds issued hereunder or Qualified Agreement Provider shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real or personal property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer.

The payment of principal of and interest on the Bonds and any Parity Contract Obligation shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Bondholders and any Qualified Agreement Provider (to the extent set forth in the

related Qualified Agreement) an irrevocable lien on the Pledged Revenues, prior and superior to all other liens or encumbrances on such Pledged Revenues and the Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of, redemption premium, if any, and interest on the Bonds and any Parity Contract Obligation, for the reserves therefor and for all other payments required hereunder. Such amounts hereby pledged and assigned shall immediately be subject to the lien of this pledge without any further physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof.

Section 20: Covenants of the issuer. For so long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or until the Issuer has made provision for payment of principal, interest and redemption premiums, if any, with respect to the Bonds, as provided herein, the Issuer covenants with the Holders of any and all Bonds as follows:

(A) REVENUE FUND. All Gross Revenues of the System shall, upon receipt thereof, be deposited in the Revenue Fund. All deposits into such Revenue Fund shall be deemed to be held in trust for the purposes herein provided and used only for the purposes and in the manner herein provided.

(B) DISPOSITION OF REVENUES. All Net Revenues in the Revenue Fund, after payment of Cost of Operation and Maintenance of the System, shall be disposed of monthly, but not later than the twenty-fifth (25th) day of each month commencing in the month immediately following the delivery of the Bonds only in the following manner and the following order of priority:

(1) The Issuer shall first deposit into the Bond Service Fund and credit to the following accounts, in the following order (except that payments into the Interest Account and the Parity Contract Obligations Account shall be on parity with each other, and the payments into the Principal Account and the Redemption Account shall be on a parity with each other), the following identified sums:

(a) Interest Account: Taking into account actual and anticipated earnings in the Interest Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Outstanding Bonds on the next interest payment date; provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within such Interest Account is sufficient for such purpose. In the event the Issuer has issued Variable Rate Bonds pursuant to the provisions hereof, Net Revenues shall be deposited at such other or additional times and amounts as necessary to pay any interest coming due on such Variable Rate Bonds on the next interest payment date, all in the manner provided in a Supplemental Ordinance of the Issuer. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to

reflect the frequency of interest payment dates applicable to such Series. Moneys in the Interest Account may be used only for the purposes set forth in this paragraph (a).

(b) Parity Contract Obligations Account: Taking into account the actual and anticipated earnings in the Parity Contract Obligations Account in the Bond Service Fund within the current Bond Year, a pro rata estimated amount necessary to build up over time the amount of any Parity Contract Obligation which will next be due and payable or reasonably expected to be due and payable under any Qualified Agreement on the next payment date thereunder; provided, however, that the monthly amount to be so deposited may be adjusted, as appropriate, to reflect the frequency of payment dates thereunder (e.g., if such Parity Contract Obligations are required to be paid semi-annually, the Issuer shall be required to monthly deposit an amount which is estimated to equal one-sixth (1/6th) of the next such payment). Moneys in the Parity Contract Obligations Account may be used only for the purposes set forth in this paragraph (b).

(c) Principal Account: Taking into account actual and anticipated earnings in the Principal Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of the principal amount of the Outstanding Bonds which will mature and become due on such annual maturity dates beginning the month which is twelve (12) months prior to the first principal maturity date; provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series. Moneys in the Principal Account may be used only for the purposes set forth in this paragraph (c).

(d) Redemption Account: Taking into account actual and anticipated earnings in the Redemption Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such annual maturity date beginning the month which is twelve (12) months prior to the first Amortization Installment date; provided, however, that monthly deposits into the Redemption Account, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting Amortization Installments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Amortization Installments applicable to such Series. The moneys in the Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The Issuer may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the Issuer may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. If Term Bonds are so

purchased by the Issuer, the Issuer shall credit the account of such purchased Term Bonds against any current Amortization Installment to be paid by the Issuer. If the Issuer shall purchase or call for redemption in any year Term Bonds in excess of the Amortization Installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the Issuer shall determine. Moneys in the Redemption Account in the Debt Service Fund may be used only for the purposes set forth in this paragraph (d).

(2) To the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the Issuer shall next 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 required current payments for Cost of Operation and Maintenance as set forth above and all current applications and allocations to the Bond Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal from the Reserve Fund, in no event shall the Issuer be required to deposit into the Reserve Fund an amount greater than that amount necessary to ensure that the difference between the Reserve Requirement and the amounts on deposit in the Reserve Fund on the date of calculation shall be restored not later than sixty (60) months after the date of such deficiency (assuming equal monthly payments into the Reserve Fund for such sixty (60) month period).

Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as herein provided, the Issuer may, on the date of delivery of such Additional Parity Obligations, increase the sum required to be accumulated and maintained on deposit in the Reserve Fund to be at least equal to the Reserve Requirement on all Outstanding Bonds including the Additional Parity Obligations then issued. Such required sum may be paid in full or in part from the proceeds of such Additional Parity Obligations or may be accumulated in equal monthly payments to the Reserve Fund over a period of months from the date of issuance of the Additional Parity Obligations, which shall not exceed the greater of (a) twelve (12) months, or (b) the number of months for which interest on such Additional Parity Obligations has been capitalized, as determined by Supplemental Ordinance. In the event moneys in the Reserve Fund are accumulated as provided above, (i) the amount in said Reserve Fund on the date of delivery of the Additional Parity Obligations shall not be less than the Reserve Requirement on all Bonds Outstanding (excluding the Additional Parity Obligations) on such date, and (ii) the incremental difference between the Reserve Requirement on all Bonds Outstanding (excluding the Additional Parity Obligations) on the date of delivery of the Additional Parity Obligations and the Reserve Requirement on all such Bonds and the Additional Parity Obligations shall be fifty percent (50%) funded upon delivery of the Additional Parity Obligations.

The Issuer may also establish a separate subaccount in the Reserve Fund for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Fund, the Holders of such Bonds shall not be

secured by any other moneys in the Reserve Fund. Moneys in a separate subaccount of the Reserve Fund shall be maintained at the Reserve Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Ordinance authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate subaccount of the Reserve Fund at such level as the Issuer deems appropriate. Moneys shall be deposited in the separate subaccounts in the Reserve Fund on a pro-rata basis. In the event the Issuer shall maintain a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and moneys in the Reserve Fund or any subaccount therein, the moneys shall be used prior to making any disbursements under such Reserve Fund Insurance Policy or Reserve Fund Letter of Credit.

Notwithstanding the foregoing, in lieu of or in substitution for the required deposits into the Reserve Fund, the Issuer may cause to be deposited into the Reserve Fund a Reserve Fund Insurance Policy and/or a Reserve Fund Letter of Credit in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the Reserve Fund plus the amounts to be deposited therein pursuant to the preceding paragraph.

In the event the Reserve Fund contains both a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit. In the event more than one Reserve Fund Insurance Policy or Reserve Fund Letter of Credit is on deposit in the Reserve Fund, amounts required to be drawn thereon shall be done on a pro-rata basis calculated by reference to the maximum amounts available thereunder. The Issuer agrees to pay all Reimbursement Obligations in regard to any Reserve Fund Insurance Policy or Reserve Fund Letter of Credit from the Pledged Revenues. Pledged Revenues shall be applied in accordance with this Section 20(B)(2), on a pro-rata basis, to pay Reimbursement Obligations to the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit for amounts advanced under such instruments, replenish any cash deficiencies in the Reserve Fund, and to pay the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit interest on amounts advanced under such instruments. Notwithstanding anything herein to the contrary, this Ordinance shall not be discharged or defeased while any Reimbursement Obligations are owing in regard to a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit on deposit in the Reserve Fund.

If five (5) days prior to an interest payment date, principal payment date or date an Amortization Installment is due or such other period of time as shall be established pursuant to a Supplemental Ordinance, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest, principal or Amortization Installment due on the Bonds on such date, the Issuer shall immediately notify (1) the issuer of the applicable Reserve Fund Insurance Policy and/or the issuer of the Reserve Fund Letter of Credit and submit a demand for payment pursuant to the provisions of such Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit, and (2) the Paying Agent of the amount of such deficiency and the date

on which such payment is due, and shall take all action to cause such issuer to provide moneys sufficient to pay all amounts due on such interest payment date.

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 a reimbursement agreement therefore which evidences a Reimbursement Obligation; provided, however, any reimbursement agreement (1) shall not be or create 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 (2) shall be payable or obligate the Issuer to pay solely from the Pledged Revenues in a manner which is not inconsistent with the terms hereof.

Notwithstanding anything herein to the contrary, Reimbursement Obligations relating to a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit for any fees, expenses, claims or draws upon such Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall be subordinate to the payment of debt service on the Bonds and to the payment of Parity Contract Obligations. The right of the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit to payment of reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Fund, and subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be prior to the replenishment of the cash drawn from the Reserve Fund. The Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit reimbursement will be further subordinated to cash replenishment of the Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and the amount then available for further draws or claims. If (1) the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit becomes insolvent or (2) the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit defaults in its payment obligations thereunder, the obligation to reimburse the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall be subordinate to the cash replenishment of the Reserve Fund.

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 period not to exceed twelve (12) months during which it shall make consecutive equal monthly payments in order that the amount on deposit in the Reserve Fund shall equal the Reserve Requirement; provided, the Issuer may 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.

Moneys in the Reserve Fund and subaccounts therein shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Outstanding Bonds secured thereby when the other moneys allocated to the Bond Service Fund are insufficient therefor, and for no other purpose.

Permitted Investments on deposit in the Reserve Fund shall be valued at fair value pursuant to generally accepted accounting principles at least annually. In the event of the refunding of any Series of Bonds, the Issuer may withdraw from the Reserve Fund or subaccount securing such Series, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the Ordinance authorizing the refunding of such Series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (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 which are secured thereby.

(3) From the moneys remaining in the Revenue Fund, the Issuer shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the ordinance or agreement of the Issuer authorizing such Subordinated Debt, but for no other purposes.

(4) The Issuer shall next apply and deposit monthly from the moneys remaining on deposit in the Revenue Fund into the Renewal, Replacement and Improvement Fund, an amount at least equal to one-twelfth (1/12th) of five percent (5%) of the Gross Revenues received during the immediately preceding Fiscal Year. The moneys in the Renewal, Replacement and Improvement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System or emergency repairs or extraordinary repairs thereto. No further deposits shall be required to be made into the Renewal, Replacement and Improvement Fund when there shall be on deposit therein an amount equal to or greater than one percent (1%) of the gross book value of the fixed assets of the System pursuant to generally accepted accounting principles, or such other amount as may be determined from time to time by the Consulting Engineer. Funds on hand in the Renewal, Replacement and Improvement Fund may be used to pay current Cost of Operation and Maintenance to the extent moneys on deposit in the Revenue Fund are insufficient for such purposes. The moneys on deposit in such fund may also be used to supplement the Reserve Fund, if necessary, in order to prevent a default in the payment of the principal and interest on the Bonds.

(5) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made shall be deposited into the Surplus Fund and may be used for any lawful purpose of the Issuer; provided, however, that none of such moneys shall be used for any purposes other than those hereinabove specified unless all current payments, including any deficiencies for prior payments, have been made in full and unless the Issuer shall have complied fully with all the covenants and provisions of this Ordinance.

(C) INVESTMENTS. Moneys in any fund or account created hereunder may be invested and reinvested in Permitted Investments which mature not

later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. All income on such investments, except as otherwise provided, shall be deposited in the respective funds and accounts from which such investments were made and be used for the purposes thereof unless and until the maximum required amount (or, with respect to the Project Fund, the amount required to acquire, construct and erect the Project) is on deposit therein, and thereafter shall be deposited in the Revenue Fund.

In determining the amount of any of the payments required to be made pursuant to this Section 20(C), credit may be given for all investment income accruing to the respective funds and accounts described herein, except as otherwise provided.

The cash required to be accounted for in each of the funds and accounts described in Section 20(B) may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such funds and accounts as herein provided. The designation and establishment of the various funds in and by this Ordinance 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 and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the funds, accounts and subaccounts established hereby. Such depository or depositaries 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 depositary in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees. Any such depositary shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than fifty million dollars ($50,000,000).

(D) OPERATION AND MAINTENANCE. The Issuer will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

(E) RATE COVENANT. The Issuer will fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide,

(i) Net Revenues in each Fiscal Year sufficient to pay one hundred ten percent (110%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, or

(ii) Net Revenues in each Fiscal Year sufficient to pay one hundred five percent (105%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year; and Net Revenues, [Water System Capital Facilities Fees and Sewer System Capital Facilities Fees] in each Fiscal Year sufficient to pay at least one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.

In addition to compliance with either subparagraph (i) or (ii) above, Net Revenues in each Fiscal year shall also be sufficient to provide one hundred percent (100%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, any amounts required by the terms hereof to be deposited into the Reserve Fund or with any Credit Facility Issuer as a result of a withdrawal from the Reserve Fund, the Renewal, Replacement and Improvement Fund and debt service on other obligations payable from the Net Revenues of the System, and other payments, and all allocations and applications of revenues herein required in such Fiscal Year.

Net Revenues shall not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by this Ordinance. Nothing herein will obligate the Issuer to impose Sewer System Capital Facilities Fees or Water System Capital Facilities Fees.

(F) BOOKS AND ACCOUNTS; AUDIT. The Issuer shall keep proper books, records and accounts, separate and apart from all other records and accounts, showing correct and complete entries of all transactions of the System, and the Holders of any of the Bonds or any duly authorized agent or agents of such Holders shall have the right at any and all reasonable times to inspect such books, records and accounts. The Issuer shall, within two hundred ten (210) days following the close of each Fiscal Year of the Issuer, cause an audit of such books, records and accounts to be made by an independent firm of certified public accountants.

Copies of each such audit report shall be placed on file with the Issuer and be made available at reasonable times for inspection by Holders of the Bonds.

(F) DISPOSITION OF SYSTEM.

(i) The System may be sold or otherwise disposed of as a whole or substantially as a whole, only if the net proceeds to be realized, together with other moneys available for such purpose, shall be sufficient to fully retire all of the Outstanding Bonds issued pursuant to this Ordinance and all interest thereon to their respective dates of maturity or earlier redemption dates and to make any termination payments required under any Qualified Agreement. The proceeds from such sale or other disposition of the System shall immediately be deposited

first in the Bond Service Fund and then in the Subordinated Debt Service Fund and shall be used only for the purpose of paying Parity Contract Obligations, and paying the principal of and interest on the Bonds and Subordinated Debt as the same shall become due, or the redemption of callable Bonds and Subordinated Debt, or the purchase of Bonds and Subordinated Debt at a price not greater than the redemption price of said Bonds and Subordinated Debt, or, if the Bonds or Subordinated Debt are not then redeemable prior to maturity, at prices not greater than the redemption price of such Bonds or Subordinated Debt on the next ensuing redemption date.

(ii) The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease, exchange or otherwise dispose of any of the tangible property or ownership interest in tangible 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 or (b) such property is not useful in the operation of the System or (c) such property is not profitable in the operation of the System.

Prior to any sale, lease, exchange or other disposition of said property:

(1) if the amount to be received therefor is not in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the System, the officer of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought, may determine that such property comprising a part of such System is either no longer necessary, useful or profitable in the operation thereof.

(2) if the amount to be received therefor is in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the System, the officer of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought and the Consulting Engineer shall each first make a finding in writing determining that such property comprising a part of such System is either no longer necessary, useful or profitable in the operation thereof, and the Issuer shall, by resolution duly adopted, approve and concur in the finding of such authorized officer and the Consulting Engineer.

The net proceeds realized from such disposal of a part of the System shall be deposited in the Renewal, Replacement and Improvement Fund to the extent necessary to make the amount on deposit therein equal to the amount then required to be on deposit therein; and any additional moneys not needed for said fund shall be used for any capital expenditures in connection with the System or the purchase or redemption of Outstanding Bonds.

(i) Notwithstanding any other provision of this Section 20(G) or this Ordinance to the contrary, except for the initial paragraph of this Section 20(G), the Issuer may sell, lease, exchange or otherwise dispose of

tangible property or an ownership interest in tangible property comprising a part of the System provided the duly authorized officer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought, and the Qualified Independent Consultant each make a finding in writing, adopted and confirmed by resolution of the Issuer, determining that (i) such sale, lease, exchange or other disposition will not materially impair or restrict the Issuer's ability to realize Gross Revenues in compliance with the requirements therefor as set forth herein, and (ii) such sale, lease, exchange or other disposition is in the economic best interests of the Issuer.

(ii) Notwithstanding any other provision of this Section 20(G) or this Ordinance to the contrary, the Issuer may transfer ownership and/or operation of all or a portion of the System to any public body authorized by the laws of the State to own and/or operate such System on an installment sale basis provided that the Issuer (a) has received an opinion of Bond Counsel stating the federal income tax exemption of the interest on the Bonds (not including taxable Bonds) will not be affected and has received an opinion of Bond Counsel stating that such sale is not prohibited by any applicable Florida law, and (b) the Issuer adopts a resolution to the effect that, based upon such certificates and opinions of its Consulting Engineer, independent certified public accountants, Bond Counsel, Financial Advisor or other Qualified Independent Consultant as the Issuer shall deem necessary, desirable or appropriate, such transfer will not materially adversely affect the rights of the Holders of the Bonds.

(H) INSURANCE. The Issuer shall provide protection for the System both in accordance with the requirements of all agreements, if any, to which the Issuer may at the time be a party with respect to joint ownership of properties by the Issuer with others which is part of the System, and in accordance with Prudent Utility Practice. Said protection may consist of insurance, self insurance and indemnities. The Issuer will keep, or cause to be kept, the works, plants and facilities comprising the properties of the System insured, and will carry such other insurance against fire and other risks, accidents or casualties at least to the extent and of the kinds that insurance is usually carried by utilities operating like properties. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the Issuer and may provide for such deductibles, exclusions, limitations, restrictions, and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the System. Any self insurance shall be in the amounts, manner and of the type provided by entities operating properties similar to the properties of the System. In the event of any loss or damage to the System covered by insurance, the Issuer will, with respect to each such loss, promptly repair, reconstruct or replace the parts of the System affected by such loss or damage to the extent necessary to the proper conduct of the operation of the business of the System in accordance with Prudent Utility Practice, shall cause the proceeds of such insurance to be applied for that purpose to the extent required therefor, and pending such application, shall hold the

proceeds of any insurance policy covering such damage or loss in trust to be applied for that purpose to the extent required therefor. Any excess insurance proceeds received by the Issuer may be used by the Issuer for any lawful purpose. Notwithstanding the foregoing or any provisions of this Ordinance to the contrary, the Issuer shall not be required to maintain insurance with respect to facilities for which insurance shall not be available or for facilities which, in accordance with Prudent Utility Practice, are not customarily insured.

(I) NO FREE SERVICE. So long as any Bonds are outstanding, the Issuer shall not furnish or supply the facilities, services and commodities of the System either free of charge or for a nominal charge to any person, firm or corporation, public or private, including the Issuer's departments, agencies and instrumentalities which avail themselves of the services of the System. The Issuer shall promptly enforce the payment of any and all accounts owing to the Issuer and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

(J) MANDATORY CUT OFF. The Issuer shall establish a written policy consistent with sound business judgment for the disconnection from the System of any customer who fails to pay for services rendered by the System, and shall enforce such policy diligently and fairly.

(K) ENFORCEMENT OF COLLECTIONS. The Issuer will diligently enforce and collect the rates, fees and other charges for the services and facilities of the System and will take all steps, actions and proceedings for the enforcement and collection of such rates, charges and fees as shall become delinquent to the full extent permitted or authorized by law; and will maintain accurate records with respect thereof. All such fees, rates, charges and revenues shall, as collected, be held in trust to be applied as herein provided.

(L) OPERATING BUDGET. The Issuer shall annually, prior to commencement of each of its Fiscal Years, prepare and adopt a budget of the estimated expenditures for the operation and maintenance of the System during such next succeeding Fiscal Year. The Issuer shall mail copies of such annual budgets (including any amendments thereto) to any Holder or Holders of Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets be furnished him and shall make available such budgets of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders. Bondholders shall pay reasonable actual cost of printing and mailing of such copies.

(M) MANDATORY CONNECTIONS; NO COMPETING SYSTEM. So long as service is in fact available as reasonably determined by the Issuer, the Issuer will, to the full extent permitted by law, require all lands, buildings and structures within the area being served by the System as of the date of issuance of the Bonds, to connect with and use such facilities within sixty (60) days after notification. To the extent permitted by law, the Issuer will not grant a franchise for the operation of any competing utility system or systems within the area served by the System as of the date of issuance of the Bonds

until all Bonds issued hereunder, together with the interest thereon, and premium, if any, have been paid in full. Notwithstanding the foregoing, the Issuer shall not be required to duplicate services being provided by private or public utilities in the area being served by such private or public utilities on the date of issuance of the Bonds. In addition, the Issuer shall not be prohibited from allowing other private or public utilities to provide services within the area being served by the System as of the date of issuance of the Bonds, if the Issuer shall not be providing such service in such area on that date. Nothing herein shall be deemed to constitute the approval of the Issuer for any private or public utility (other than the System) to provide any services within the boundaries of the Issuer or within the area being served by the System as of the date of issuance of the Bonds or within any other area of the Issuer.

(N) SUPERVISORY PERSONNEL. The Issuer, in operating the System, will employ or designate, as manager, one or more of its qualified employees, or an independent contractor, who have demonstrated ability and experience in operating similar facilities, and will require all such employees or independent contractors, as the case may be, who may have possession of money derived from the operation of the System to be covered by a fidelity bond, written by a responsible indemnity company in amounts fully adequate to protect the Issuer from loss.

(O) PAYMENT OF TAXES, ASSESSMENTS AND OTHER CLAIMS. The Issuer shall from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the properties constituting the System or the Gross Revenues, Sewer System Capital Facilities Fees or Water System Capital Facilities Fees when the same shall become due, as well as all lawful claims for labor and materials and supplies which, if not paid, might become a lien or charge upon such properties or any part thereof, or upon the Gross Revenues, Sewer System Capital Facilities Fees or Water System Capital Facilities Fees or which might in any way impair the security of the Bonds, except assessments, charges or claims which the Issuer shall in good faith contest by proper legal proceedings.

(P) ISSUANCE OF OTHER OBLIGATIONS. The Issuer shall issue no bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Bonds or any Parity Contract Obligations with respect to payment or lien, nor shall the Issuer create or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds and any Parity Contract Obligations upon said Pledged Revenues. Notwithstanding any other provision in this Section 20(P), the Issuer may issue Additional Parity Obligations under the conditions and in the manner provided herein. Any obligations of the Issuer, other than the Bonds and any Parity Contract Obligations, which are payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds and any Parity Contract Obligations as to lien on and source and security for payment from such Pledged Revenues.

(Q) ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. No Additional Parity Obligations shall be issued after the issuance of the Bonds herein authorized, except upon the conditions and in the manner hereinafter provided:

(1) There shall have been obtained and filed with the Clerk a certificate of an Issuer's Finance Director stating: (a) that the books and records of the Issuer relative to the System and the Net Revenues, and if applicable, the Sewer System Capital Facilities Fees and the Water System Capital Facilities Fees, have been reviewed by the Finance Director; and either (b) that the amount of the Net Revenues derived for any consecutive twelve (12) months out of the preceding thirty (30) months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as provided in paragraphs (2), (3), (4), (5) and/or (6) below, is equal to not less than 110% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Ordinance, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, or (c) that Net Revenues during the Test Period adjusted as provided in paragraphs (2), (3), (4), (5) and/or (6) below is equal to not less than 105% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Ordinance, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, and Net Revenues during the Test Period as so adjusted plus Sewer System Capital Facilities Fees and Water System Capital Facilities Fees during the Test Period is equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Ordinance, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Qualified Independent Consultants, the Net Revenues certified pursuant to (b) and (c) in the previous paragraph may be adjusted for purposes of this Section 20(Q) by including: (a) 100% of the additional Net Revenues which in the opinion of the Qualified Independent Consultant would have been derived by the Issuer from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been implemented before the commencement of such Bond Year and (b) 100% of the additional Net Revenues estimated by the Qualified Independent Consultant to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(3) Upon recommendation of the Qualified Independent Consultants if the Additional Parity Obligations are to be issued for the purpose of acquiring an existing water system and/or sewer system and/or any other utility system in accordance with Section 26 hereof, the Net Revenues certified pursuant to Section 20(Q)(1)(b) or (c) may be adjusted by including: 100% of the additional estimated Net Revenues which in the written opinion of the Qualified Independent Consultants will be derived from the acquired facilities during the first full 12-month period after the issuance of such Additional Parity Obligations (the Qualified Independent Consultants' report shall be based on the actual operating revenues of the acquired utility for a recent 12-month

period adjusted to reflect the Issuer's ownership and the Issuer's rate structure in effect with respect to the System at the time of the issuance of the Additional Parity Obligations).

(4) Upon recommendation of the Qualified Independent Consultants, if the number of connections as of the first day of the month in which the proposed Additional Parity Obligations are to be issued exceeds the average number of such connections during such twelve (12) consecutive month period, then the Net Revenues certified pursuant to Section 20(Q)(1)(b) or (c) may be adjusted to include the Net Revenues which would have been received in such twelve (12) consecutive months if those additional connections had also been connected to the System during all of such twelve (12) consecutive months.

(5) Upon recommendation of the Qualified Independent Consultant, if the Issuer shall have entered into a contract, which contract shall be for a duration of not less than the final maturity of the proposed Additional Parity Obligations, with any public body, whereby the Issuer shall have agreed to furnish services for the collection, treatment or disposal of sewage or agreed to furnish services in connection with any water system or any other utility system, then the Net Revenues certified pursuant to Section 20(Q)(1)(b) or (c) may be increased (to the extent such amounts were not reflected in such Net Revenues) by the minimum amount which the public body shall guarantee to pay in any one year for the furnishing of services by the Issuer, after deducting from such payment the estimated Cost of Operation and Maintenance attributable in such year to such services.

(6) Upon recommendations of the Qualified Independent Consultants, if there is an estimated increase in Net Revenues to be received by the Issuer as a result of additions, extensions or improvements to the System during the period of three (3) years following the completion of such additions, extensions or improvements financed with the proceeds of Bonds or Additional Parity Obligations, then the Net Revenues derived from the System certified pursuant to Section 20(Q)(1)(b) or (c) may be increased by fifty percent (50%) of the average annual additional Net Revenues calculated for such three year period.

(7) The Issuer need not comply with the provisions of paragraph (1) of this Section 20(Q) if and to the extent the Bonds to be issued are Refunding Bonds, if the Issuer shall cause to be delivered a certificate of the Finance Director of the Issuer setting forth the Average Annual Debt Service Requirement (i) for the Bonds then Outstanding and (ii) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Average Annual Debt Service Requirement pursuant to (ii) above is not greater than that set forth pursuant to (i) above.

(8) The Issuer need not comply with the provisions of paragraph (1) of this Section 20(Q) if and to the extent the Bonds to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the System ("Completion Bonds") if originally financed with the proceeds of Bonds;

provided that such Completion Bonds for which the Issuer need not comply with the provision of such paragraph (1) of this Section 20(Q) may not exceed 10% of the total principal amount of Bonds estimated to be required for such improvements to the System at the time of issuance of the initial Series of Bonds to finance such improvements.

(9) The Finance Director of the Issuer shall have certified that the Issuer is not in default in the carrying out of any of the obligations assumed under this Ordinance and no event of default shall have occurred under this Ordinance and shall be continuing, and all payments required by this Ordinance to be made into the funds and accounts established hereunder shall have been made to the full extent required.

(10) The Supplemental Ordinance authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained herein will be applicable to such Additional Parity Obligations.

(R) SEWER SYSTEM CAPITAL FACILITIES FEES. All Sewer System Capital Facilities Fees, if any, shall be deposited into the Sewer System Capital Facilities Fees Fund. All moneys remaining on deposit in such fund shall be utilized on or before the 26th day of each month and shall be applied by the Issuer as follows:

(1) Such moneys shall, in the case of a deficiency in the Bond Service Fund, first be applied and allocated, together with Water System Capital Facilities Fees to the Bond Service Fund to supplement other Pledged Revenues to be deposited therein or in substitution of other Pledged Revenues to be deposited therein.

(2) Thereafter, all moneys in the Sewer System Capital Facilities Fees Fund may be applied by the Issuer for any use allowed by law.

Notwithstanding any provision of this Ordinance to the contrary, the amount of Sewer System Capital Facilities Fees used for the payment of principal of, redemption premium, if any, and interest on the Bonds in any Bond Year shall never exceed the maximum amount permitted by law.

(S) WATER SYSTEM CAPITAL FACILITIES FEES. All Water System Capital Facilities Fees, if any, shall be deposited into the Water System Capital Facilities Fees Fund. All moneys remaining on deposit in such fund shall be utilized on or before the 26th day of each month and shall be applied by the Issuer as follows:

(1) Such moneys shall, in the case of a deficiency in the Bond Service Fund, first be applied and allocated, together with Sewer System Capital Facilities Fees to the Bond Service Fund to supplement other Pledged Revenues to be deposited therein or in substitution of other Pledged Revenues to be deposited therein.

(2) Thereafter, all moneys in the Sewer System Capital Facilities Fees Fund may be applied by the Issuer for any use allowed by law.

Notwithstanding any provision of this Ordinance to the contrary, the amount of Water System Capital Facilities Fees used for the payment of principal of, redemption premium, if any, and interest on the Bonds in any Bond Year shall never exceed the maximum amount permitted by law.

(T) RATE STABILIZATION FUND. The Issuer may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Surplus Fund as it deems appropriate. The Issuer may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Parity Contract Obligation Account, the Principal Account and the Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due and to pay any Parity Contract Obligations, but only to the extent moneys transferred from the Surplus Fund and Renewal, Replacement and Improvement Fund for such purposes pursuant to Sections 20(B)(4) and 20(B)(5) hereof, shall be inadequate to fully provide for such insufficiency.

Section 21. Defaults; events of default and remedies. Except as provided below, if any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default:"

(A) Default in the due and punctual payment of any interest on the Bonds;

(B) Default in the due and punctual payment of the principal of and premium, if any, on any Bond, at the stated maturity thereof, or upon proceedings for redemption thereof;

(C) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in this Ordinance or in the Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Issuer given by the Holders of not less than twenty-five percent (25%) of aggregate principal amount of Bonds then Outstanding (provided, however, that with respect to any obligation, covenant, agreement or condition which requires performance by a date certain, if the Issuer performs such obligation, covenant, agreement or condition within thirty (30) days of written notice as provided above, the default shall be deemed to be cured);

(D) Failure by the Issuer promptly to remove any execution, garnishment or attachment of such consequence as will materially impair its ability to carry out its obligations hereunder; or

(E) Any act of bankruptcy or the rearrangement, adjustment or readjustment of the obligations of the Issuer under the provisions of any bankruptcy or moratorium laws or similar laws relating to or affecting creditors' rights.

The term "default" shall mean default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Ordinance, any Supplemental Ordinance or in the Bonds, exclusive of any period of grace required to constitute a default or an "Event of Default" as hereinabove provided.

Notwithstanding the foregoing, the occurrence of any default under a Qualified Agreement, including without limitation failure on the part of the Issuer to pay Parity Contract Obligations or to pay a termination fee under a Qualified Agreement, shall not be construed as or deemed to constitute an "Event of Default" hereunder; rather; such occurrence shall be remedied pursuant to such Qualified Agreement and applicable legal and equitable principles taking into account the parity status as to lien on Pledged Revenues which the counterparty to such Qualified Agreement enjoys as to Parity Contract Obligations only, relative to that of the Bondholders and their rights to payments hereunder.

For purposes of Section 21(A) and (B) hereof, no effect shall be given to any payments made under any Bond Insurance Policy.

Any Holder of Bonds issued under the provisions hereof or any trustee acting for the Holders of such Bonds 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, including the right to the appointment of a receiver, existing under State or federal law, or granted and contained herein, and may enforce and compel the performance of all duties required herein or by any applicable law to be performed by the Issuer or by any officer thereof. Nothing herein, however, shall be construed to grant to any Holder of the Bonds any lien on any property of the Issuer, except the Pledged Revenues.

The foregoing notwithstanding:

(i) No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder.

(ii) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient.

(iii) No waiver of any default or Event of Default hereunder 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.

(iv) Acceleration of the payment of principal of and interest on the Bonds shall not be a remedy hereunder in the case of an Event of Default.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Ordinance, the Bondholders shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and the funds pending such proceedings, with such powers as the court making such appointment shall confer. Notwithstanding any provision of this Ordinance to the contrary, for all purposes of this Section 21, except the giving of notice of any Event of Default to the Holder of the Bonds, any Insurer of Bonds shall be deemed to be the Holder of the Bonds it has insured.

On the occurrence of an Event of Default, to the extent such rights may then lawfully be waived, neither the Issuer nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Ordinance, and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent it may lawfully do so, the benefit of all such laws and all right of redemption to which it may be entitled. Within 30 days of knowledge thereof, both the Issuer and the Paying Agent shall provide notice to any and all Insurers of Bonds of the occurrence of any Event of Default. The respective Insurers of Bonds shall be included as a party in interest and as a party entitled to (i) notify the Issuer or any applicable receiver of the occurrence of an Event of Default, and (ii) request the receiver to intervene in judicial proceedings that affect the Bonds or the security therefor. The receiver is required to accept notice of default from each Insurer of Bonds. Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Insurers of Bonds in default shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders under this Ordinance, and the Insurers of Bonds in default shall also be entitled to approve all waivers of events of default.

Section 22: Amending and supplementing of ordinance without consent of holder of bonds. The Issuer, from time to time and at any time and without the consent or concurrence of any Holder of any Bonds, may enact a Supplemental Ordinance amendatory hereof or supplemental hereto if the provisions of such Supplemental Ordinance shall not materially adversely affect the rights of the Holders of the Bonds then Outstanding, for any one or more of the following purposes:

(A) To make any changes or corrections in this Ordinance as to which the Issuer shall have been advised by Bond Counsel that are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or omission or mistake or manifest error contained in this Ordinance, or to insert in this Ordinance such provisions clarifying matters or questions arising under this Ordinance as are necessary or desirable;

(B) To add additional covenants and agreements of the Issuer for the purpose of further securing the payments of the Bonds and any Parity Contract Obligations;

(C) To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Ordinance;

(D) To confirm, as further assurance, any lien, pledge or charge or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Ordinance;

(E) To grant to or confer upon the Holders or any Qualified Agreement Provider any additional right, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(F) To assure compliance with federal "arbitrage" provisions in effect from time to time;

(G) To provide such changes as may be necessary in order to adjust the terms hereof (but not including the provisions of Section 20(E) and Section 20(Q) hereof) so as to facilitate the issuance of Variable Rate Bonds, Option Bonds, the execution of a Qualified Agreement, or to obtain a Credit Facility;

(H) To provide for the combining of the System with any other utility provided the conditions set forth in Section 26 hereof are satisfied;

(I) To provide for the transfer of the ownership and/or operation of the System pursuant to a governmental reorganization as set forth in Section 25 hereof; or

(J) To modify any of the provisions of this Ordinance in any other aspects provided that such modifications shall not be effective until after the Bonds Outstanding at the time such Supplemental Ordinance is adopted shall cease to be Outstanding, or until the holders thereof consent thereto pursuant to Section 23 hereof, and any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such Supplemental Ordinance.

Except for Supplemental Ordinances providing for the issuance of Bonds pursuant hereto, the Issuer shall not adopt any Supplemental Ordinance authorized by the foregoing provisions of this Section unless, in the opinion of Bond Counsel, the enactment of such Supplemental Ordinance is permitted by the foregoing provisions of this Section.

Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution or adoption.

Section 23: Amendment of Ordinance with consent of holders of bonds. Except as provided in Section 22 hereof, no material modification or amendment of this Ordinance or of any Ordinance supplemental hereto shall be made without the consent in writing of the Holders of fifty-one percent (51%) or more in the principal amount of the Bonds of each Series so affected and then Outstanding and any Qualified Agreement Provider. For purposes of this Section, to the extent any Bonds are insured by a Bond Insurance Policy or are secured by a Credit Facility and such Bonds are then rated in as high a rating category as the rating category in which such Bonds were rated at the time

of initial issuance and delivery thereof by either S&P, Moody's or Fitch or successors and assigns, then the consent of the Insurer or Insurers of such Bond Insurance Policy or the issuer or issuers of such letter of credit shall be deemed to constitute the consent of the Holder of such Bonds. No modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent of the Holder or Holders of all such obligations. For purposes of the immediately preceding sentence, the issuer or issuers of a Bond Insurance Policy or a Credit Facility shall not consent on behalf of the Holders of the Bonds. No amendment or supplement pursuant to this Section 23 (but not including Section 22 hereof) shall be made without the consent of each of the Insurers of Bonds. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution or adoption.

Section 24: Defeasance. The covenants and obligations of the Issuer shall be defeased and discharged under terms of this Ordinance as follows:

(A) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to any Qualified Agreement Provider any and all Parity Contract Obligations and to the Holders of all Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, then the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to any Qualified Agreement Provider and the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to any Qualified Agreement Provider any and all Parity Contract Obligations and to the Holders of any Outstanding Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, such Parity Contract Obligations and such Bonds shall cease to be entitled to any lien, benefit or security under this Ordinance, and all covenants, agreements and obligations of the Issuer to any Qualified Agreement Provider and the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) The Bonds, redemption premium, if any, and interest due or to become due for the payment or redemption of which moneys shall have been set aside and shall be held in trust (through deposit by the Issuer of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section 24. Subject to the provisions of paragraph (C) and (D) of this Section 24, any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the escrow agent instructions accepted in writing by the escrow agent to notify Holders of Outstanding Bonds in the manner required herein of the redemption of such Bonds on said date, and (ii) there shall have been deposited with the

escrow agent either moneys in an amount which shall be sufficient, or Acquired Obligations (including any Acquired Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the escrow agent at the same time, shall be sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be. In the event of an advance refunding pursuant to clause (ii) above, the Issuer shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding project relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement and this Ordinance, the terms of the escrow agreement and this Ordinance shall be controlling.

(C) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Acquired Obligations and moneys, if any, in accordance with paragraph (B) of this Section 24, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the highest of (i) the actual rate on the date of calculation, or if the indebtedness in not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Acquired Obligations on deposit with the escrow agent 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 with the escrow agent on such date in respect of such Variable Rate Bonds in order to satisfy the second sentence of paragraph (B) of this Section 24, the escrow agent shall, if requested by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Ordinance.

(D) Option Bonds shall be deemed to have been paid in accordance with the second sentence of paragraph (B) of this Section 24 only if, in addition to satisfying the

requirements of clauses (i) and (ii) of such sentence, there shall have been deposited with the escrow agent moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and redemption premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the escrow agent pursuant to paragraph (B) of this Section 24, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph (D). If any portion of the moneys deposited with the escrow agent for the payment of the principal of and redemption premium, if any, and interest on Option Bonds is not required for such purpose, the escrow agent shall, if requested by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Ordinance.

Section 25: Governmental reorganization. Notwithstanding any other provisions of this Ordinance, this Ordinance shall not prevent any lawful reorganization of the governmental structure of the Issuer, including a merger or consolidation of the Issuer with another public body or the transfer of a public function of the Issuer to another public body, provided that any reorganization which affects the System shall provide that the System shall be continued as a single enterprise and that any public body which succeeds to the ownership and operation of the System shall also assume all rights, powers, obligations, duties and liabilities of the Issuer under this Ordinance and pertaining to all Bonds and any Qualified Agreement.

Section 26: Additional utility functions. The Issuer may expand the utility functions of the System as they exist on the date hereof as permitted in the definition of "System" contained herein and adopted resolutions or ordinances of the Issuer to the effect that, based upon such certificates and opinions of its Consulting Engineer, independent certified public accountants, Bond Counsel, Financial Advisor or other Qualified Independent Consultants as the Issuer shall deem necessary, desirable or appropriate, the addition of such utility functions (a) will not impair the ability of the Issuer to comply with the provisions of this Ordinance, and (b) will not materially adversely affect the rights of the Holders of the Bonds.

Section 27: Separately financed project. Nothing in this Ordinance shall prevent the Issuer from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness other than Bonds or Subordinated Debt, for any purpose of the Issuer authorized by the Act or from financing any such purpose from other available funds (such purpose being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Issuer's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other legally available funds of the Issuer, including but not limited to funds withdrawn from the Revenue Fund pursuant to Section 20(B)(5) hereof.

Section 28: Qualified Agreements. Any payments received by the Issuer from a Qualified Agreement Provider shall constitute Gross Revenues hereunder. Any payments to a Qualified Agreement Provider under a Qualified Agreement so designated by the Issuer, can constitute Parity Contract Obligations or Subordinated Debt. Notwithstanding the foregoing, termination payments, indemnification payment, or other fees to be paid by the Issuer to a Qualified Agreement Provider under a Qualified Agreement and which do not constitute regularly scheduled payments determined by reference to interest on a notional amount may only constitute Subordinated Debt, and may not constitute Parity Contract Obligations.

The Issuer may enter into one or more Qualified Agreements with respect to one or more Series of Bonds (or portions thereof); provided, however, that if such Qualified Agreement is not entered into at the time of initial issuance of the Series of Bonds to which it relates, the requirements of Section 20(Q)(1) hereof must be met, applying the same as if $1.00 in principal amount of Additional Parity Bonds is being issued as of the effective date of such Qualified Agreement.

Section 29: Payments to Credit Facility. In connection with any Bonds, the Issuer may obtain or cause to be obtained one or more Credit Facilities and agree with any Credit Facility Issuer to reimburse such issuer directly for amounts paid under the terms of such Credit Facility, together with interest thereof; provided, however, that no obligation to reimburse a Credit Facility Issuer shall be created, for purposes of this Ordinance, until amounts are paid under such Credit Facility. Such payments are referred to herein as "Reimbursement Obligations." Any Reimbursement Obligation may be secured by a pledge of and a lien on the Pledged Revenues on a subordinate basis to the lien created herein in favor of the Holders of the Bonds and any Qualified Agreement Provider. Any such Reimbursement Obligation shall be deemed to be a part of the Series to which the Credit Facility which gave rise to such Reimbursement Obligation relates. Payments to reimburse the issuer of a Credit Facility shall constitute Subordinated Debt.

Section 30: Capital appreciation bonds. For the purposes of (i) receiving payment of the redemption price of a Capital Appreciation Bond if redeemed prior to maturity, (ii) computing Bond Service Requirement, and (iii) computing the amount of Holders required for any notice, consent, request or demand hereunder for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

Section 31: Tax covenants. With respect to any Bonds for which the Issuer intends on the date of issuance thereof for the interest thereon to be excluded from gross income for purposes of Federal income taxation:

(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.

(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 U.S. Treasury pursuant to the Code.

(D) The Issuer hereby covenants with the Holders of each Series of Build America Bonds that it will comply with all provisions of the Code necessary to maintain the status of such bonds as Build America Bonds within the meaning of Section 54AA(d) of the Code. In the case of Build America Bonds for which the Issuer irrevocably elects to receive a refundable credit from the United States Treasury, the Issuer covenants to comply with all provisions of the Code necessary to maintain the status of such bonds as "qualified bonds" within the meaning of Section 54AA(g) of the Code.

(E) 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 tax 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 paragraphs (A), (B) and (C) above shall not apply to any Taxable Bonds.

(F) There is hereby created and established a fund to be known as the "City of Hialeah Utility System Revenue Bonds Rebate Fund" (the "Rebate Fund"), and a separate account therein for each Series of Bonds. The Issuer shall deposit into the appropriate account in the Rebate Fund, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Issuer, an amount equal to the Rebate Amount for such Rebate Year. The Issuer shall use such moneys deposited in the appropriate account in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by this Section. In complying with the foregoing, the Issuer may rely upon any instructions or opinions from Bond Counsel. If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder that are not Taxable Bonds and after payment in full of the Rebate Amount to the United States in accordance with the terms hereof, such amounts shall be available to the Issuer for any lawful purpose. The Rebate Fund shall be held separate and apart from all other funds and accounts of the Issuer,

shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

Section 32: Validation. To the extent deemed advisable by Bond Counsel, Bond Counsel is hereby authorized to institute appropriate proceedings for the validation of Bonds and any and all other proceedings necessary for the Issuer to determine its authority to issue Bonds, and the proper officers of the Issuer are hereby authorized to verify on behalf of the Issuer any pleadings in such proceedings.

Section 33: Severability. If any one or more of the covenants, agreements or provisions of this Ordinance should 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 or shall in any manner be held to adversely affect the validity of the Bonds, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Ordinance or of the Bonds issued hereunder.

Section 34: Sale of bonds. The Bonds may 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 requirements of this Ordinance and other applicable provisions of law.

Section 35: General authority. The members of the City Council of the Issuer and the Issuer's officers, attorneys and other agents and employees are hereby authorized to perform all acts and things required of them by this Ordinance 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 Ordinance, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel to effectuate the sale of the Bonds to said initial purchasers.

Section 36: No third party beneficiaries. Except such other Persons as may be expressly described herein, in the Bonds, or in a Qualified Agreement, nothing in this Ordinance, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person, other than the Issuer and the Holders, any right, remedy or claim, legal or equitable, under and by reason of this Ordinance or any provision hereof, or of the Bonds or any Qualified Agreement, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer and the Persons who shall from time to time be the Holders and any Qualified Agreement Provider.

Section 37: No personal liability. Neither the members of the City Council of the Issuer nor any person executing the Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 38: Repeal of Ordinances in Conflict. All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

Section 39: Penalties. Every person violating any provision of the Code or any ordinance, rule or regulation adopted or issued in pursuance thereof shall be assessed a civil penalty not to exceed $500.00 within the discretion of the court or administrative tribunal having jurisdiction. Each act of violation and each day upon which any such violation shall occur shall constitute a separate offense. In addition to the penalty prescribed above, the city may pursue other remedies such as abatement of nuisance, injunctive relief, administrative adjudication and revocation of licenses or permits.

Section 40: Severability Clause as to this Ordinance. If any phrase, clause, sentence, paragraph or section of this ordinance shall be declared invalid or unconstitutional by the judgment or decree of a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs or sections of this ordinance.

Section 41: Effective Date. This ordinance shall become effective when passed by the City Council and signed by the Mayor or at the next regularly scheduled City Council meeting, if the Mayor's signature is withheld or if the City Council overrides the Mayor's veto.

PASSED and ADOPTED this ___ day of _____, 2010.

_____
Carlos Hernandez
Council President

Attest: Approved on this ___ day of _____, 2010.

_____ _____
Rafael E. Granado, City Clerk Mayor Julio Robaina

Approved as to form and legal sufficiency:

_____
William M. Grodnick, City Attorney

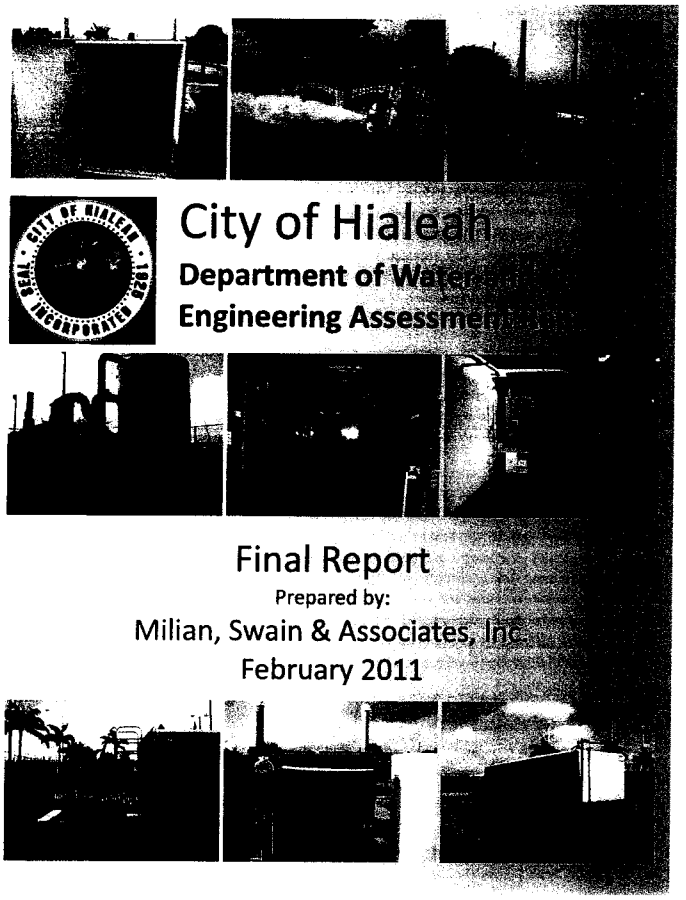
S:\WMG\LEGISLAT\ORD\Ordinance 2010\masterutilitysystembondordinance.docx

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

CITY OF HIALEAH DEPARTMENT OF WATER AND SEWER ENGINEERING ASSESSMENT REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]



MSA
Milian, Swain & Associates, Inc.
2025 SW 32 Avenue, Suite 110, Miami, Florida 33145
Tel: (305) 441-0123 Fax: (305) 441-0688
www.milianswain.com
MIAMI FT. LAUDERDALE WEST PALM BEACH

February 2, 2011

Alex Vega, M.B.A., M.S.T., C.P.A.
OMB Director and City Treasurer
City of Hialeah
501 Palm Avenue
Hialeah, Florida 33010

Subject: City of Hialeah, Florida, Water and Sewer Revenue Bonds, Series 2011 Engineering Assessment Report

Dear Mr. Vega:

Milian, Swain & Associates, Inc. (MSA) is pleased to submit the attached Engineering Assessment Report to be included in the official statement prepared by the City of Hialeah (City) in connection with the issuance of its not to exceed $50 million aggregate principal amount of Water and Sewer Revenue Bonds, Series 2011 (Series 2011 Bonds). The purpose of this report is to present the findings of our evaluation of the City's existing Water and Sewer System and to present financial factors associated with the sale of the Series 2011 Bonds. This report is based on our analysis of the City's records, reports, and capital improvement program, as well as discussions with City personnel, and physical inspection of select water and sewer system components.

Our evaluation of the City's Water and Sewer System includes a discussion of the System's history and organization, service area, water distribution and wastewater collection systems, proposed water treatment plant (ROWTP), and capital improvement program. This report also includes a summary of the historical operating results, and an overview of the Rate Study Report, December 2010 (Rate Study), which includes projections of financial results through fiscal year 2015, and incorporated as an Appendix therein. The Rate Study demonstrates the financial conditions with the planned capital outlays and projected debt service on the Series 2011 Bonds, and other debt in place during the forecast period. The City's Water and Sewer Capital Improvement Program (CIP) consists of improvements that have been identified by the City, including the design and construction of the ROWTP.

Based on our evaluation and analysis and the assumptions stated in the attached report, we find the following:

1. The City's water distribution and wastewater collection system facilities are reasonably well maintained, well managed, and in satisfactory operating condition.

2. The water demand and wastewater flow projections presented herein were based on projections developed in the "Water Demand Report" prepared by SRS Engineers, Inc.
3. The Water System, with the improvements included in the CIP, has sufficient physical capacity to meet existing and projected demands through the study period of this analysis (FY 2010 – FY 2015). The Sewer System, with the improvements included in the CIP, has sufficient physical capacity to meet existing and projected demands through the study period.
4. The City is meeting regulatory requirements for its Water and Sewer System and is planning improvements in accordance with agreements with pertinent regulatory agencies.
5. Our findings assume that the City will adopt the proposed rate increases presented in the Rate Study. Rate Adjustments after FY 2011 have not yet been considered by the City Council. The City has been following a practice of increasing its water and wastewater rates on an annual basis to cover operating cost increases, with occasional supplemental increases, as needed, to cover other financial needs. The rate adjustments projected herein continue this practice.
6. Under the assumptions described, the revenues under the projected rates presented herein will be sufficient to meet operating and other expenses, including debt service payments, and coverage requirements during the Study Period. The projected rates will also provide sufficient funds for planned capital improvement expenditures that are expected to be funded from revenues. The City's current Water and Sewer System rates are comparable to those charged by other municipalities in the South Florida area.
7. The projected cost and time periods to implement the improvements to the Water and Sewer System to be financed with the proceeds of the Series 2011 Bonds are reasonable.
8. The projected expenses of the Water and Sewer System, revenues to be generated by the Water and Sewer System, and the sources of funds projected to be available to fund scheduled or anticipated improvements throughout the Study Period of this Report are reasonable.
9. In our opinion, the City's proposed issuance of the Series 2011 Bonds in the aggregate principal amount of no more than $50 million for the purposes described in the Report on the Water and Sewer System, dated the date hereof, is reasonable.

Sincerely,
Milian, Swain & Associates, Inc.

Arsenio Milian, President

Deborah D. Swain, Vice President

City of Hialeah
Department of Water and Sewers
Engineering Assessment Report

Table of Contents

Engineering Assessment Report 1
Purpose of the Report 1
Overview 1
Background 2
Methodology 7
Organization and Management 7
Water Systems 11
Wastewater Systems 14
Growth 18
Capital Expenditures 19
Site Evaluation 21
Sewer System 21
Master Lift Stations 21
Sample Lift Stations 22
Fire Hydrants 23
Soft-Digs 25
Site Evaluation Conclusion 25
Rate Study Overview 26
Historical Financial Operating Results Summary 26
Revenue Sufficiency Analysis 27
Rate Structure Analysis 28
Current Rate Structure 28
Recommended Rate Structure 29
City of Hialeah's Current Impact Fees 31
Impact Fee Calculation 32
Recommendation Water Impact Fee 32

Recommendation Sewer Impact Fee 33
Miscellaneous Fees and Charges 34
Works Cited 35

Tables

Table 1 - Developer's Water System Installations Length in Linear Feet 5
Table 2 - Developer's Wastewater System Installations Length in Linear Feet 6
Table 3 - Water Billed by MDWASD for Fiscal Year 2010 12
Table 4 - Water Mains Length in Miles by Size and Age of Pipe 13
Table 5 - Sewer Flows as Billed by MDWASD for Fiscal Year 2010 14
Table 6 - Gravity Mains Length in Miles by Size of Pipe 15
Table 7 - Force Mains Length in Miles by Size of Pipe 16
Table 8 - Sewer Collection and Transmission System – Length in Miles by Size and Age of Pipe 16
Table 9 - Water Purchased from and Wastewater Treated by MDWASD 17
Table 10 - Total Number of Accounts 18
Table 11 - Top Ten Water Users - Last Six Months 2010 19
Table 12 - Capital Improvement Plan (CIP) – Fiscal Year 2011 to Fiscal Year 2014 20

Figures

Figure 1 - City Boundary Showing Annexation Area 4
Figure 2 - Organizational Chart 8

Appendix

Statement of Revenues, Expenses and Changes in Net Assets Water & Sewer Fund
Projected Revenue Bond and State Revolving Fund Loan Coverage
Calculation of Revenues Required to Fund Projected Cash Expenditures - Water
Calculation of Revenues Required to Fund Projected Cash Expenditures - Sewer
Water Quality Reports for 2006 through 2009

Engineering Assessment Report

Purpose of the Report

The City of Hialeah (City) authorized Milian, Swain & Associates, Inc. (MSA) to perform an assessment of the City's financial and operational condition of its water and wastewater systems in support of its planned issuance of approximately $50 million in Water and Sewer Revenue Bonds, Series 2011 (Series 2011 Bonds). The City is proposing to issue the Series 2011 Bonds to provide funds for the planned capital improvements to the City's existing water and wastewater systems. The purpose of this report is to present the findings of our evaluation of these systems owned and operated by the City. This report is based on our analysis of the records and capital improvement programs of the City's Department of Water and Sewers (Department), physical inspection of certain water and wastewater system facilities, discussion with key personnel, and such other investigations as we have found necessary.

The evaluation of the water and wastewater systems includes a discussion of the administration and management, organization, water and wastewater utilities systems, and the multi-year capital improvement plan of the Department. It also includes excerpts of the Rate Study Report, December 2010 (Rate Study), prepared by MSA, which presents a financial forecast for FY 2010 – FY 2015 (Study Period), and a plan for adjusting rates during that period.

Overview

The purpose of this Engineering Assessment Report (Report) conducted for the City's Department of Water and Sewers by MSA, is to present the findings of an assessment of the City's existing water and sewer facilities, and incorporates the financial results presented in the Rate Study. The report is based on information compiled from available data in the Department, various records and reports obtained from outside sources, discussion with Department personnel and visual inspections of selected facilities. Although the information provided by the Department has not been independently verified and we cannot assure its validity, MSA compared information from different sources to the extent possible, and believes that this information is valid for the purposes and scope of this report.

The report reflects certain assumptions made about future conditions which, if different, could impact the report findings. Following are the key assumptions made:

- Future changes in management of the Department will be preserved at a level of managerial expertise that equals or exceeds that of the present staff
- The water demands and wastewater discharge flows of future customers will be

comparable to those of existing customers
- The Department will monitor its unaccounted for water and respond appropriately if the levels consistently exceed industry standards
- The Department will continue to perform the projected repairs to portions of the City's wastewater collection system to reduce infiltration and inflow
- The Department will continue to inspect and maintain their fire hydrants in accordance with the Department's Hydrant Maintenance Procedure and Guidelines and the response provided in the "Presurvey Information Request for Water Supply for Fire Suppression" ISO form dated March 28, 2007 – Fire Hydrant Information Section.
- The Department will connect new customers to the water system and to the sewer system in substantial accordance with the projected system growth forecast discussed in the Growth Assumptions and Demand Projections Section of the Utility Rate Study
- Capital expenditures will occur in accordance with the schedules discussed in the Projected Major Capital Improvements Section of the Utility Rate Study

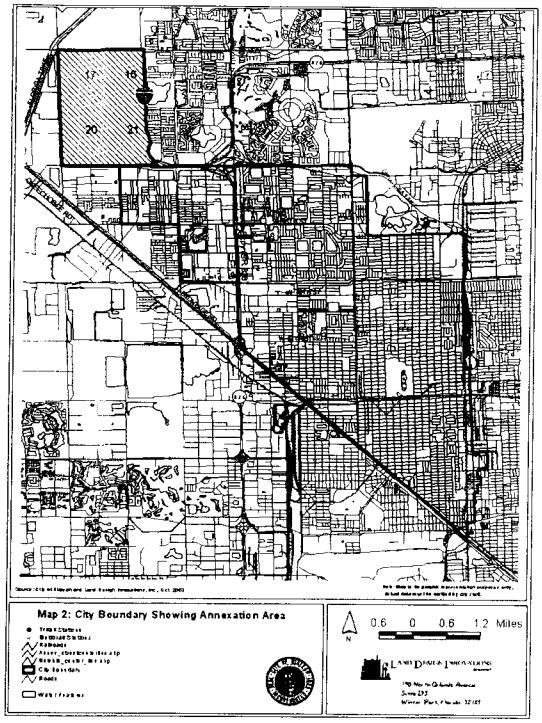
Background

The City is located in north-central Miami-Dade County (County) and currently encompasses an area of approximately twenty-three square miles. Approximately seventeen square miles lies east of the Palmetto Expressway (S.R. 826). From a population of 1,500 in 1925, the year the City was incorporated, the City has grown to a population of approximately 225,000 residents and is ranked as the sixth largest city in Florida. The City is also the second most populous city in the County and one of the County's largest employers. The City has a Strong Mayor / Council form of government. The Mayor is the Chief Executive Officer of the city and is responsible for its day-to-day management functions. Each department and division head reports directly to the Mayor. Both the Major and Council are elected by the City residents and serve a four-year term.

On March 19, 2004, the City entered into an Interlocal Agreement with Miami-Dade County (County) annexing an area that is approximately three square miles of undeveloped area, located along the northwest corner of the City between Highway I-75 and the Florida Turnpike. This area is referred to as "the annexation area". A map showing the City's boundary, including the annexation area, is provided in Figure 1. Prior to the annexation of this area, the City was virtually built-out. This area offers an opportunity to respond to the City's growing housing demands as well as to provide continued economic growth to the City by expanding its revenue base. The annexation area is generally vacant at this time and no services are currently

provided within the area. The City is prepared to extend services to the area incrementally, as development occurs. Consistent with the City's Comprehensive Plan, much of the infrastructure will be funded by developers who will be required to provide adequate level-of-service, including the water distribution system and the sanitary sewer system that will be connected to the City's existing infrastructure. Typically, developers construct water distribution and sewage collection systems and then dedicate the facilities to the municipality; the utility only constructs the trunk mains. In either case, most of the cost of construction is passed to the developer through direct construction or the payment of impact fees. Tables 1 and 2 summarize water and wastewater facilities donated to the City since 2003.

Figure 1: City Boundary Showing Annexation Area



Source: City of Hialeah Planning Division and Land Design Innovations, Inc. - Hialeah Annexation Area Amendment to Comprehensive Plan 2003 - 2015. October 2004.

Table 1
City of Hialeah - Department of Water and Sewers
Developer's Water System Installations Length in Linear Feet

MAIN SIZE	3/2003	9/2003	3/2004	9/2004	3/2005	9/2005	3/2006	9/2006	3/2007	9/2007	3/2008	9/2008	3/2009	9/2009	3/2010	9/2010	TOTAL
	Six-month Period Ending:																
1" COPPER	3,935	137					17		35	512	122			45	80		4,883
2" COPPER	132	369		160	35	34	50	32	62	97	40	675	40	5	60	20	1,811
4" D.I.P.	1,757			15	65	667	257	130	75	364	24	227			100		3,681
6" D.I.P.	50		265	430	45	309	443	221	207	175	161	178	6	15	20	10	2,535
6" PVC C900															133		133
8" D.I.P.	3,538		215	570	1,045	2,546	3,609	495	1,333	875	235	1,928					16,389
10" D.I.P.	220																220
12" D.I.P.	1,090	1,330						380	2,160				1,195				6,155
16" D.I.P.		767				360						165					1,292
TOTAL	6,787	2,466	480	1,175	1,190	3,916	4,359	1,258	3,837	1,511	460	4,368	46	20	313	30	32,216
FIRE HYDRANTS	14	9	4	5	3	13	15	7	14	5	7	10	1	1	2	0	110

Source: City of Hialeah - Department of Water and Sewers - Developer's Water & Sewer Lines Installed Report

Table 2
City of Hialeah - Department of Water and Sewers
Developer's Wastewater System Installations Length in Linear Feet

MAIN SIZE	3/2003	9/2003	3/2004	9/2004	3/2005	9/2005	3/2006	9/2006	3/2007	9/2007	3/2008	9/2008	3/2009	9/2009	3/2010	9/2010	TOTAL
	Six-month Period Ending:																
4" D.I.P.				55													55
4" PVC							20				30			32			82
4" V.C.P.									23								23
6" PVC	4,565	2,163	130		1,145	22	39	48	36	864	290	1,220	25	28		68	10,643
6" V.C.P						280						62					342
6" D.I.P.												1,029					1,029
8" PVC	3,573	957	90		860	1,130	12			789					28		7,439
8" D.I.P.						20											20
8" C-900															284		284
10" C-900																	-
12" C-900		1,970															1,970
TOTAL	8,138	5,090	220	55	2,005	1,452	71	48	59	1,653	320	2,311	25	60	28	352	21,887
MANHOLES	13	11	1	0	7	6	1	0	0	10	0	6	0	0	1	1	57

Source: City of Hialeah – Department of Water and Sewers – Developer's Water & Sewer Lines Installed Report

Methodology

MSA met with City and Department staff as well as with some of the Department's engineering consultants in order to obtain and compile relevant system and operational data. Information obtained and reviewed included:

- Water System Atlas
- Sewer System Atlas
- Sewer Rehabilitation Program Phase 8 Completion Report
- Tank Inspection Report
- Hydrant Maintenance Procedure and Guidelines
- ISO Water Supply for Fire Suppression Report
- Capital Improvement Plan
- Historical and projected growth,
- Consumption patterns

Organization and Management

The Department consists of three divisions responsible for planning, construction, operations, maintenance, customer service, water management and the financial management of the utility. These divisions are the Administration and Management Division, Water Division and Sewer Division. They are supported by the Engineering, Accounting, Purchasing and Customer Service sections. The Department currently employs 111 people including 2 registered professional engineers. An organizational chart, Figure 2, is provided on page 8.

Administration and Management Division

The administration and management division provides the necessary administrative, policy, engineering and technical directions in order to meet community needs and regulatory requirements for safe drinking water and safe wastewater collection and transmission to avoid sanitary sewer overflows.

Water Division

The water division provides operations and maintenance services for the water distribution system in order to continuously deliver a safe and adequate supply of drinking water to all customers.

Sewer Division

The sewer division provides operations and maintenance services to the wastewater collection and transmission system in order to minimize wastewater overflows and safely deliver wastewater from the customer to the County system.

Figure 2: Organizational Chart

Fiscal Year 2010 accomplishments included:

- Continued using the services of a consulting engineering firm to augment departmental staff and conduct all field inspections of major construction projects. This has allowed the Department to be more effective and responsive in the inspection process. This concept was implemented with substantial savings in personnel costs to the Department.
- Fully implemented the 2009-2010 retail water and sewer rates approved by the Mayor and City Council.
- Designed a new major regional sewage pump station to serve Section 26 including a new force main and rehabilitation of eleven local pump stations to be connected to the new station.
- Conducted safety training of field staff and Excellence in Service training for the customer service staff.
- Completed mandated water quality testing for the City's Stage 2 Disinfection By-Product Rules. This work was managed in house with the support of a professional water quality laboratory. The plan calls for the continued monitoring of the eight recommended and selected sites based on the established criteria to 2012.
- Conducted a "Shower Head Give Away" event in accordance with the Department's Water Conservation Plan in cooperation with MDWASD, including an education element to the plan. The plan was incorporated into the County's plan and submitted to the South Florida Water Management District (SFWMD) in support of the County's water permit application. Continued with the "Shower Head Give-Away" program.
- Completed the 2009 Water Quality Report as required by Federal law and distributed the report both in English and Spanish to all 54,000 accounts.

- Finalized with MDDERM negotiations for an extension of a Consent Order for the sewer system rehabilitation (SSES) program.
- Granted the annual Pipe and Materials Bid for 2010 for all pipe and materials supplied to the Department.
- Completed all the requirements of the City's Consent Order with the MDDERM for the fiscal year 2010. Continued with the agreed improvements to the sewer system with MDDERM including repairs and rehabilitation to sewage pump stations in the area of Master Pump Station 6.
- Continued with Phase Eight of the sewer main lining program including relining of approximately 54,000 linear feet of sewer main. These repairs were completed using "trench-less" construction, which is an extremely efficient and effective method of reconstructing sewer mains by not trenching or "digging" the streets of the city. Relining decreases the amount of Infiltration / Inflow (I/I) that enters the system, decreasing the amount of sewage that must be transported, treated and disposed and decreasing the demands on the Miami-Dade County regional system and treatment sewage plants. This results in a decrease in the amount that is paid to the County for sewage treatment.
- Finalized the selection of the D.B.O for the design and construction of an R.O. Water Treatment Plant (ROWTP) to be constructed in partnership with Miami-Dade County to serve the annexation areas as well as other areas in the northwest quadrant of the county. A contract was signed August 18, 2010.
- Continued the construction of the water and sewer mains to serve the annexation area.
- Started construction of new office and operations buildings for the Department.
- Completed the pilot testing program for the ROWTP.
- Bid and awarded the site preparation contract for the construction of the ROWTP.
- Completed construction of two deep injection wells and monitoring wells for the ROWTP.
- Completed the construction of a new water main, sewer force main and sewer pump station on NW 138 St. (W 84 St.) between W 4th Avenue and W 12th Avenue.
- Completed a water and sewer system-wide rate study and a water and sewer connection fee study for the City, including the annexation area.
- Expended Internet activities for the Department and e-government.

Fiscal Year 2011 goals are:

- Expand the services of a consulting engineering firm to augment departmental engineering staff and conduct all field inspections of major construction projects. This has allowed the Department to be more effective and responsive in the inspection process. This concept was implemented with substantial savings in personnel costs to the Department.
- Fully implement the 2010-2011 retail water and sewer rates recently approved by the Mayor and City Council.
- Bid and contract for the construction of a new major regional sewage pump station to serve section 26 including a new force main, rehabilitation of 11 local pump stations to be connect to the new station, with a final connection to MDWASD P.S. 418.
- Continue with the safety training of departmental staff.
- Complete implementation of the Springbrook billing system update.
- Continue with the water quality sampling for the City's Stage 2 Disinfection By-Product Rules for fiscal year 2010-2011.
- Continue with the implementation of the Water Conservation Plan in cooperation with MDWASD including an education element to the plan.
- Complete the 2010 Water Quality Report as required by Federal law and distribute the report both in English and Spanish to all customers by July 1, 2011.
- Continue improvements to the City's sewer system in accordance with the MDDERM Consent Order.
- Bid the annual Pipe and Materials Bid for 2011 for all pipe and materials supplied to the Department.
- Complete rehabilitation to sewage pump stations P.S. 006, 104 and 109.
- Start and continue with Phase Nine of the sewer main lining program including relining of approximately 54,000 linear feet of sewer main. These repairs and construction are to be completed using "trench-less" construction as described above.
- Start the design and construction of the ROWTP to serve the annexation areas as well as other areas in the northwest quadrant of the County.
- Complete negotiations to finalize a 20-year sewer service agreement with MDWASD.
- Design the water and sewer mains to serve the annexation area.

- Continue construction of new office and operations buildings for the department.
- Conduct one water conservation event in cooperation with MDWASD.
- Complete construction of the injection wells pump station for the ROWTP.
- Complete the site preparation and access roadway for the construction of the ROWTP.
- Complete the design and construction of 12 production wells and monitoring wells for the ROWTP, including related piping.
- Implement water and sewer system-wide fees and a water and sewer connection fee for the City, including the annexation area.
- Expand internet activities for the Department and e-government.

Water Systems

The City owns, operates, and maintains a central water distribution system, which provides potable water for both residential and non-residential purposes, including fire protection demands. At the present time, the City does not have treatment facilities and purchases all water from Miami-Dade Water and Sewer Department (MDWASD). Table 3 provides the number of water gallons MDWASD billed the City by month for Fiscal Year 2010. The Department is responsible for the operation and maintenance of the City's potable water distribution system. The City is authorized to operate the system under Permit No. PWO-033, issued by Miami-Dade County Department of Environmental Resources (DERM). The City's water supply meets or exceeds all federal and state safe drinking water standards established by the Florida Department of Environmental Protection, the Florida Department of Health and the United States Environmental Protection Agency. Copies of the Water Quality Report for the past four years are included in the Appendix.

Table 3
City of Hialeah - Department of Water and Sewers
Water Billed by Miami-Dade Water and Sewer Department for Fiscal Year 2010

Month	Gallons/Month
October-09	809,790,000
November-09	681,190,000
December-09	678,860,000
January-10	803,385,000
February-10	810,005,000
March-10	664,160,000
April-10	820,500,000
May-10	737,100,000
June-10	794,000,000
July-10	701,916,000
August-10	806,644,000
September-10	795,910,000
TOTAL	**9,103,460,000**
AVERAGE DAILY FLOW (millions)	**24.941**

Source: Monthly Invoices from MDWASD to the City of Hialeah - Department of Water and Sewers

The water distribution system consists of over 500 miles of water mains ranging from ¾" to 30 inches in diameter and more than 3,000 fire hydrants. Table 4 provides a breakdown of the City's piping based on length and diameter, as reported to DERM in the Annual Operating Permit forms.

Table 4
City of Hialeah - Department of Water and Sewers
Water Mains Length in Miles by Size and Age of Pipe

MAIN SIZE	LESS THAN 40 YEARS OLD	40 YEARS OR OLDER	TOTAL
2" TO 4"	134.81	45.00	179.81
6" TO 8"	205.01	15.20	220.21
10" TO 12"	47.49	7.17	54.66
16" TO 24"	42.00	2.89	44.89
26" TO 36"	3.80	0.25	4.05
Above 36"	0.00	0.00	0.00
TOTAL	**433.11**	**70.51**	**503.62**

Source: City of Hialeah - Department of Water and Sewers - "Water Accounting Data Form" for the Period of January 1, 2009 to December 31, 2009

The City also owns a two million gallon ground water storage tank located at W 84th Street and 13th Avenue. The tank is a Crom prestressed concrete tank measuring 110 feet in diameter and is 28 feet high, almost 10" thick at the base wall tapering to 4" thick at the upper sidewall. It has been out of service for more than fifteen years, but the City contracted to have the tank inspected in 2004, with a request for recommendations to put the structure into a first-class serviceable condition. The inspection was performed by Howie Greene Tank Inspection LLC on December 17, 2004. The Inspection Report indicated no structural damage to the roof exterior or interior, small normal hairline cracks, and an evaluation that the tank could be put back into service with cleaning and repainting and only certain mechanical modifications and minor repairs.

In the past few years, the City has undertaken various studies of water supply and treatment system alternatives for the purpose of promoting high quality and affordable services for its residents while maintaining a reliable source of water. On December 27, 2007, the City entered into a Joint Participation Agreement (JPA) with the County for the design, construction and operation of a 10 MGD ROWTP. The JPA, as amended on August 2009, provides for equal ownership of the ROWTP between the County and the City. The ROWTP includes the construction of the related building structures and water production capacity of 10 MGD. The plant will serve not only the annexation area, but also adjacent municipalities and unincorporated areas. The City has already completed a test production well to the Floridan Aquifer, several monitoring wells and the construction of two deep injection wells for the disposal of the brine. In 2010, Inima, Inc. was selected as the Design Build Operator for the ROWTP and the plant is expected to be operational in 2012. The design and construction costs will be split evenly between the Department and the County. As planned, the plant will ensure

that the City will have an adequate supply of potable water to meet all of the planned demands for the next twenty years.

Wastewater Systems

The City owns, operates, and maintains a central sanitary sewer collection and transmission system. The City is authorized to operate the system by Permit No. DWO-086, issued by Miami-Dade County Department of Environmental Resources (DERM). At the present time, the City does not own or operate any wastewater treatment plant facilities. MDWASD is responsible for the operation and maintenance of the County's regional sanitary sewer wastewater treatment facilities and the Department discharges the wastewater collected to three MDWASD pump stations that re-pump the wastewater for treatment and disposal to MDWASD's North District Wastewater Treatment Plant (NDWWTP). Future plans are for the City to continue to transmit the wastewater collected to MDWASD facilities for treatment and disposal. Table 5 provides the sewer flows MDWASD treated for the City by month for Fiscal Year 2010.

Table 5
City of Hialeah - Department of Water and Sewers
Sewer Flows as Billed by Miami-Dade Water and Sewer Department for Fiscal Year 2010

Month	Gallons/Month
October-09	502,206,200
November-09	488,908,600
December-09	683,328,300
January-10	503,324,000
February-10	521,997,200
March-10	581,035,300
April-10	516,071,100
May-10	445,069,000
June-10	618,195,800
July-10	584,415,600
August-10	642,219,300
September-10	816,517,300
TOTAL	**6,903,287,700**
AVERAGE DAILY FLOW (millions)	**18.913**

Source: Monthly Invoices from MDWASD to the City of Hialeah - Department of Water and Sewers

The wastewater collection system consists of eighty-seven pump stations, three of which are Master Lift Stations with four pumps each and generators capable of providing auxiliary power as needed during power failures. The system includes approximately 460 miles of gravity sewer mains and laterals ranging from 4 inches to 54 inches in diameter and more than 6,500 manholes. The force main network includes approximately 37 miles of pressurized pipe ranging in size from 4 inches to 24 inches in diameter. Tables 6 and 7 provides a breakdown of the City's gravity lines based on length and diameter, and force mains based on length in miles and by size of pipe. Table 8 provides a breakdown of the collection and transmission pipe by age.

Table 6
City of Hialeah - Department of Water and Sewers
Gravity Mains Length in Miles by Size of Pipe

PIPE SIZE (Inches)	TOTAL
4	20.21
6	120.00
8	305.84
10	2.59
12	1.69
15	2.16
18	0.63
21	0.84
24	2.38
30	0.11
36	0.02
48	2.72
54	2.00
TOTAL	461.19

Source: City of Hialeah - Department of Water and Sewers - "Sewer Rehabilitation Program Phase 8 Completion Report", December 2010

Table 7
City of Hialeah - Department of Water and Sewers
Force Mains Length in Miles by Size of Pipe

PIPE SIZE (inches)	TOTAL
4	0.72
6	3.67
8	12.05
10	6.48
12	5.15
16	4.27
18	0.49
20	3.73
24	0.93
TOTAL	**37.49**

Source: City of Hialeah - Department of Water and Sewers - Calculation of Linear Feet Using Drainage Basin Schematics Prepared by Hazen & Sawyer

Table 8
City of Hialeah - Department of Water and Sewers
Sewer Collection and Transmission System - Length in Miles by Size and Age of Pipe

MAIN SIZE	LESS THAN 40 YEARS OLD	40 YEARS OR OLDER	TOTAL
4" TO 6"	91.24	50.35	141.59
8" TO 10"	189.65	108.01	297.66
12" TO 16"	7.08	4.04	11.12
18" TO 24"	3.81	1.92	5.73
26" TO 36"	0.00	0.12	0.12
Above 36"	2.47	2.62	5.09
TOTAL	**294.25**	**167.06**	**461.31**
Age Unknown			**37.37**
TOTAL SYSTEM			**498.68**

Source: City of Hialeah - Department of Water and Sewers - "Sewer Collection & Transmission System Inventory List"

On February 21, 2007, in response to the Sewer Rehabilitation Program Status Report submitted by the Department to DERM on January 5, 2007, DERM notified the City that the sanitary sewer system was not in compliance with Miami-Dade County Code Section 24-42.2. The report indicated that thirty-five of the Department's pump stations were not in compliance with the requirements established in Section 24-42.2. As a result, the City entered into an Administrative Consent Agreement with DERM on April 2007, concerning the thirty-five basins for which compliance with the 5,000 gallon per day/inch/mile (gdpim) standard for infiltration and inflow (I/I) specified in the County Code had not been demonstrated.

The City has implemented a system-wide sewer condition assessment and rehabilitation program and has performed various tasks including smoke testing, flow monitoring, manhole inspection, televising sanitary sewer lines, evaluating sewer videotapes, and performing remediation efforts with in-house and outside contractors. The program has been highly successful in reducing I/I. The City's wastewater flow for treatment by the County has declined over the past ten years as a result of the City's Infiltration and Inflow reduction program as indicated in Table 9. The actual flows for Fiscal Year 2010 are approximately 6.4% less than the flows for Fiscal Year 2009. This volume is projected to remain steady until customers from the annexation area are connected, starting in Fiscal Year 2013.

Table 9
City of Hialeah - Department of Water and Sewers
Water Purchased from and Wastewater Treated by Miami-Dade Water and Sewer Department
(Millions of Gallons)

	Fiscal Year Ending:										
Description	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water Purchased	8,950	8,384	8,742	8,454	7,730	8,685	8,616	8,228	8,081	8,110	9,103
Wastewater Treated	11,074	10,825	10,328	9,247	10,342	10,955	8,770	7,699	8,109	7,373	6,903
Wastewater Treated as a Percentage of Water Purchased	123.7%	129.1%	118.1%	109.4%	133.8%	126.1%	101.8%	93.6%	100.3%	90.9%	75.8%

Source: Miami-Dade Water and Sewer Department - "2009 Comprehensive Annual Financial Report" and FY 2010 Monthly Invoices from MDWASD

Currently, the program is primarily focused on the Consent Agreement basins. As reported in the "Sewer Rehabilitation Program Phase 8 Completion Report" dated December 2010 and

prepared by Hazen and Sawyer, sixteen of the thirty-five basins identified in the Consent Agreement are already in compliance with the 5,000 gpdim criterion. Nineteen of the basins require additional infiltration / inflow reduction. Ongoing rehabilitation is planned for these basins, along with continued inspection work to identify additional collection system defects requiring repairs. Although the initial term of the Consent Agreement with DERM expired on September 15, 2010, the City has reached a verbal agreement to extend the deadline to September 15, 2012, with the option to extend one additional year, to September 15, 2013, if needed. The City has the objective of completing final monitoring by September 15, 2012. The scope of this new agreement will also include rehabilitation of those stations that exceed ten hours Normal Average Pump Operating Time (NAPOT), all of which are either currently under repair, or are under design for repair. The paperwork to memorialize this agreement is currently being prepared by DERM.

Growth

Except for the annexation area, the City of Hialeah is virtually completely developed. Table 10 provides the Department's total number of accounts for the last eight years, broken down by residential and commercial accounts. Table 11 lists the top ten largest users during the last six months of 2010. The only possible growth would be from redevelopment within the City and the additional growth associated with the annexation area. As the customers from the annexation area are connected to the City, it is projected that by FY 2015 there will be additional 6,233 water and sewer accounts from the annexation area with a water demand of 1,273,065 GPD. The Department has projected that the new customers will connect over the three year period from FY 2013 – FY 2015.

Table 10
City of Hialeah - Department of Water and Sewers
Total Number of Accounts

YEAR	RESIDENTIAL	COMMERCIAL	TOTAL NO. OF ACCOUNTS
2003	51,102	656	51,758
2004	53,172	1,165	54,337
2005	53,099	1,232	54,331
2006	53,908	1,357	55,265
2007	53,407	1,233	54,640
2008	53,114	1,286	54,400
2009	53,271	1,309	54,580
2010	53,070	1,309	54,379

Source: City of Hialeah - Department of Water and Sewers - Utility Billing System

Table 11
City of Hialeah - Department of Water and Sewers
Top Ten Water Users - Last Six Months 2010

RANK	CUSTOMER NAME	6-MONTH CONSUMPTION (GALLONS)
1	LOS SUENOS CONDO ASSOC.	33,823,300
2	ATLAS PAPER MILLS LLC	32,215,700
3	HIALEAH HOSPITAL	19,156,000
4	PALM EAST GARDENS, INC.	12,105,500
5	CY'S DRY CLEANERS	11,685,800
6	ARMEN CO INC	10,923,700
7	PALM WEST GARDENS CONDO	10,556,400
8	THE TOWER OF WESTLAND	10,066,600
9	CASA DEL SOL CONDO	8,787,800
10	AIRRAS GROUP INC.	5,139,400

Source: City of Hialeah - Department of Water and Sewers - Utility Billing System

Capital Expenditures

The Department develops a multi-year capital improvement program (CIP) recognizing costs associated with the future growth and regulatory requirements. The multi-year CIP reflects the total estimated project costs for each project which is expected to be initiated within the period covered by the plan, regardless of the estimated time required to design and complete construction of the project. The Department's CIP for common water and wastewater expenditures include the completion of the Department's Administration Building and related purchases of furniture, a new telephone system as well as new servers to improve the billing system. It also includes the replacement of some of its vehicles. The major water expenditures include the completion of the 10 MGD ROWTP, the replacement of an existing water main due to road construction on E. 4th Avenue from E. 21 St. to E. 49 St., and the relocation of a water main due to FDOT construction at W. 4th Avenue from 29 Street to W. 49th Street.

The wastewater planned expenditures include the rehabilitation of several pump stations to prevent overflows and sewer contamination, the lining of sewer mains to prevent infiltration/inflow, the purchase of pumps, controls and generators for various pump stations and construction of a new force main for stations in Section 26 of the City. Table 12 summarizes the Department's multi-year capital plan for Fiscal Years 2011 through 2014.

Table 12
City of Hialeah - Department of Water and Sewers
Capital Improvement Plan (CIP) - Fiscal Year 2011 to Fiscal Year 2014

	FY 2011	FY 2012	FY 2013	FY 2014
Water and Sewer Services (9500)				
Vehicle Replacements	167,000			
Completion of Construction of New Administration Building	1,950,000			
Replacement of telephone system and servers for billing system	200,000			
Replacement of office furniture and fixtures for new building	130,000			
Total CIP Water and Sewer Services	$2,447,000			
Water Services (9510)				
Replacement of Existing Water Main on E. 4th Ave.	2,600,000			
Replacement of Existing Water Main on W. 4th Ave.	1,300,000			
Restoration of Swales/Alleyways/Sidewalks due to Water Repairs	100,000	100,000	100,000	100,000
Restoration of Pavement due to Water Repairs	50,000	50,000	50,000	50,000
Total CIP Water Services	$4,050,000	$150,000	$150,000	$150,000
Sewer Services (9520)				
Restoration of Swales/Alleyways/Sidewalks due to Sewer Repairs	100,000	100,000	100,000	100,000
Restoration of Pavement due to Sewer Repairs	50,000	50,000	50,000	50,000
Lining of Sewer Mains for Infiltration / Inflow Remediation	2,350,000			
Purchase of Pumps, Control, Generators, ATS to prevent overflows	600,000			
Rehabilitation of 11 Pump Stations in Section 26	1,650,000	1,375,000		
Construction of New Force Mains for Stations in Section 26	2,046,000	4,180,000		
Construction of Regional Pump Station # 300 for Section 26	1,100,000	2,750,000		
Rehabilitation of Pump Station # 4 to prevent sewer overflows	266,000			
Rehabilitation of Pump Station # 5 to prevent sewer overflows	370,000			
Rehabilitation of Pump Station # 6 to prevent sewer overflows	2,104,000			
Rehabilitation of Pump Station # 12 to prevent sewer overflows	316,000			
Rehabilitation of Pump Station # 105 to prevent sewer overflows	316,000			
Rehabilitation of Pump Station # 126 to prevent sewer overflows	266,000			
Rehabilitation of Pump Station # 131 to prevent sewer overflows	316,000			
Rehabilitation of Pump Station # 150 to prevent sewer overflows	516,000			
Total CIP Sewer Services	$12,366,000	$8,455,000	$150,000	$150,000
Reverse Osmosis (RO) Water Treatment Plant (9530)				
ROWTP - DBO Construction	35,372,064	18,939,373		
ROWTP - Site Improvements	1,295,000			
ROWTP - Injection Well Pump Station	2,673,900			
ROWTP - Production Wells	18,480,000	1,540,000		
ROWTP - Pipeline Construction	10,164,000	924,000		
Total CIP RO Water Treatment Plant	$67,984,964	$21,403,373		
Total CIP Projects	$86,847,964	$30,008,373	$300,000	$300,000

Source: Department of Water and Sewers, FY 2011 Budget Submission - Capital Improvement Plan Changes - Fiscal Years 2011 - 2014

Site Evaluation

To determine the general physical condition of the water and sewer system facilities, MSA performed a physical inspection of certain components of the water and wastewater systems. Sewer facilities selected for inspection included all Master Lift Stations and a selected sample of lift stations. It was determined that a physical inspection of service laterals, gravity and force mains was not necessary since an ongoing I/I program is being implemented.

For the water system, a selection of fire hydrants and water distribution mains were selected for inspection. Because piping is underground, MSA coordinated with City staff to have "soft digs" performed by the City to expose the selected pipeline.

Sewer System

There are a total of eighty-seven (87) lift stations comprising the City's wastewater collection system, of which three are considered "master stations". A representative sample of five lift stations and all three master stations were inspected on January 18 and January 19, 2011. These inspections were performed by MSA accompanied by Department Staff.

Overall, the lift stations inspected appear to be efficiently operated and well maintained. The mechanical and electrical components (control panels, variable frequency drives, motor control centers, generators, telemetry units, pumps, and accessories) appeared to be in good condition unless otherwise noted. The following serves to summarize the observations made during the visual inspection of the stations:

Master Lift Stations

All three master lift stations were inspected on January 18, 2011. One of the three master lift stations inspected (Master Lift Station No. 6) was undergoing rehabilitation and another (Master Lift Station No. 200) was inactive at the time of this inspection. Overall, the master lift station in operation appeared to be efficiently operated and well maintained, and the mechanical and electrical components (control panels, variable frequency drives, motor control centers, generators, telemetry units, pumps, pipes, and accessories) appeared to be in good condition.

LS 6: Master Lift Station No. 6 was undergoing rehabilitation at the time of the inspection and is expected to be completed by the end of March 2011. The rehabilitation of this station consists of a new building structure that will house four (4) 90 HP FLYGT pumps and a new wet well. This master lift station has an existing generator on site.

LS 106: This master lift station is composed of a single story CBS building structure that houses four (4) 65 HP FLYGT pumps in a dry well below ground. The station was rehabilitated four years ago in 2007. The pumps and piping in the dry well appear in good condition and show no signs

of corrosion. The dry well is equipped with a 3-ton crane for use in removal of pumps for repair. The interior walls of the dry well are painted and in good condition. The wet well, all electrical control panels, and the SCADA system and blowers appear to be in good condition. This station is equipped with a KVA 656 GENERAC power generator and a 2,000 gallon double wall ConVault diesel tank, both mounted on a 24" concrete slab. The exterior of the building is painted and well maintained. This master lift station site is fenced for security.

LS 200: Master Lift Station No. 200 is a new station that had not been activated yet as of the time of the inspection. This station consists of a one (1) story CBS structure building with a dry well and wet well structure below ground. The station has four (4) 200 HP motor pumps in the dry well. The wet well consists of a splitter box at the inlet pipe that splits the flow two ways to a bar screen where grit and suspended solids larger than the screen openings are to be strained out and removed for disposal. The wet well is sealed-coated and in good condition. All the electrical controls, blowers, SCADA system are new and in good condition. The station is equipped with a MAGNA MAX Generator 2500 KVA, Detroit Engine, 275 gallon day tank and a 10,000 gallon concrete double wall ConVault diesel tank. The building interior and exterior walls are painted and in new condition. This station is also equipped with an odor control system. This master lift station site is fenced for security.

Sample Lift Stations

LS 50: This station is an older model station that is operating satisfactorily but the equipment is showing age and should be rehabilitated in the future. This station has a rectangular concrete section 36" over the wet well structure that serves as the entrance to the wet well. The wet well interior wall is sealed-coated and shows no sign of infiltration. This station is equipped with two (2) FLYGT 3 HP pumps that are operating satisfactorily. The interior wet well piping is showing signs of medium corrosion. The valve vault interior piping is showing signs of corrosion and needs a coat of paint. The valve vault bottom is constructed with gravel which may be contributing to the corrosion of the interior piping during periods of high water table.

LS 100: This lift station is in good condition. The station was rehabilitated in early 2010. The rehabilitation consisted of the installation of two (2) new FLYGT pumps 20 HP, new control panels and telemetry system, and new aluminum hatches. The interior wet well wall is sealed-coated, the two vertical discharge pipes are PVC with ductile iron fittings and are in good condition. The valve vault walls are not sealed-coated and the bottom of the vault is gravel. The interior piping of the valve vault is showing signs of corrosion and needs to be sealed-coated.

LS 121: This list station appears to be in good condition. The interior wet well wall is sealed and shows no signs of infiltration. The interior discharge piping is PVC, but the 90° bends are showings signs of heavy corrosion. This station is equipped with two (2) 35 HP FLYGT pumps

that are operating satisfactorily. The valve vault walls are not sealed-coated and the bottom is constructed of gravel. The valve vault piping is showing signs of light corrosion and needs a coat of paint. The electro-mechanical equipment is in good condition. This station is equipped with an 80 KVA Detroit diesel generator for stand-by power and SCADA system. It is enclosed by a chain link fence for security purposes and 6-inch bollards inside the site for protection from traffic.

LS 150: This lift station appears to be in good condition. This station has a square shape wet well with three pumps, two (2) are 35 HP FLYGT and one (1) is 75 HP FLYGT. The wet well and interior piping are not sealed-coated, and the interior piping is showing signs of corrosion. The wet well walls and the discharging pipes need to be sealed-coated. The electrical control panel is the older type but is working properly. This station is equipped with a SCADA system. The valve vault is not sealed-coated and the bottom is constructed of gravel. The valve vault interior piping is made up of new fittings as well as fittings that show heavy corrosion and needs a fresh coat of paint. This station is fenced for security purposes and there are 6" bollards for protection from traffic.

LS 155: This lift station was rehabilitated in March of 2010 and it appears in good condition. The station upgrade consists of two (2) new 20 HP FLYGT pumps, the interior wet well wall was sealed-coated and shows no signs of infiltration. The interior piping is also sealed-coated and free of any corrosion. This station has a rectangular shape box approximately 30-inch above the concrete slab located over the wet well and is used as the access to the wet well. The valve vault piping, interior walls and bottom are sealed-coated and appear in good condition. The electro-mechanical equipment is in good condition. This station is equipped with a SCADA system. A chain link fence encloses the station for security purposes with 6-inch round bollards at each corner of the site for protection from traffic.

Fire Hydrants

A limited sample of fire hydrants was selected for inspection throughout the City on January 21st and 24th, 2011. Overall the ten fire hydrants selected appeared to be operating satisfactorily with the exception of one fire hydrant that was not operational and was reported for repair. City staff has advised that the repair was completed and that the hydrant is now operational.

Location No. 1: Fire hydrant is located at the SE corner of 5th Avenue and 6th Street between the sidewalk and the grass swale. The hydrant is a 5 ¼" Kennedy type with all caps attached, painted with no signs of corrosion. The hydrant was exercised and operated satisfactorily.

Location No. 2: Fire hydrant is located at W 24th Avenue and 63rd Street in the sidewalk. The hydrant is a 5 ¼" Muller with all caps attached, painted, but shows signs of corrosion on the bolts at the base of the hydrant. This fire hydrant was found inoperable and was reported for maintenance.

Location No. 3: Fire hydrant is located at W 16th Avenue and 35th Street in the grass area with a concrete base and two 6" steel bollards. This hydrant is a 5 ¼" American Darling with all caps attached, painted and in good condition. This fire hydrant was exercised and operated satisfactorily.

Location No. 4: Fire hydrant is located at W 42nd Street and 17th Avenue between the sidewalk and the grass swale. The hydrant is a 5 ¼" Mueller with all caps attached, painted and in good condition. The fire hydrant was exercised and operated satisfactorily.

Location No. 5: Fire hydrant is located at the corner of W 18th Avenue and 53rd Terrace between the sidewalk and the grass swale. This hydrant is a 5 ¼" Waterous with all caps attached, painted and in good condition. This fire hydrant was exercised and operated satisfactorily.

Location No. 6: Fire hydrant is located at the corner of E 5th Street and 16th Avenue between the sidewalk and the grass swale. This hydrant is a 5 ¼" Kennedy with all caps attached, painted and in good condition. This fire hydrant was exercised and operated satisfactorily.

Location No. 7: Fire hydrant is located at E 11th Avenue between 30th Street and 31st Street between the sidewalk and the grass swale. This hydrant is a 5 ¼" Kennedy with all caps attached, painted and in good condition. This fire hydrant was exercised and operated satisfactorily.

Location No. 8: Fire hydrant is located at the corner of E 8th Avenue (LeJeune Rd.) and 45th Street, on the back of the sidewalk. This hydrant is a 5 ¼" Mueller with all caps attached, painted and in good condition. This fire hydrant was exercised and operated satisfactorily.

Location No. 9: Fire hydrant is located at the corner of E 6th Avenue and 54th Street between the sidewalk and grass swale. This hydrant is a 5 ¼" Mueller with all caps attached, painted and in good condition. This fire hydrant was exercised and operated satisfactorily.

Location No. 10: Fire hydrant is located at the southwest corner of W 39th Place and 2nd Avenue, between the sidewalk and the grass swale. The fire hydrant is a 5 ¼" Dresser with all caps attached, painted and in good condition. This fire hydrant was exercised and operated satisfactorily.

Soft-Digs

Three locations were selected for soft-dig on January 20th and 21st, 2011. The soft-dig locations were selected at random, from different areas of the City representative of size and age of the pipe. The location and size of the three pipes selected were found to be as shown in the City's water atlas map.

Location No. 1: SE 5th Avenue and 6th Street. The water main at this location is a 6-inch ductile iron (DI) pipe in the grass swale area with approximately 36-inch cover. The pipe appeared in good condition with no sign of corrosion.

Location No. 2: W 24th Avenue and 63rd Street. The water main at this location is a 12-inch ductile iron (DI) pipe in the swale area with approximately 52-inch cover. The pipe at this location appeared in good condition with some minor corrosion on the surface of the pipe.

Location No. 3: W 16th Avenue and 35th Street. The water main at this location is an 8-inch asbestos cement (AC) pipe in the asphalt pavement with approximately 41-inch cover. The pipe at this location appears in good condition.

Site Evaluation Conclusion

The City's water distribution and wastewater collection system facilities are reasonably well maintained, well managed, and in satisfactory operating condition.

Rate Study Overview

As part of the overall system planning process, the City contracted MSA to perform a comprehensive Rate Study to ensure a sound utility financial policy framework and a plan that ensures equitable cost recovery, revenue stability, and long-term financial viability. In addition, the City requested that the Rate Study respond to other City goals, objectives, and interests, including maintaining manageable debt service requirements, water conservation, administrative simplicity, and public acceptance.

The following four elements were identified as essential for successful completion of the rate study:

1. Understanding of the Department's capital improvement and other development plans, such as plans for the development of alternative water supplies and related system improvements
2. Technical expertise to help ensure the establishment of viable, defensible plans for funding of the Department's activities
3. A sound industry-accepted cost allocation methodology that results in fair and equitable rates and charges to the utility's customers
4. Rates that promote water conservation, while providing a stable source of funding for the utility and that are affordable to the utility's customers

Our approach to the Rate Study included these features, providing long-term value for the City. It has been over twelve years since the Department conducted a comprehensive water and sewer rate study. However, in 2006, the City of Hialeah revised the Hialeah Code to provide for annual Consumer Price Index (CPI) adjustment of water and sewer charges as determined by the amount of the annual increase in the index numbers of retail commodity prices designated "Consumer Price Index For All Urban Consumers – United States City Average - All Items" (CPI) as issued by the Bureau of Labor Statistics, United States Department of Labor.

Historical Financial Operating Results Summary

The City has compiled a summary of the Department's operating income for the period FY 2006 – FY 2010, which is included in the Appendix. The FY 2010 results shown are based on an unaudited Trial Balance. The actual FY 2010 (unaudited) results are not significantly different than the projected FY 2010 used as the base period for the projected future period. The actual results indicate a slightly better financial condition than the projection.

Revenue Sufficiency Analysis

The Revenue Sufficiency Analysis was performed using the Department's historical and projected information regarding the operation of its water and sewer systems. A Water and Sewer Rate Model (Model) containing relevant financial information was prepared in order to perform the revenue requirement analysis. The FY 2009 Comprehensive Annual Financial Report (CAFR) as of September 30, 2009, and supplemental information submitted by the Department and City staff, provided the historical financial information used to establish the beginning FY 2010 balances of various accounts. Water and sewer rate revenue projections were based upon estimated FY 2010 Budget amounts adjusted for actual results as of May 2010 and included annual growth assumptions. The projection of all other revenues (excluding impact fee revenue) was based upon FY 2010 Proposed Budget amounts adjusted as appropriate based upon discussions with Department staff.

Personnel costs for FY 2011 were based on the City's FY 2011 budget. All other operating expenses for FY 2011 were based upon FY 2010 Proposed Budget amounts, adjusted to reflect the actual results as of May 2010. The FY 2010 operating and maintenance (O&M) expense amounts served as the basis for future year projections and were adjusted annually by appropriate cost escalation factors discussed with and agreed to by Department staff. The calculation of the projected annual revenue requirements is described in the following sections. The Rate Study includes selected historical and budget information used in the development of the Model.

The results of the revenue sufficiency analysis indicated that an annual CPI increase should continue to ensure that the inflationary impact on operations is adequately funded each year. Additionally, the direct increase in the price of purchased water and purchased wastewater treatment from Miami-Dade County should continue to be passed-through to customers as an increase in the bills for water and wastewater service. If these two annual increases are implemented, under the conditions forecast for the study period, no other general rate increases will be required to ensure sufficient revenues to fund the Department's projected capital expenditures, projected expenses (above inflationary adjustments), and debt service. Although it appears that there are adequate cash reserves to fund programmed costs attributable to capital expenditures throughout the remaining four years of the study period, the Department should monitor its financial results and updated budgets annually, and increase rates if conditions so require in future years.

An analysis of the current rate structure indicated that it met the Department's fixed cost recovery, cost of service, and water conservation objectives. As a result it was recommended that the proposed rate increases be applied across the board to each block. The table below

depicts the recommended cost of living and pass-through rate increases for each year.

Percentage Revenue Increase

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Cost of Living Increase					
Water	1.60%	4.00%	4.00%	4.00%	4.00%
Wastewater	1.60%	4.00%	4.00%	4.00%	4.00%
Pass-Through Increase					
Water	7.77%	5.57%	4.91%	3.57%	3.55%
Wastewater	0.00%	3.07%	3.23%	3.27%	3.30%

Rate Structure Analysis

In order to develop and analyze the City water and sewer rate structures, the first step was to develop a billing analysis. MSA obtained a comprehensive schedule of the City customers' usage patterns for a recent twelve-month period from the City's billing vendor. This schedule was used to develop a bill frequency analysis, which confirmed that the number of bills and gallons billed by consumption level would generate the total revenues billed by the City. This exercise validated the data provided, ensuring that it could be used as the basis for an analysis of rate structures.

Current Rate Structure

The City employs a readiness to serve charge (also called "base facility charge") with an inclining block rate structure for both water and sewer customers. Sewer customers are billed based on the amount of water they consume. In rate design, the base facility charge is intended to cover portion of the fixed costs to provide stability to the revenue stream. In addition to the base facility charge, a gallonage charge is applied to each customer's usage to ensure that the more a customer uses, the higher the bill. This type of structure promotes conservation because higher use results in a higher cost.

A rate structure that includes a volume-based component in blocks that incline strongly promotes responsible water use because the more the customer uses, the higher the total cost per unit. The inclining block sends a strong price signal to customers, encouraging responsible water use. Utilities must take care to balance the need to generate a steady revenue stream to cover fixed costs with the need to encourage and promote water conservation. The City's rate structure demonstrates a significant commitment to water conservation.

MSA performed an analysis of the water billing records, and found that approximately 14% of the revenues are recovered through the base facility charge, and 86% through the gallonage charges. Our evaluation of projected costs ("price variability analysis") estimates that approximately 12% of 2010 expenses are fixed and 88% are variable. This is a very close allocation of fixed and variable costs to base facility and gallonage charges. The goal to recover a portion of the fixed costs from the base facility charge is met in the current rate structure.

Similarly, an analysis of the sewer billing records indicates that approximately 12% of revenues come from base facility fees, and 88 % from gallonage charges. Our price variability analysis estimates that approximately 7% of costs are fixed and 93% are variable. Although the percentage of fixed costs is lower that the percentage of revenue from base facility charges, it is appropriate to maintain a reasonable total proportion of revenues from a stable source. This current rate structure balances stability with effective water conservation.

The separation between blocks and the increasing cost for each subsequent block is described in the table below. As can be seen, the separation between blocks increases as volume increases, for both water and sewer.

Existing Rate Structure

Inclining Blocks			Volume charge (monthly)[1]		% increase from first block	
Block	**Range**		**Water**	**Sewer**	**Water**	**Sewer**
1	0	5,000	$0.17	$0.34		
2	5,001	10,000	$0.18	$0.36	8.30%	7.50%
3	10,001	20,000	$0.19	$0.37	13.70%	11.00%
4	20,001	40,000	$0.21	$0.43	23.20%	27.20%
5	40,001	50,000	$0.21	$0.43	23.20%	27.20%
6	50,001	100,000	$0.23	$0.43	33.90%	27.80%
7	Over		$0.23	$0.43	33.90%	27.80%

[1]Some customers are billed monthly, and some are billed bi-monthly. The table depicts the monthly ranges.

Recommended Rate Structure

Our price variability analysis indicated that the proportion of fixed versus variable expenses begins to change when the ROWTP is operational. Since it will be operated by a third party vendor under contract, approximately 80% of the total cost of operating the ROWTP will be fixed, and 20% variable. Starting in fiscal year 2013, our price variability analysis indicates that total fixed costs may rise to 20% of total costs. However shifting the recovery of revenues to the base facility charge may erode the conservation benefit of the current rate structure.

Furthermore, as stated previously, the intent of the base facility charge is to recover a portion of the fixed costs.

The wastewater costs do not experience a similar shift. It is anticipated that the overall proportion of fixed and variable costs will remain relatively stable. We therefore recommended that the City not modify the rate structure, and should continue employing the existing rate structure. The current rate structure meets the Department's fixed cost recovery, cost of service, and water conservation objectives. The rate increase recommended in this study can be applied across the board, multiplying the rate increase as a percentage to the current rate.

Below are the current and proposed rates for fiscal year 2011, calculated by applying the rate increase evenly across the board.

Current and Proposed Rates (Monthly)

	Current Rates		Proposed Rates FY 2011	
	Water	Sewer	Water	Sewer
Monthly Charges				
Readiness to Serve Charge	$3.98	$4.50	$4.42	$4.57
Gallonage Charge (per 100 gls)				
0 – 5,000	$0.168	$0.335	$0.187	$0.340
5,001 – 10,000	$0.182	$0.360	$0.202	$0.366
10,001 – 20,000	$0.191	$0.372	$0.212	$0.378
20,001 – 40,000	$0.207	$0.426	$0.230	$0.432
40,001 – 50,000	$0.207	$0.426	$0.230	$0.432
50,001 – 100,000	$0.225	$0.428	$0.250	$0.435
Over	$0.225	$0.428	$0.250	$0.435

Current and Proposed Rates (Bi-monthly)

	Current Rates		Proposed Rates FY 2011	
	Water	Sewer	Water	Sewer
Bi-monthly Charges				
Gallonage Charge (per 100 gls)	$7.96	$8.80	$8.85	$8.94
Readiness to Serve Charge				
0 – 5,000	$0.168	$0.335	$0.187	$0.340
5,001 – 10,000	$0.168	$0.335	$0.187	$0.340
10,001 – 20,000	$0.182	$0.360	$0.202	$0.366
20,001 – 40,000	$0.196	$0.389	$0.218	$0.395
40,001 – 50,000	$0.207	$0.426	$0.230	$0.432
50,001 – 100,000	$0.207	$0.428	$0.230	$0.435
Over	$0.225	$0.428	$0.250	$0.435

City of Hialeah's Current Impact Fees

While the City has commenced activities to construct a 10 MGD ROWTP, at time of the analysis, it currently purchases water from MDWASD and collects and pumps effluent to the MDWASD treatment facilities. The City's current connection charges / impact fees include fees for connection to the water transmission and distribution system and the sewer collection system. The City requires all new customers to pay separate meter connection charges, and therefore for the purposes of this analysis, costs associated with these assets were not included in the calculation of the proposed impact fees.

Over the next five years the major improvements planned for the water system include the Phase 1 construction of a new ROWTP, as well as related transmission mains and storage capacity. The total projected cost to construct the 10 MGD ROWTP facility is approximately $123.8 million which will be shared with MDWASD. The City has also projected approximately $22 million in major improvements for pump stations rehabilitation and sewer infrastructure. The City anticipates receiving approximately $58.9 million in contributed capital towards the construction of the ROWTP from Miami-Dade County under the terms of the JPA, and $6 million from the South Florida Water Management District (SFWMD).

Impact Fee Calculation

Typically, the calculation of expansion fees does not include the cost for local distribution lines that provide service only to limited areas. However, because of continual redevelopment, whenever there is a change in usage (e.g. previously zoned single family changing to condo) requiring the City to replace small distribution mains with larger mains (e.g. 2" to 6" or 6" to 8"), to meet increased capacity, the builder / developer is charged a water distribution impact fee. The calculation was based on a 5-year simple average of net facility investment divided by 5-year average projected capacity to include projected CIP amounts for FY 2010 thru FY 2014.

Under the System Buy-In Methodology, the calculated water transmission and distribution impact fee is as follows:

Water Impact Fee – Plant

	FY 2009 - 2014
New ROWTP Average Net Investment - City	$38,928,252
City Capacity (MGD)	5.0 MGD
Proposed RO Water Treatment Impact Fee	$7.79 per gallon / $2,726.50 per ERC

Water Impact Fee – Transmission and Distribution

	FY 2010 – 2014
5-year Average Net Investment	$21,360,340
5-year Average Projected Demand	30.257
Proposed Water Impact Fee	$0.71 per gallon / $248.50 per ERC

Sewer Impact Fee

	FY 2010 – 2014
5-year Average Net Investment	$58,254,369
5-year Average Flow MGD	21.121
Proposed Sewer Impact Fee	$2.76 per gallon / $966.00 ERC

Recommendation Water Impact Fee

We recommended that the City implement a combined (treatment plant and transmission and distribution) Water Impact Fee at the rate of $8.50 per gallon or $2,975.00 per ERC; adjusted annually by construction cost escalation factors; and that the City review its fees every five

years. The proposed impact fee would be collected from existing customers expanding or changing usage, and all new connections to the water system; and is designed to require each customer to pay a proportionate share of the capital cost incurred to provide service.

Although the City already has in place various forms of impact / connection charges, it is recommended that the impact fees calculated as part of this analysis replace the current fees and are applied to all growth and redevelopment as appropriate.

In summary, we recommend the following:

- Implement a Water Impact Fee of $8.50 per gallon or $2,975.00 per ERC assessed to:
  - All new connections system wide; and
  - Existing customers expanding or changing usage which requires additional capacity, calculated on the amount of additional capacity needed.
- Replace current impact fees with water impact fee calculated as part of this analysis
- Review the Water Impact Fee at least once every five years.

Recommendation Sewer Impact Fee

We recommended that the City implement a Sewer Impact Fee at the rate of $2.76 per gallon or $966.00 per ERC; adjusted annually by construction cost escalation factors; and that the City review its fees every five years. The proposed impact fee would be collected from existing customers expanding or changing usage, and all new connections to the sewer system; and is designed to require each customer to pay a proportionate share of the capital cost incurred to provide service.

Although the City already has in place various forms of impact / connection charges, it is recommended that the impact fees calculated as part of this analysis replace the current fees and are applied to all growth and redevelopment as appropriate.

In summary, we recommend the following:

- Implement Sewer Impact Fee at a rate of $2.76 per gallon or $966.00 per ERC assessed to:
  - All new connections system wide; and
  - Existing customers expanding or changing usage which requires additional capacity, calculated on the amount of additional capacity needed.
- Apply appropriate annual construction cost escalation factors to the recommended impact fee
- Replace current impact fees with sewer impact fee calculated as part of this analysis
- Review the Sewer Impact Fee at least once every five years.

Miscellaneous Fees and Charges

The Department currently charges various miscellaneous service fees that are assessed to customers for the performance of specific services that benefit only the customer for whom the service is provided. Most of the current fees have remained the same for over a decade. When compared to other utilities in the area, most of the Department's fees are lower, but at the present time the Department does not have the necessary accounting or reporting capacity to efficiently develop the data necessary to update these fees to reflect the cost to the Department. It is our recommendation for the Department to adopt Miami-Dade Water and Sewer Department (MDWASD) fees for those services for which the Department has not currently been charging fees or where the fees appeared to be too low when compared to MDWASD fees. A list of recommended fees and charges has been included in Appendix A of the Rate Study. We recommend that these fees be made subject to the annual price index adjustment in the future.

We also recommend that in the future the Department either develop the capability necessary for providing the cost data for each of the activities for which a charge is made, or perform a time-and-material study in order to determine the average cost of the various activities associated with these fees.

Works Cited

City of Hialeah Planning Division and Land Design Innovations, Inc. - Hialeah Annexation Area Amendment to Comprehensive Plan 2003 - 2015. October 2004.

City of Hialeah. Annual Budget. 2008 - 2009.

City of Hialeah. Annual Budget. 2009 - 2010.

City of Hialeah. Annual Budget. 2010 - 2011.

City of Hialeah. Code of Ordinances. Chapter 94 Water and Sewers.

City of Hialeah. Comprehensive Annual Financial Report (Working Draft). Fiscal Year Ended September 30, 2010.

City of Hialeah. Comprehensive Annual Financial Report. Fiscal Year Ended September 30, 2008.

City of Hialeah. Comprehensive Annual Financial Report. Fiscal Year Ended September 30, 2009.

City of Hialeah. Department of Water and Sewers. Capital Improvement Plan Changes. Fiscal Years 2011 - 2014.

City of Hialeah. Department of Water and Sewers. City of Hialeah Conserve Florida Plan for Miami-Dade Water Efficiency Program. 2008.

City of Hialeah. Department of Water and Sewers. Lift Station Address Listing.

City of Hialeah. Department of Water and Sewers. Sewer Collection & Transmission System Inventory List (In Linear Feet).

City of Hialeah. Department of Water and Sewers. Various Charts and Documents.

City of Hialeah. Department of Water and Sewers. Water Accounting Data Form. January 1, 2009 to December 31, 2007.

City of Hialeah. Department of Water and Sewers. Water Accounting Data Form. January 1, 2009 to December 31, 2008.

City of Hialeah. Department of Water and Sewers. Water Accounting Data Form. January 1, 2009 to December 31, 2009.

City of Hialeah. Department of Water and Sewers and SRS Engineering, Inc. Fire Hydrants Reports. Various Years to 2007.

City of Hialeah. ISO Water Supply for Fire Suppression Report. March 2007.

City of Hialeah. Sewer System Atlas.

City of Hialeah. Water System Atlas.

City of Hialeah. Website. Various narratives and documents. Downloaded January 2011.

Hazen and Sawyer. City of Hialeah - Sewer Rehabilitation Program - Phase 8 Completion Report. December 2010.

Hazen and Sawyer. City of Hialeah - Sewer System Rehabilitation - Phase 1 through 4. April 2003.

Howie Greene Tank Inspection. Tank Inspection Report for the City of Hialeah. December 2004.

Miami-Dade County and City of Hialeah. Amendment to Joint Participation Agreement - Reverse Osmosis Water Treatment Plant. August 2009.

Miami-Dade County and City of Hialeah. Joint Participation Agreement - Reverse Osmosis Water Treatment Plant. December 2007.

Miami-Dade County Department of Environmental Resources Management and City of Hialeah. Administrative Consent Agreement. April 2007.

Miami-Dade County Department of Environmental Resources Management. Website Library. City of Hialeah Department of Water and Sewers, Potable Water Supply Annual Operating Permit No. PWO-000033 – Various documents on file.

Miami-Dade County Department of Environmental Resources Management. Website Library. City of Hialeah Department of Water and Sewers, Domestic Wastewater Annual Operating Permit No. PWO-000086 – Various documents on file.

Miami-Dade Water & Sewer Department. Monthly Billing to City of Hialeah for Wholesale Water and Sewage Treated. October 2007 to December 2010.

Miami-Dade Water and Sewer Department - 2009 Comprehensive Annual Financial Report.

SRS Engineering, Inc. Future Water Demand Study for Hialeah ROWTP. August 2009.

University of Florida Bureau of Economic and Business Research. Estimates of Population by County and Cities in Florida: April 2009.

APPENDIX

CITY OF HIALEAH
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
WATER & SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30

	Audited 2006	Audited 2007	Audited 2008	Audited 2009	Unaudited 2010[1]
Operating revenues:					
Metered water sales	$ 14,958,001	$ 14,504,373	$ 14,765,828	$ 14,907,080	$ 16,314,171
Sanitary sewer service	26,352,078	25,465,066	26,286,533	26,710,230	27,863,732
Sanitation fees	-	-	-	-	-
Other[2]	1,591,834	866,921	1,159,311	1,204,700	856,641
Total operating revenues	42,901,913	40,836,360	42,211,672	42,822,010	45,036,544
Operating expenses:					
Operating administrative and maintenance	33,992,197	32,708,709	35,804,984	35,962,861	42,051,542
Depreciation	2,992,574	3,045,757	3,050,531	3,447,045	3,500,000
Total operating expenses	36,984,771	35,754,466	38,855,515	39,409,906	45,551,542
Operating income (loss)	5,917,142	5,081,894	3,356,157	3,412,104	(514,998)
Non-operating revenues (expenses):					
Interest income	2,597,400	3,361,773	1,995,210	1,929,614	1,419,630
Interest expense	(247,180)	(104,694)	(32,588)	(161,336)	-
Transfers	-	-	-	-	-
Net non-operating revenues (expenses)	2,350,220	3,257,079	1,962,622	1,768,278	1,419,630
Income (loss) before contributions	8,267,363	8,338,973	5,318,779	5,180,382	904,632
Capital contributions	457,207	3,557,718	4,413,317	3,119,117	8,323,446
Change in net assets	8,724,570	11,896,691	9,732,096	8,299,499	9,228,078
Net assets - beginning	106,931,017	115,655,587	127,552,278	137,360,640	145,660,139
Net assets, ending	$ 115,655,587	$ 127,552,278	$ 137,284,374	$ 145,660,139	$ 154,888,217

NOTES:
(1) Unaudited obtained from trial balance
(2) Other revenue includes miscellaneous charges (reconnection charges, returned check charges, new account charges, etc.) and impact fees.

City of Hialeah
Department of Water and Sewers
Projected Revenue Bond and State Revolving Fund Loan Coverage

Fiscal Year Ending	Revenues[1]	Operating Expenses[2]	Net Revenues	Annual Debt Service	Debt Service Coverage	Capital Facilities Fees	Net Revenue With Capital Facilities Fees	Debt Service Coverage[3]	Renewal & Replacement	Combined R&R and Debt Service	Combined Coverage[4]
2011	46,228,680	43,758,787	2,470,093	-	-	56,000	2,526,093	3.24	2,211,536	2,211,536	
2012	49,948,909	45,796,404	4,153,504	1,297,474	3.20	56,000	4,209,504	3.24	2,311,444	3,608,918	1.17
2013	57,302,910	49,956,093	7,346,818	2,592,512	2.83	8,191,258	15,538,075	5.99	2,497,495	5,090,008	3.05
2014	62,915,131	53,212,385	9,702,746	2,744,412	3.54	3,071,721	12,774,467	4.65	2,865,146	5,609,558	2.28
2015	69,053,717	56,687,935	12,365,782	2,988,027	4.14	3,071,721	15,437,503	5.17	3,145,757	6,133,784	2.52

Notes:
(1) Revenues do not include impact fees.
(2) Operating expenses do not include depreciation or amortization.
(3) Minimum coverage required is 1.05
(4) Minimum coverage required is 1.20
(5) Minimum coverage required is 1.00

City of Hialeah
Calculation of Revenues Required to Fund Projected Cash Expenditures
Water

	FY 2009 [illegible]	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues							
Revenues from current rates (Base FY 2010)							
Water Sales - Base Year Customers (FY 2010)		15,792,805	15,792,805	15,792,805	15,792,805	15,792,805	15,792,805
Pass-through increase water purchased expense		0	1,290,461	2,302,154	3,280,190	4,054,258	4,881,540
Other Operating Revenues		815,446	815,446	815,446	815,446	815,446	815,446
Subtotal Revenues		16,608,251	17,898,712	18,910,405	19,888,441	20,662,509	21,489,791
Rate increase proposed as inflation adjustment -			1.60%	4.00%	4.00%	4.00%	4.00%
Water Sales			252,685	894,504	1,561,997	2,256,189	2,978,149
Pass-through increase water purchased expense			0	51,618	145,769	282,808	456,290
Other Operating Revenues			13,047	46,187	80,652	116,496	153,774
Total Increase Due to Inflation Adjustment		0	265,732	992,310	1,788,418	2,655,493	3,588,213
Additional Rate Increase to Fund Expenditures							
(Adjusted by Inflation factor after 1st year)							
Total Water Increase to Fund Expenditures		0	0	0	0	0	0
Revenues from Annexation Area							
Water Sales - Annexed Area Customers		0	0	0	1,355,813	2,008,511	2,753,207
Total Revenues		16,608,251	18,164,444	19,902,715	23,032,673	25,326,513	27,831,211
Percentage Increase			9.37%	9.57%	8.91%	7.57%	7.55%
Operating Expenses							
Water Purchased		13,813,872	13,228,920	12,501,935	12,642,264	13,626,266	14,674,084
Water and Sewer Services (9500) Allocation		5,004,257	5,226,493	5,256,218	5,398,553	5,547,095	5,702,139
Water Section Operating & Maintenance Cost		2,551,754	3,214,460	3,238,037	3,409,488	3,590,275	3,780,925
RO Plant - Operating & Maintenance Cost		-	-	1,782,287	1,238,671	3,432,991	3,638,970
Total Operating Expenses		21,369,883	21,669,873	22,778,477	24,688,976	26,196,627	27,796,118
Net Operating Revenues		(4,761,632)	(3,505,429)	(2,875,763)	(1,656,303)	(870,114)	35,093
Debt Service							
Debt Service 2010 Bond Issue (including Fees)		-	-	(2,694,015)	(2,592,512)	(2,744,412)	(2,988,027)
Capitalized Interest			0	1,396,541	0	0	0
Total Debt Service		0	0	(1,297,474)	(2,592,512)	(2,744,412)	(2,988,027)
Other Revenues (Expenses)							
Interest Income - Bond Proceeds			94,002	4,978			
Interest Income - Bond Reserves			0	0	0	0	0
Interest Income - Existing W&S Cash & Investments		339,634	169,833	82,704	2,366	28,784	89,415
Total other Revenues (Expenses)		339,634	263,835	87,682	2,366	28,784	89,415
Capital Program - Funding							
Grants - State of Florida		275,864					
SFWMD Grant	558,900	5,441,100					
Miami Dade County JPA	9,500,000	10,238,474	33,182,905	0	0	0	0
Contribution of Land for RO Plant	0	6,000,000	0	0	0		
Other Income / (Expenses)							
Impact / Connection Fees		30,000	51,000	51,000	6,183,454	2,318,795	2,318,795
2010 Bond Issue - R.O. Plant Proceeds			46,000,000				
Total Capital Program Funding	10,058,900	21,985,438	79,233,905	51,000	6,183,454	2,318,795	2,318,795
Capital Program Expenditures:							
CIP Water and Sewer Services (9500) Allocation		346,940	1,291,000	0	0	0	0
CIP Water Services (9510)		1,933,955	4,085,000	158,100	166,637	175,636	185,120
CIP RO WTP (9530)	5,594,621	26,476,948	73,924,113	17,847,076	-	-	-
Total Capital Program Expenditures	5,594,621	28,757,843	79,300,113	18,005,176	166,637	175,636	185,120
Total Cash from Capital Program Funding (Expenditures)	4,464,279	(6,772,405)	(66,208)	(17,954,176)	6,016,817	2,143,159	2,133,675
Cash after Capital Program	4,464,279	(11,194,403)	(3,307,802)	(22,039,730)	3,770,367	(1,442,583)	(729,844)
Transfers In (Out)							
Transfer from (to) Reserves	2,605,132	5,750,000	7,000,000	20,250,000		(6,600,000)	(8,500,000)
Transfer (to) / from Sewer Funds		0	5,300,000	0	0	9,450,000	10,750,000
Water Renewal & Replacement Cost		(830,413)	(830,413)	(908,222)	(995,136)	(1,151,634)	(1,266,326)
Water & Sewer True Up Credit		(572,138)					
Total Transfers	2,605,132	4,347,449	11,469,587	19,341,778	(995,136)	1,698,366	983,674
Net Cash after Transfers	7,069,411	(6,846,954)	8,161,785	(2,697,952)	775,231	255,783	253,830
Cumulative Cash (excluding reserves)	7,069,411	222,457	8,384,243	5,686,290	6,461,521	6,717,304	6,971,134
Total Cumulative Available Reserves	42,090,822	21,486,154	20,293,154	212,988	295,692	6,898,057	15,426,842
Total Cumulative Cash including Available Reserves*		31,757,940	30,144,123	5,968,479	7,056,013	13,675,800	22,502,478

* Includes one time non-operating receipt in 2011 of $5,128,000 plus annual interest on reserves

	FY 2009 [illegible]	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Calculation of Revenues Due to Growth:							
Total Number of Accounts		54,580	54,580	54,580	58,141	59,477	60,813
Projected Growth from Base Year (FY 2010) - Annexed Area			0	0	3,561	4,897	6,233
Average Monthly Sales Revenue per Account		24.11	26.47	29.07	31.73	34.18	36.81
Additional Revenues Due to Growth		0	0	0	1,355,813	2,008,511	2,753,207
Calculation of Impact Fees Due to Growth:							
Projected Flow from Annexed Area (gpd)			0	0	727,465	272,799	272,799
Projected Impact Fee per gpd			$8.50	$8.50	$8.50	$8.50	$8.50
Total Impact Fees			0	0	6,183,454	2,318,795	2,318,795

City of Hialeah
Calculation of Revenues Required to Fund Projected Cash Expenditures
Sewer

	FY 2009 [illegible]	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues							
Revenues from current rates (Base FY 2010)							
Sewer Sales - Base Year Customers (FY 2010)		26,889,226	26,889,226	26,889,226	26,889,226	26,889,226	26,889,226
Pass-through increase wastewater purchased expense		0	0	860,181	1,831,717	2,885,055	4,026,515
Other Operating Revenues		733,250	733,250	733,250	733,250	733,250	733,250
Subtotal Revenues		27,622,476	27,622,476	28,482,657	29,454,193	30,507,531	31,648,991
Rate increase proposed as inflation adjustment -			1.60%	4.00%	4.00%	4.00%	4.00%
Sewer Sales			430,228	1,523,006	2,659,495	3,841,444	5,070,671
Pass through increase wastewater purchased expense			0	0	34,407	109,052	228,816
Other Operating Revenues			11,732	41,531	72,523	104,753	138,274
Total Increase Due to Inflation Adjustment		0	441,960	1,564,537	2,766,425	4,055,250	5,437,761
Additional Rate Increase to Fund Expenditures							
(Adjusted by Inflation factor after 1st year)							
Total Sewer Increase to Fund Expenditures		0	0	0	0	0	0
Revenues from Annexation Area							
Sewer Sales - Annexed Area Customers		0	0	0	2,049,620	3,025,838	4,135,755
Total Revenues		27,622,476	28,064,436	30,047,194	34,270,238	37,588,618	41,222,506
Total Percentage Increase			1.60%	7.07%	7.23%	7.27%	7.30%
Operating Expenses							
Wastewater Purchased		14,335,737	14,335,737	15,195,881	17,158,592	18,606,069	20,165,462
Water and Sewer Services (9500) Allocation		5,004,243	5,226,484	5,256,209	5,398,544	5,547,086	5,702,130
Sewer Section Operating & Maintenance Cost (9520)		2,101,171	2,526,693	2,565,837	2,709,981	2,862,603	3,024,225
Total Operating Expenses		21,441,151	22,088,914	23,017,927	25,267,117	27,015,758	28,891,817
Net Operating Revenues		6,181,325	5,975,522	7,029,267	9,003,121	10,572,860	12,330,689
Debt Service							
FDEP SRFL Loan		(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)
Total Debt Service		(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)
Other Revenues (Expenses)							
Interest Income - Cumulative Cash							
Interest Income - Existing W&S Cash & Investments		339,634					
Total other Revenues (Expenses)		339,634	0	0	0	0	0
Capital Program - Funding							
Grants							
SFWMD Grant							
Other Income / (Expenses)							
FDEP SRFL Loan		548,385					
Impact / Connection Fees		10,000	5,000	5,000	2,007,804	752,926	752,926
Total Capital Program - Funding		558,385	5,000	5,000	2,007,804	752,926	752,926
Capital Program - Expenditures							
CIP Water and Sewer Services (9500) Allocation		346,937	1,291,000	0	0	0	0
CIP Sewer Services (9520)		10,878,729	6,366,000	6,803,570	9,053,965	175,636	185,120
Total Capital Program - Expenditures		11,225,666	7,657,000	6,803,570	9,053,965	175,636	185,120
Total Cash from Capital Program Funding (Expenditures)		(10,667,281)	(7,652,000)	(6,798,570)	(7,046,161)	577,290	567,806
Cash after Capital Expenditures		(4,371,322)	(1,901,478)	5,697	1,731,960	10,925,150	12,673,495
Transfers In (Out)							
Trans - R&R Fund Capital Exp./Reserves		14,854,668					
Transfer (to) / from Water Funds			(5,300,000)			(9,450,000)	(10,750,000)
Sewer Renewal & Replacement Cost		(1,381,124)	(1,381,124)	(1,403,222)	(1,502,360)	(1,713,512)	(1,879,431)
Water & Sewer True Up Credit		947,106					
Total Transfers		14,420,650	(6,681,124)	(1,403,222)	(1,502,360)	(11,163,512)	(12,629,431)
Net Cash after Transfers		10,049,328	(8,582,602)	(1,397,525)	229,600	(238,362)	44,064
Cumulative Cash		10,049,328	1,466,726	69,201	298,801	60,439	104,503
Calculation of Revenues Due to Growth:							
Total Number of Accounts		54,580	54,580	54,580	58,141	59,477	60,813
Projected Growth from Base Year (FY 2010)			0	0	3,561	4,897	6,233
Average Monthly Sales Revenue per Account		41.05	41.71	44.69	47.96	51.49	55.29
Additional Revenues Due to Growth			0	0	2,049,620	3,025,838	4,135,755
Calculation of Disposal Cost Due to Growth:							
Total Number of Accounts		54,580	54,580	54,580	58,141	59,477	60,813
Projected Growth from Base Year (FY 2010) - Annexed Area			0	0	3,561	4,897	6,233
Yearly Wastewater Purchased (Disposal Cost) per Account		262.66	262.66	278.42	295.13	312.84	331.61
Additional Wastewater Disposal Cost Due to Growth			0	0	1,050,958	1,531,977	2,066,925
Calculation of Impact Fees Due to Growth:							
Projected Flow from Annexed Area (gpd)			0	0	727,465	272,799	272,799
Projected Impact Fee per gpd			$2.76	$2.76	$2.76	$2.76	$2.76
Total Impact Fees			-	-	2,007,804	752,926	752,926

CITY OF HIALEAH 2006 WATER QUALITY REPORT

PARAMETER	FEDERAL MCL (a)	FEDERAL GOAL (b)	STATE MCL	YEAR TESTED	MAIN SYSTEM	MAJOR SOURCES
MICROBIOLOGICAL CONTAMINANTS						
Total Coliform Bacteria (c)	5%	0	5%	2006	0.2%	Naturally present in the environment
DISINFECTION BY PRODUCTS						
Total Trihalomethanes (ppb)(d)	80	NE	80	2006	19 (4 - 48)	Byproduct of drinking water chlorination
Haloacetic Acids (ppb) (d)	60	NE	60	2006	25 (3 - 56)	Byproduct of drinking water chlorination
DISINFECTANTS						
Chloramines (ppm) (e)	MRDL=4	MRDLG=4	MRDL=4	2006	2.7 (0 - 4.3)	Water additive used to control microbes
Chlorine (ppm) (e)	MRDL=4	MRDLG=4	MRDL=4	2006	N/A	Water additive used to control microbes
VOLATILE OGANIC CONTAMINANTS						
cis-1, 2-Dichloroethylene (ppb)	70	70	70	2006	ND	Discharge from industrial chemical factories
INORGANIC CONTAMINANTS						
Arsenic (ppb)	10	0	10	2005(i)	ND	Erosion of natural deposits
Barium (ppm)	2	2	2	2005(i)	ND	Erosion of natural deposits
Beryllium (ppb)	4	4	4	2005(i)	ND	Discharge from plastic and fertilizer factories
Cadmium (ppb)	5	5	5	2005(i)	ND	Erosion of natural deposits
Copper (ppm) (f) (at tap)	AL=1.3	1.3	AL=1.3	05/06 (g)	0.08, 0 homes out of 83 (0%) exceeded AL	Corrosion of household plumbing systems
Cyanide (ppb)	200	200	200	2005(i)	ND	Discharge from plastic and fertilizer factories
Fluoride (ppm)	4	4	4	2006 (h)	0.7 (0.2 - 0.7)	Erosion of natural deposits; water additive which promotes strong teeth
Lead (ppb) (f) (at tap)	AL = 15	0	AL = 15	05/06 (g)	4, 3 homes out of 83 (3.6%) exceeded AL	Corrosion of household plumbing systems
Nitrate (as N) (ppm)	10	10	10	2006	0.2 (ND - 0.2)	Erosion of natural deposits; runoff from fertilizer use
Sodium (ppm)	NE	NE	160	2005(i)	53 (22 - 53)	Erosion of natural deposits and sea water
RADIOACTIVE CONTAMINANTS						
Alpha Emitters (pCi/L)	15	0	15	2003 (i)	4.7 (0.7 - 4.7)	Erosion of natural deposits
Combined Radium (pCi/L)	5	0	5	2003 (i)	0.9 (0.3 - 0.9)	Erosion of natural deposits
Uranium (ug/L)	30	0	30	2003 (i)	1.7 (0.2 - 1.7)	Erosion of natural deposits

WATER QUALITY TERMINOLOGY USED IN THIS REPORT

(a) MCL = Maximum Contaminant Level
(b) Federal Goal = MCLG = Maximum Contaminant Level Goal
(c) The MCL for total coliform bacteria states that drinking water must not show the presence of coliform bacteria in ≥5% of monthly samples. A minimum of 390 samples for a total coliform bacteria testing are collected each month from the main distribution system in order to demonstrate compliance with regulations.
(d) A total of 48 samples for Total Trihalomethane and Haloacetic Acid testing are collected each year from the Main Distribution System in order to demonstrate compliance with State regulations. Compliance is based on a running annual average. This is the value that precedes the parenthesis.
(e) Compliance s based on a running annual average, computed quarterly from monthly samples collected during total coliform bacteria testing.
(f) 90th percentile value reported. If the 90th percentile value does not exceed the AL (i.e., less than 10% of the homes have levels above the AL), the system is in compliance and is utilizing the prescribed corrosion control measures.
(g) The 05/06 data presented for the Main System is from the most recent testing conducted in accordance with regulations. This system is under reduced monitoring that only requires testing every 3 years.
(h) Fluoride testing to demonstrate compliance with State regulations is required every 3 years in accordance with the State's monitoring framework. However, fluoride levels are monitored daily for the Main System treatment plants where fluoride is added to promote strong teeth.
(i) Data presented is from the most recent testing conducted in accordance with regulations. Testing for this parameter is required every 3 years in accordance with the State's regulatory monitoring framework.

ABBREVIATIONS AND NOTES

AL = Action Level
MRDL = Maximum Residual Disinfectant Level
MRDLG = Maximum Residual Disinfectant Level Goal
N/A = Not Applicable
ND = None Detected
NE = None Established
pCi/L = picoCuries per Liter
ppb = parts per billion or micrograms per liter (ug/L)
ppm = parts per million or milligrams per liter (mg/L)
( ) = Ranges (low-high) are given in parenthesis where applicable. The value preceding the parentheses is the highest detected level reported for the monitoring period except for disinfection by products and disinfectants, where the running annual average is reported.

*** THE CITY OF HIALEAH OBTAINS ALL OF ITS WATER FROM MIAMI-DADE COUNTY. THIS INFORMATION IS PROVIDED BY MIAMI-DADE COUNTY.**

2006 RADON DATA SUMMARY

PARAMETER	FEDERAL GOAL	FEDERAL MCL	STATE MCL	YEAR TESTED	MAIN SYSTEM	MAJOR SOURCES
RADON (pCi/L)	NE	NE	NE	2006	178 (18 - 178)	Naturally occurring in soil and rock formations

CITY OF HIALEAH 2007 WATER QUALITY REPORT

PARAMETER	FEDERAL MCL (a)	FEDERAL GOAL (b)	STATE MCL	YEAR TESTED	MAIN SYSTEM	MAJOR SOURCES
...NANTS						
Total Coliform Bacteria (c)	5%	0	5%	2007	0.5%	Naturally present in the environment
Fecal Coliform	0	0	0	2007	0	Human and animal fecal waste
Total Trihalomethanes (ppb)(d)	80	NE	80	2007	25 (7 - 70)	Byproduct of drinking water chlorination
Haloacetic Acids (ppb) (d)	60	NE	60	2007	30 (8 - 58)	Byproduct of drinking water chlorination
Chloramines (ppm) (e)	MRDL=4	MRDLG=4	MRDL=4	2007	2.8 (ND - 4.8)	Water additive used to control microbes
Chlorine (ppm) (e)	MRDL=4	MRDLG=4	MRDL=4	2007	N/A	Water additive used to control microbes
cis-1, 2-Dichloroethylene (ppb)	70	70	70	2007	ND	Discharge from industrial chemical factories
...ANTS						
Barium (ppm)	2	2	2	2006(i)	ND	Erosion of natural deposits
Copper (ppm) (f) (at tap)	AL=1.3	1.3	AL=1.3	05/06 (g)	0.08, 0 homes out of 83 (0%) exceeded AL	Corrosion of household plumbing systems
Chromium (ppb)	100	100	100	2006(i)	ND	Erosion of natural deposits
Cyanide (ppb)	200	200	200	2006(i)	ND	Discharge from plastic and fertilizer factories
Fluoride (ppm)	4	4	4	2005 (h)	0.7 (0.2 - 0.7)	Erosion of natural deposits; water additive which promotes strong teeth
Lead (ppb) (f) (at tap)	AL = 15	0	AL = 15	05/06 (g)	4, 3 homes out of 83 (3.6%) exceeded AL	Corrosion of household plumbing systems
Nitrate (as N) (ppm)	10	10	10	2007	0.6 (ND - 0.6)	Erosion of natural deposits;
Nitrite (as N) (ppm)	1	1	1	2007	0.2 (ND - 0.2)	runoff from fertilizer use
Sodium (ppm)	NE	NE	160	2006(i)	53 (22 - 53)	Erosion of natural deposits and sea water
Alpha Emitters (pCi/L)	15	0	15	2003 (i)	4.7 (0.7 - 4.7)	Erosion of natural deposits
Combined Radium (pCi/L)	5	0	5	2003 (i)	0.9 (0.3 - 0.9)	Erosion of natural deposits
Uranium (ug/L)	30	0	30	2003 (i)	1.7 (0.2 - 1.7)	Erosion of natural deposits

... USED IN THIS REPORT

(a) MCL = Maximum Contaminant Level
(b) Federal Goal = MCLG = Maximum Contaminant Level Goal
(c) The MCL for total coliform bacteria states that drinking water must not show the presence of coliform bacteria in ≥5% of monthly samples. A minimum of 390 samples for total coliform bacteria testing are collected each month from the main distribution system (65 samples from the South Dade Water Supply distribution system) in order to demonstrate compliance with regulations.
(d) A total of 48 samples for Total Trihalomethane and Haloacetic Acid testing are collected per year from the Main Distribution System (30 samples from the South Dade Water Supply Distribution System) in order to demonstrate compliance with State regulations. Compliance is based on a running annual average. This is the value which precedes the parenthesis.
(e) Compliance is based on a running annual average, computed quarterly from monthly samples collected during total coliform bacteria testing.
(f) 90th percentile value reported. If the 90th percentile value does not exceed the AL (i.e., less than 10% of the homes have levels above the AL), the system is in compliance and is utilizing the prescribed corrosion control measures.
(g) The 05/06 data presented for the Main System and South Dade System respectively is from the most recent testing conducted in accordance with regulations. Both systems are under reduced monitoring which only requires testing every 3 years. The Norwood plant system was tested in 2006.
(h) Fluoride testing to demonstrate compliance with State regulations is required every 3 years in accordance with the State's monitoring framework. However, fluoride levels are monitored daily for the Main System treatment plants where fluoride is added to promote strong teeth.
(i) Data presented is from the most recent testing conducted in accordance with regulations. Testing for this parameter is required every 3 to 4 years in accordance with the State's regulatory monitoring framework. The Norwood plant system was tested in 2007.
(j) Location was retested in accordance with regulations and results were fecal coliform absent. Suspect accidental contamination.

ABBREVIATIONS AND NOTES

AL = Action Level
MRDL = Maximum Residual Disinfectant Level
MRDLG = Maximum Residual Disinfectant Level Goal
N/A = Not Applicable
ND = Not Detected
NE = None Established
NT = Not Tested
pCi/L = picoCuries per Liter
ppb = Parts per billion or micrograms per liter (ug/L)
ppm = Parts per million or milligrams per liter (mg/L)
( ) = Ranges (low-high) are given in parenthesis where applicable. The value preceding the parenthesis is the highest detected level reported for the monitoring period except for disinfection by products and disinfectants, where the running annual average is reported.

*** THE CITY OF HIALEAH OBTAINS ALL OF ITS WATER FROM MIAMI-DADE COUNTY. THIS INFORMATION IS PROVIDED BY MIAMI-DADE COUNTY.**

2007 RADON DATA SUMMARY

PARAMETER	FEDERAL GOAL	FEDERAL MCL	STATE MCL	YEAR TESTED	MAIN SYSTEM	MAJOR SOURCES
RADON (pCi/L)	NE	NE	NE	2007	150 (≤28 - 150)	Naturally occurring in soil and rock formations

NE = None Established

CITY OF HIALEAH 2008 WATER QUALITY REPORT

PARAMETER	FEDERAL MCL (a)	FEDERAL GOAL (b)	STATE MCL	YEAR TESTED	MAIN SYSTEM	MAJOR SOURCES
MICROBIOLOGICAL CONTAMINANTS						
Total Coliform Bacteria (c)	5%	0	5%	2008	0.5%	Naturally present in the environment
DISINFECTION BY PRODUCTS						
Total Trihalomethanes (ppb)(d)	80	N/A	80	2008	30 (3 - 85)	Byproduct of drinking water chlorination
Haloacetic Acids (ppb) (d)	60	N/A	60	2008	29 (5 - 68)	Byproduct of drinking water chlorination
DISINFECTANTS						
Chloramines (ppm) (e)	MRDL=4.0	MRDLG=4	MRDL=4.0	2008	2.5 (ND - 5.1)	Water additive used to control microbes
Chlorine (ppm) (e)	MRDL=4.0	MRDLG=4	MRDL=4.0	2008	N/A	Water additive used to control microbes
VOLATILE ORGANIC CONTAMINANTS						
cis-1, 2-Dichloroethylene (ppb)	70	70	70	2008	ND	Discharge from industrial chemical factories
INORGANIC CONTAMINANTS						
Antimony (ppb)	6	6	6	2008	ND	Discharge from fire retardants, electronics, solder
Arsenic (ppb)	10	N/A	10	2008	1.8 (ND - 1.8)	Erosion of natural deposits
Barium (ppm)	2	2	2	2008	0.009 (0.006 - 0.009)	Erosion of natural deposits
Copper (ppm) (f) (at tap)	AL=1.3	1.3	AL = 1.3	08/06 (g)	0.07, 0 homes out of 73 (0%) exceeded AL	Corrosion of household plumbing systems
Fluoride (ppm)	4.0	4	4.0	2008 (h)	0.7 (0.2 - 0.7)	Erosion of natural deposits; water additive which promotes strong teeth
Lead (ppb) (f) (at tap)	AL = 15	0	AL = 15	08/06 (g)	2.8, 1 home out of 73 (1.4%) exceeded AL	Corrosion of household plumbing systems
Nickel (ppb)	NE	N/A	100	2008	ND	Corrosion of bronze
Nitrate (as N) (ppm)	10	10	10	2008	0.8 (ND - 0.8)	Erosion of natural deposits; Runoff from fertilizer use
Sodium (ppm)	NE	N/A	160	2008	43 (25 - 43)	Erosion of natural deposits and sea water
RADIOACTIVE CONTAMINANTS						
Alpha Emitters (pCi/L)	15	0	15	2008	3.4 (ND - 3.4)	Erosion of natural deposits
Combined Radium (pCi/L)	5	0	5	2008	0.7 (0.2 - 0.7)	Erosion of natural deposits
Uranium (ug/L)	30	0	30	2008	ND	Erosion of natural deposits

WATER QUALITY TERMINOLOGY USED IN THIS REPORT

(a) MCL = Maximum Contaminant Level
(b) Federal Goal = MCLG = Maximum Contaminant Level Goal
(c) The MCL for total coliform bacteria states that drinking water must not show the presence of coliform bacteria in 25% of monthly samples. A minimum of 390 samples for total coliform bacteria testing are collected each month from the main distribution system in order to demonstrate compliance with regulations.
(d) A total of 48 samples for Total Trihalomethane and Haloacetic Acid testing are collected per year from the Main Distribution System.
(e) Compliance is based on a running annual average. This is the value which precedes the parentheses collected during total coliform bacteria testing.
(f) 90th percentile value reported. If the 90th percentile value does not exceed the AL (i.e., less than 10% of the homes have levels above the AL), the system is in compliance and is utilizing the prescribed corrosion control measures.
(g) The 08/06 data presented for the Main System is from the most recent testing conducted in accordance with regulations. These systems are under reduced monitoring which only requires testing every 3 years.
(h) Fluoride testing to demonstrate compliance with State regulations is required every 3 years in accordance with the State's monitoring framework. However, fluoride levels are monitored daily for the Main System treatment plants where fluoride is added to promote strong teeth.

ABBREVIATIONS AND NOTES

AL = Action Level
MRDL = Maximum Residual Disinfectant Level
MRDLG = Maximum Residual Disinfectant Level Goal
N/A = Not Applicable
ND = Not Detected
NE = None Established
pCi/L = picoCuries per Liter
ppb = Parts per billion or micrograms per liter (ug/L)
ppm = Parts per million or milligrams per liter (mg/L)
( ) = Ranges (low-high) are given in parentheses where applicable. The value preceding the parentheses is the highest detected level reported for the monitoring period except for disinfection by products and disinfectants, where the running annual average is reported.

*** THE CITY OF HIALEAH OBTAINS ALL OF ITS WATER FROM MIAMI-DADE COUNTY. THIS INFORMATION IS PROVIDED BY MIAMI-DADE COUNTY.**

2008 RADON DATA SUMMARY

PARAMETER	FEDERAL GOAL	FEDERAL MCL	STATE MCL	YEAR TESTED	MAIN SYSTEM	MAJOR SOURCES
RADON (pCi/L)	NE	NE	NE	2008	174 (22 - 174)	Naturally occurring in soil and rock formations

NE = None Established

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF HIALEAH 2009 WATER QUALITY REPORT

PARAMETER	FEDERAL MCL (a)	FEDERAL GOAL (b)	STATE MCL	YEAR TESTED	MAIN SYSTEM	MAJOR SOURCES
MICROBIOLOGICAL CONTAMINANTS						
Total Coliform Bacteria (c)	5%	0	5%	2009	0.5%	Naturally present in the environment
DISINFECTION BY PRODUCTS						
Total Trihalomethanes (ppb)(d)	80	N/A	80	2009	25 (4 - 102)	Byproduct of drinking water chlorination
Haloacetic Acids (ppb) (d)	60	N/A	60	2009	30 (11 - 63)	Byproduct of drinking water chlorination
DISINFECTANTS						
Chloramines (ppm) (e)	MRDL=4.0	MRDLG=4	MRDL=4.0	2009	2.4 (ND - 4.4)	Water additive used to control microbes
Chlorine (ppm) (e)	MRDL=4.0	MRDLG=4	MRDL=4.0	2009	N/A	Water additive used to control microbes
VOLATILE ORGANIC CONTAMINANTS						
cis-1, 2-Dichloroethylene (ppb)	70	70	70	2009 (g)	ND	Discharge from industrial chemical factories
INORGANIC CONTAMINANTS						
Antimony (ppb)	6	6	6	2009 (g)	ND	Discharge from fire retardants, electronics, solder
Arsenic (ppb)	10	N/A	10	2009 (g)	1.8 (ND - 1.8)	Erosion of natural deposits
Barium (ppm)	2	2	2	2009 (g)	0.009 (0.006 - 0.009)	Erosion of natural deposits
Copper (ppm) (f) (at tap)	AL=1.3	1.3	AL = 1.3	09/09 (g)	0.07, 0 homes out of 73 (0%) exceeded AL	Corrosion of household plumbing systems
Fluoride (ppm)	4.0	4	4.0	2009 (g)(h)	0.7 (0.2 - 0.7)	Erosion of natural deposits; water additive which promotes strong teeth
Lead (ppb) (f) (at tap)	AL = 15	0	AL = 15	09/09 (g)	2.8, 1 home out of 73 (1.4%) exceeded AL	Corrosion of household plumbing systems
Nickel (ppb)	NE	N/A	100	2009 (g)	ND	Corrosion of bronze
Nitrate (as N) (ppm)	10	10	10	2009	0.13 (0.01 - 0.13)	Erosion of natural deposits; Runoff from fertilizer use
Nitrite (as N) (ppm)	1	1	1	2009	0.008 (ND -0.008)	
Sodium (ppm)(i)	NE	N/A	160	2009 (g)	43 (25 - 43)	Erosion of natural deposits and sea water
RADIOACTIVE CONTAMINANTS						
Alpha Emitters (pCi/L)	15	0	15	2009 (g)	3.4 (ND - 3.4)	Erosion of natural deposits
Combined Radium (pCi/L)	5	0	5	2009 (g)	0.7 (0.2 - 0.7)	Erosion of natural deposits
Uranium (ug/L)	30	0	30	2009 (g)	ND	Erosion of natural deposits

WATER QUALITY TERMINOLOGY USED IN THIS REPORT

(a) MCL = Maximum Contaminant Level
(b) Federal Goal = MCLG = Maximum Contaminant Level Goal
(c) The MCL for total coliform bacteria states that drinking water must not show the presence of coliform bacteria in 25% of monthly samples. A minimum of 390 samples for total coliform bacteria testing are collected each month from the main distribution system in order to demonstrate compliance with regulations.
(d) A total of 48 samples for Total Trihalomethane and Haloacetic Acid testing are collected per year from the main distribution system in order to demonstrate compliance with State regulations. Compliance is based on a running annual average.
(e) Compliance is based on a running annual average, computed quarterly from monthly samples collected during total coliform bacteria testing.
(f) 90th percentile value reported. If the 90th percentile value does not exceed the AL (i.e., less than 10% of the homes have levels above the AL), the system is in compliance and is utilizing the prescribed corrosion control measures.
(g) The 09/09 data presented for the Main System is from the most recent testing conducted in accordance with regulations. These systems are under reduced monitoring which only requires testing every 4 years.
(h) Fluoride testing to demonstrate compliance with State regulations is required every 3 years in accordance with the State's monitoring framework. However, fluoride levels are monitored daily for the Main System treatment plants where fluoride is added to promote strong teeth.

ABBREVIATIONS AND NOTES

N/A = Not Applicable
ND = Not Detected
NE = None Established
pCi/L = picoCuries per Liter
ppb = Parts per billion or micrograms per liter (ug/L)
ppm = Parts per million or milligrams per liter (mg/L)
( ) = Ranges (low-high) are given in parentheses where applicable. The value preceding the parentheses is the highest detected level reported for the monitoring period except for disinfection by products and disinfectants, where the running annual average is reported.

ABBREVIATION/SYMBOL	DEFINITION
MCLG	The level of contaminant in drinking water below that there is no known or expected risk to health.
MCL	The highest level of contaminant that is allowed in drinking water. MCLs are set as close to the MCLGs as feasible using the best available treatment technology.
MRDLG	The level of a drinking water disinfectant below which there is no known or expected risk to health. MRDLGs do not reflect the benefits of the use of disinfectants to control microbial contaminants.
MRDL	The highest level of a disinfectant allowed in drinking water. There is convincing evidence that addition of a disinfectant is necessary for control of microbial contaminants.
TT	A required process intended to reduce the level of a contaminant in drinking water.
AL	Action level. The concentration of a contaminant, which, if exceeded, triggers treatment or other requirements that a water system must follow.

*** THE CITY OF HIALEAH OBTAINS ALL OF ITS WATER FROM MIAMI-DADE COUNTY. THIS INFORMATION IS PROVIDED BY MIAMI-DADE COUNTY.**

2009 RADON DATA SUMMARY

PARAMETER	FEDERAL GOAL	FEDERAL MCL	STATE MCL	YEAR TESTED	MAIN SYSTEM	MAJOR SOURCES
RADON (pCi/L)	NE	NE	NE	2009	174 (22 - 174)	Naturally occurring in soil and rock formations

NE = None Established

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

GENERAL INFORMATION REGARDING THE CITY OF HIALEAH

THE FOLLOWING INFORMATION CONCERNING THE CITY OF HIALEAH, FLORIDA AND MIAMI-DADE COUNTY, FLORIDA, IS INCLUDED ONLY FOR THE PURPOSE OF PROVIDING GENERAL BACKGROUND INFORMATION. THE COMPILATION OF SUCH INFORMATION ON BEHALF OF THE CITY INVOLVED ORAL AND WRITTEN COMMUNICATION WITH THE VARIOUS SOURCES INDICATED. THE UNDERWRITER HAS MADE NO INVESTIGATION INTO THE ACCURACY OF SUCH INFORMATION AND THE INFORMATION IS SUBJECT TO CHANGE, ALTHOUGH EFFORTS HAVE BEEN MADE TO UPDATE THE INFORMATION WHERE PRACTICABLE.

THE BONDS ARE NOT A GENERAL OBLIGATION OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF HIALEAH, FLORIDA.

General Description and Location

The City of Hialeah, Florida (the "City") was incorporated in 1925 and is located in Miami-Dade County (the "County"). The City occupies a land area of 23 square miles and, by population, is the sixth largest city in the State of Florida with a population of more than 225,000 residents. The City reflects the diversity of the area, and points proudly to the many facets of its growing multi-cultural community. The City consists of a strong and steadily-growing business and industrial sector, a wide variety of quiet and stately neighborhoods, neighborhood parks and recreational facilities, and its diverse cultural assets. The City is also one of the largest employers in the County. Predominantly Hispanic, the City residents have assimilated their cultural heritage and traditions into a hard-working, diverse community proud of its ethnicity, as well as its family oriented neighborhoods. The residents and governmental departments empowered with serving the people are committed to preserving a quality community atmosphere for working and raising families.

Source: City of Hialeah, Florida.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Population

Population trends for the City and the County are reflected in the following table:

Population Trends 1970-2010
City of Hialeah, Florida
and Miami-Dade County, Florida

Year	City of Hialeah	Average Annual Percentage Increase/ Decrease	Miami-Dade County	Average Annual Percentage Increase/ Decrease
1980	2,184	--	1,625,781	--
1990	4,051	8.51	1,937,094	3.00
2000	226,419	5589.	2,253,779	16.34
2001	230,059	1.61	2,285,869	1.42
2002	231,270	0.05	2,312,478	1.16
2003	233,388	0.09	2,345,932	1.45
2004	233,566	0.00	2,379,818	1.45
2005	230,407	(1.14)	2,422,075	1.78
2006	228,344	(0.01)	2,437,022	0.06
2007	228,528	0.00	2,462,292	1.03
2008	228,157	0.00	2,477,289	0.61
2009	226,605	(0.01)	2,472,344	(0.29)
2010	226,329	0.00	2,480,597	0.33

Source: U.S. Department of Commerce, Bureau of the Census 1980, 1990 and 2000; Bureau of Economic and Business Research, University of Florida, 2001-2010 estimates.

Government

The City is a Strong Mayor-Council form of government with seven council members. There is no city manager. The mayor and Council members are elected for four-year terms. Listed below are the current mayor and City Council members and the year of their term expiration.

Elected Officials	Year Term Expires
Julio Robaina, Mayor	2013
Carlos Hernandez	2013
Jose Yedra	2011
Jose F. Caragol	2011
Vivian Casals-Munõz	2011
Luis E. Gonzalez	2013
Isis Garcia-Martinez	2011
Katharine E. Cue	2011

There are currently 1,625 employees of the City, including a 365-member police department and a 265-member fire department.

Source: City of Hialeah, Florida; Hialeah Human Resources Department.

Employee Relations

Under the State of Florida Public Employees Relations Act, Chapter 447, Florida Statutes, the employees of the City have certain rights, including the right to bargain collectively through representatives of their choosing on questions of wages, hours and other terms of employment. The Public Employees Relations Act and the Florida State Constitution prohibit strikes by municipal employees.

Florida is a right-to-work state and while employees may be designated by the State of Florida Public Employees Relations Commission as being within a bargaining unit, the employees have a statutory right to join or to refrain from joining the union, as they see fit. At the present time, the employees of the City are represented by a union.

The City Charter creates a civil service system, which is charged with screening applicants and hearing and determining appeals for disciplinary actions.

Source: City of Hialeah, Florida.

Budget Preparation

The City is required by law to formulate a budget annually with respect to all departments of the City and to hold public hearings thereon as follows:

a. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the General Fund for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to October 1, the budget is legally enacted through passage of an ordinance.

d. At any time, the Mayor may transfer any unencumbered appropriation balance or portion thereof between classifications of expenditures within an office or department. At the request of the Mayor and within the last six months of the fiscal year, the City Council may transfer, by resolution, any unencumbered appropriation balance or portion thereof from one office or department to another. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations.

Employees' Pension Trust

The City is the administrator of a single-employer Public Employee Retirement System ("PERS") established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan that covers substantially all of the employees of the City. Plan members are required to contribute 7% of their basic compensation to the Annuity Savings Fund. The City is required to contribute at an actuarially determined rate. Plan participants are permitted to purchase a maximum of four years of membership credit service time. The contribution requirements of the plan members and the City are established and may be amended by the Employees' Retirement System Board of Trustees.

The City's Fiscal Year 2009 financial statements attached as Appendix I show the pension plan's funded ratio as of the actuarial valuation date of October 1, 2008 as 83.8% for the employees' retirement system and 86.6% for the elected officials' retirement system. The City's preliminary Fiscal Year 2010 numbers show a funded ratio of 80.4% for the employees' retirement system and 88.0% for the elected officials' retirement system, with minimum required City contributions of $19,343,873 in fiscal year 2010 and $21,920,464 in fiscal year 2011. Copies of the most recent valuation report are available from the City Finance Director's office.

On August 25, 2009, the City passed Ordinance 09-54, which established a minimum City contribution ("floor") to the Plan equal to 22% of the member payroll. Once every five years, the City may increase or decrease the floor up to 2% of member payroll, if supported by an actuarial study. The floor shall not be less than 16% or more than 28% of member payroll.

The new provisions also indicate that the floor is subject to Section 70-168(b) which specifies the contribution shall be computed as a level percent of payroll in accordance with generally recognized actuarial principles and the provisions of Chapter 112, Florida Statutes. Provisions under Chapter 112, Florida Statutes, will take precedence in the event the required City contribution calculated under Chapter 112 exceeds the maximum pursuant to Ordinance 09-54.

The City has two defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The purpose of these Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through state contributions. The participants do not contribute to the Plans. These funds are a supplement to and in no way affect police officer and firefighter benefits under the City of Hialeah Employee's Retirement System.

Effective March 1, 2007, the City established a deferred retirement option plan (DROP) for Police and Firefighters. An active participant of the City's retirement system may enter into the DROP, on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more. Upon entry into the DROP, a member's monthly retirement benefits, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months.

Other Postemployment Benefits

The City sponsors a defined benefit Other Post Employment Benefits ("OPEB") plan. Retirees who meet certain age and service requirements may elect coverage for themselves and dependents. Self-funded and fully insured options are available. Currently there are no contributions required from retirees with single coverage and the single funding rate is paid by retirees for double (employee plus spouse) coverage. Self funded management retirees pay less for double coverage. Disabled contributions vary between plans. The OPEB obligation is funded on a pay-as-you-go basis. The City's Actuarial Report for the Fiscal Year ended September 30, 2009 showed an actuarial accrued liability of $243,161,545, and an estimated net OPEB obligation of $35,065,830.

Economic Base

Total employment in the County in 2010 reached approximately 1,122,131. Leading economic sectors based on relative employment levels include: government, retail and wholesale trade, services and manufacturing. The following is a list of the top ten non-governmental employers currently in the County.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Major Non-Governmental Employers in Miami-Dade County, Florida (2011)

Firm	Type of Business	Employees
University of Miami	Education	16,000
Baptist Health South Florida	Health Care	13,376
Publix Super Markets	Grocery	10,800
American Airlines	Travel	9,000
Florida Power & Light	Utilities	3,840
Carnival Cruise Lines	Travel	3,500
Winn-Dixie Stores	Grocery	3,400
AT&T	Communication Services	3,100
Mount Sinai Medical Center	Health Care	3,000
Miami Children's Hospital	Health Care	2,800

Source: Hialeah Chamber of Commerce.

The following is a list of the principal employees in the City of Hialeah:

City of Hialeah
Principal Employers
(2010)

Employer	Employees
Palmetto General Hospital	1,635
City of Hialeah (FTE'S)	1,524
United Parcel Service	1,119
Winn Dixie Super Markets	1,054
Hialeah Hospital	1,032
Publix Super Markets	816
Palm Springs Hospital	611
Sedano's Super Markets	573
Yellow Stone Group	434
Bank of America	378

Source: License Department.

Education

Education is a dominant factor in the makeup of the area with a campus of Miami Dade College located within the City, a public school system consisting of 27 public schools, and several private and parochial schools. Three additional institutions of higher education are located within the County: Florida International University is state-supported while the University of Miami and St. Thomas University are privately funded.

Miami Dade College is attended by more than 170,000 students on eight campuses and is the largest institution of higher education in the United States. Miami Dade was created as a community college in the 1960s, amid the strain of desegregation and the influx of thousands of Cuban refugees. It was founded on the premise that anyone desiring a college degree has the opportunity to do so. It was available to any county resident who graduated from high school and opened its doors as the first integrated junior college in Florida. In 2003, Miami Dade also introduced four-year degree programs and changed its name to Miami Dade College.

Florida International University ("FIU") is the City's first and only four-year public research university. There are more than 44,000 students enrolled at FIU and they have the option of participating in one or more of 200 bachelor's, master's and doctoral programs. The student body at FIU reflects the diversity of the area with a population of 60% Hispanic, 14% white non-Hispanic, 13% black, 4% Asian or Pacific Islander and 9% other minority groups.

The University of Miami, located in Coral Gables in the County, is a private research university with more than 15,000 students from around the world. It is a vibrant and diverse academic community focused on teaching and learning, the discovery of new knowledge, and service to the South Florida region and beyond. There are 12 schools and colleges serving undergraduate and graduate students in more than 180 majors and programs.

St. Thomas University was founded as a Catholic university by the order of Augustinian Friars as Biscayne College in 1961. University status was attained in 1984 after adding 10 Master's degree programs and a law school. At that time the sponsorship of the university was undertaken by the Archdiocese of Miami and the school's name was changed to St. Thomas University. The mission of St. Thomas is articulated as being "a Catholic university with rich cultural and international diversity committed to the academic and professional success of its students who become ethical leaders in our global community."

Medical Facilities

Hialeah Hospital ("Hialeah") has been serving communities from central to north Miami-Dade since 1951. Hialeah is a 378-bed acute care facility. Hialeah provides a wide range of medical-surgical services, including an acute care unit for the elderly available to treat acute medical conditions ranging from stroke recovery to pain management, inpatient and outpatient surgery, maternity services, which offers childbirth class and has a Level II Neonatal Intensive Care Unit for babies with special needs, an outpatient rehabilitation center, a sleep disorders center, weight-loss surgery program, and a full-service, acute-care unit that offers treatment 24 hours a day/7 days a week staffed with healthcare professionals trained in emergency medicine, including certified emergency physicians, and trained emergency nurses and technicians. There are more than 400 physicians, and 900 employees on staff. Hialeah's Medical Imaging Center offers comprehensive outpatient diagnostic services with the latest technology to diagnose medical conditions, as well as store and distribute images, this includes a computer network that allows for the storage, retrieval and distribution of digital images from CT, MRI, X-ray, ultrasound, mammogram and more.

Palm Springs General Hospital ("Palm Springs") is a 247-bed privately-owned facility located in Hialeah, the largest privately-owned hospital in the State. PSGH remains dedicated to preserving a home-like rather than institutional environment for patients and their families by offering luxury private suites as well as comfortable patient rooms. Over the years, new construction and renovation at Palm Springs has kept pace with the latest developments in medical technology, with renovations of their Intensive Care Unit, resulting in an ultramodern facility offering the most advanced techniques for critical care. The Laparoscopic Surgery Center allows patients to elect Laparoscopic surgery over traditional procedures. Palm Springs offers all specialty areas with the exception of Obstetrics and Psychiatry.

Palmetto General Hospital ("Palmetto") is a 360-bed acute care hospital, which serves growing Miami-Dade and Broward communities. Palmetto's 750-member medical staff and more than 1,600 employees deliver acclaimed cardiac care, maternity care, pediatrics, wound care and more. Palmetto's Radiology and Diagnostic Services Center and the Just for Women Diagnostic Center are professionally staffed and equipped to offer a broad range of advanced diagnostic services in comfortable settings. The adult and pediatric Emergency Departments are staffed 24 hours a day, seven days a week by physicians, specially trained nurses and technologists to provide care for patients who are experiencing acute problems and who need immediate attention. In addition, Palmetto's Outpatient Rehabilitation Center offers comprehensive, multidisciplinary rehabilitative therapy programs for adults and children in beautiful contemporary facilities.

Recreation

The City of Hialeah boasts three tennis centers, more than five public swimming pools and aquatic centers, and more than fourteen public parks totaling more than 100 acres combined and offers a wide variety of recreation activities to area residents and visitors. Recreation programming includes youth and adult athletics (i.e. girls and boys, football, soccer, baseball, softball, volleyball, cheerleading, swimming and water polo), summer and holiday out of school camps and a host of other activities for citizens of all ages. Milander Park features a municipal auditorium and a 10,000 seat football stadium. City park facilities and community centers provide meeting space and host a number of arts and crafts and fitness activities.

Hialeah Park is the home of the Audubon Bird Sanctuary for flamingos, a trademark of the city, and is listed on the National Register of Historic Places. On the grounds one of the oldest, continuously operating racetracks in Florida is found, as well as landscaped gardens, historic buildings and many other interesting sights.

Hialeah offers many options for those seeking an active lifestyle. Amelia Earhart Park named after the famous female pilot, is a weekend favorite. Beautiful bike trails, complete with daring obstacles, offers cyclists a challenging and scenic ride. The park also features two stunning lakes, full of large mouth bass. The park's picnic facilities offer many spots for relaxing and getting together with family and friends. An expanding skate park and climbable rock formations also contribute to the visitor's endless possibilities for fun.

Transportation

Hialeah is served by the Miami Metrorail at three stations: Okeechobee Station, Hialeah Station, and Tri-Rail Transfer Station. The Okeechobee and Hialeah stations serve primarily as park-and-ride commuter stations for Downtown Miami and Brickell commuters. The Tri-Rail Transfer Station allows easy connections to Tri-Rail to Miami International Airport and West Palm Beach. Besides the Metrorail, Hialeah also has two Tri-Rail stations: the Hialeah Market Station and one at the Tri-Rail/Metrorail Transfer Station.

Within 30 miles of the city center, there are a total of two airports and a total of five Amtrak train stations close to Hialeah.

Miami International Airport (MIA) is located 4 miles from Hialeah and is operated by the Miami-Dade Aviation Department and is the property of Miami-Dade County government. Founded in 1928, MIA is the largest U.S. gateway for Latin America and the Caribbean and is one of the leading international passenger and freight airports in the world. In 2009, 33,886,025 passengers traveled through the airport making the airport the 25th busiest airport in the world. Located on 3,230 acres of land near downtown Miami, MIA's terminal is being expanded to more than seven million square feet through a capital improvement program scheduled for completion in the winter of 2011.

Fort Lauderdale-Hollywood International Airport (FLL / KFLL) is located 17 miles from Hialeah and offers international and domestic flights. In 2010, the airport processed 22,412,627 passengers including 3,447,393 international passengers. The airport's close proximity to cruise line terminals at Port Everglades has also made it popular among tourists bound for the Caribbean.

The Port of Miami is recognized and has been for many years, as the "Cruise Capital of the World" and "Cargo Gateway of the Americas". It has retained its status as the number one cruise/passenger port in the world for well over two decades accommodating the largest cruise ships in the world and the operations of such major cruise lines as Carnival, Royal Caribbean and Norwegian Cruise Line. As the "Cargo Gateway of the Americas", the port primarily handles containerized cargo with small amounts of breakbulk, vehicles and industrial equipment. It is the largest container port in the state of Florida and ninth in the United States. As a world-class port, the Port of Miami is among an elite group of ports in the world which cater to both cruise ships and containerized cargo.

Taxes

Florida has no personal state income tax or inheritance tax. There is a state corporate tax of 5.5 percent on net income (with an exemption on the first $5,000 of corporate profit) and a state retail sales tax of 6 percent. Ad valorem (real estate) taxes combine city, county and school districts levies, plus special districts. Florida's Homestead Exemption Act exempts home owner's taxes on the first $50,000 of assessed value. Property in the City and County is assessed at approximately 100% of true market value.

City of Hialeah, Florida
Schedule of Bond Debt and Long-Term Debt
As of September 30, 2009 [1]

Bond Issue	Issue Date	Original Issue Amount	Unpaid Balance at 9/30/08	FY 2009 Principal	FY 2009 Interest	FY 2009 Total Debt Service	Unpaid Balance at 09/30/09
Capital Improvement Revenue Refunding Bonds - 2007	2007	$2,283,000	2,223,591			175,840	2,047,751
Total Outstanding Bond Debt						**175,840**	**2,047,751**

Notes	Issue Date	Original Issue Amount	Unpaid Balance at 9/30/08	FY 2009 Principal	FY 2009 Interest	FY 2009 Total Debt Service	Unpaid Balance at 09/30/09
Florida Municipal Loan Council (FMLC)	1999	$30,000,000	19,520,000			1,400,000	18,120,000
FMLC	2003	48,135,000	43,890,000			930,000	42,960,000
FMLC	2005	29,090,000	27,535,000			555,000	26,980,000
Community Development Block Grant Section 108 Loan	2000	4,400,000	3,090,000			200,000	2,890,000
Bond Anticipation Refunding Note	2009	18,000,000	18,000,000			1,500,000	16,500,000
TOTAL NOTES PAYABLE			109,035,000			4,585,000	107,450,000
Mortgage Note	1991						
Florida DEP Revolving Loan	2001	2,997,370					1,875,810
Charter School			103,325				103,325
TOTAL BOND AND LONG-TERM DEBT		**134,905,370**	**114,361,915**			**4,585,000**	**107,450,000**

[1] Excluding utility and other enterprise fund related indebtedness

APPENDIX I

AUDITED FINANCIAL STATEMENTS OF THE CITY OF HIALEAH FOR THE YEAR ENDED SEPTEMBER 30, 2009 AND UNAUDITED FINANCIAL STATEMENTS RELATED TO THE WATER AND SEWER SYSTEM FOR THE YEAR ENDED SEPTEMBER 30, 2010

[THIS PAGE INTENTIONALLY LEFT BLANK]

AC&C
Alberni, Caballero & Company, LLP
Certified Public Accountants & Consultants

4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
City of Hialeah, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hialeah, Florida (the "City") as of and for the fiscal year then ended September 30, 2009 which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, 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 our report dated March 24, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by generally accepted accounting principles. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance projects 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 Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards and state financial assistance projects have 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 identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Alberni Caballero & Company, LLP

Coral Gables, Florida
March 24, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hialeah, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009.

Financial Highlights

- The net assets of the City of Hialeah's Governmental and Business-type funds exceeded its liabilities at the close of the most recent fiscal year by $264 million.
- Net assets of the City's governmental activities decreased by 9% ($12.7 million) from $135.8 million (after restatement) for last fiscal year, compared to $123.1 million in the current fiscal year. This decrease was due primarily to the new GASB 45 pronouncement regarding Other Post Employment Benefits (OPEB). Based on the actuarial evaluation, the OPEB liability for the current fiscal year decreased total net assets of the City by an additional $10.9 million compared to the prior year. These changes reported in the statement of activities do not require the use of current financial resources. Therefore, not considering these non-cash changes, the City had a decrease in net asset of $1.8 million or 1% in the current fiscal year.
- Net assets of the City's business-type activities increased by 5% ($6.8 million) from $134.5 million (as restated) for last fiscal year, compared to $141.4 million in the current fiscal year.
- At the close of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of $33.9 million, a decrease of $800 thousand in comparison with the prior year.
- Approximately 73.8% of the City's Governmental Fund Balances total amount is considered unreserved funds and the remaining 26.2% is considered reserved funds. The $25 million of unreserved fund balances are considered undesignated at the closing of the year; and are funds *available for spending* at the government's discretion. It is important for readers to understand that these funds *available for spending* are essential for long-term commitments and unanticipated contingencies and should not be considered superfluous. Of the $8.9 million in reserved fund balances, approximately $2.6 million have been designated for subsequent years' expenditures, $4.6 million for future construction, $1.2 million for public safety and $0.5 million for debt service.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to these basic financial statements, this report contains other supplementary information.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the City include police, fire, streets, grants, bus circulator and human services, state housing initiative, work investment act programs, library, code compliance, licenses, fleet maintenance, construction and maintenance, recreation and community services, planning and development, and general and administrative services. The business type activities of the City include solid waste and water & sewer operations. The government-wide financial statements can be found on pages 17-18 of this report.

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable* resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be the major fund. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 19-20 of this report.

Proprietary funds - The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its solid waste, bus transit and water & sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste and water & sewer operations, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 22-26 of this report.

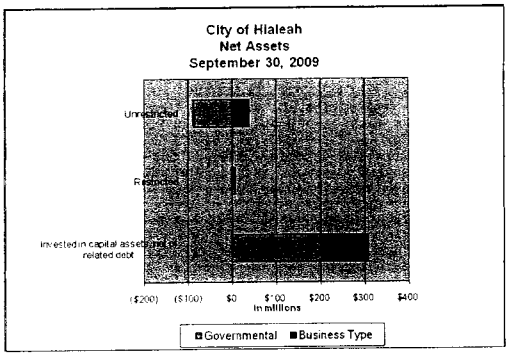
Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 29-68 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including, but not limited to, the budgetary comparison schedule of the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 69-73 of this report. The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 74-93 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Hialeah, total net assets exceed liabilities by $264 million at the close of the most recent fiscal year. This is a less than 2% decrease compared to last year's net assets of $269 million.



By far the largest portion of the City's net assets (97%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, etc.); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, they are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is considered unrestricted net assets and that amount is a negative $49.1 million. This figure illustrates that if all liabilities became due at this point in time, total assets would be insufficient to cover all our obligations. Fixed assets of the City would need to be sold in order to meet contingencies.

CITY OF HIALEAH - NET ASSETS

	Governmental Activities	Business-type Activities	Total 2009	Governmental Activities	Business-type Activities	Total 2008
Current and other assets	$ 60,159,710	$ 46,718,993	$ 106,878,703	$ 51,689,723	$ 60,525,661	$ 112,215,384
Restricted assets	3,918,069	28,078,057	31,996,126	7,778,905	23,925,492	31,704,397
Unamortized bond issue costs	-	-	-	-	-	-
Capital assets, net	313,160,271	105,638,885	418,799,156	313,320,778	90,398,596	403,719,374
Total assets	377,238,050	180,435,935	557,673,985	372,789,406	174,849,749	547,639,155
Long-term liabilities	234,945,296	13,073,988	248,019,284	218,780,001	12,085,144	230,865,145
Other liabilities	19,216,840	25,986,174	45,203,014	18,832,760	28,090,662	46,923,422
Total liabilities	254,162,136	39,060,162	293,222,298	237,612,761	40,175,806	277,788,567
Net Assets:						
Invested in capital assets, net of related debt	203,538,055	103,874,020	307,412,075	200,996,079	88,351,287	289,347,366
Restricted	6,277,482	-	6,277,482	7,778,905	-	7,778,905
Unrestricted	(86,739,623)	37,501,753	(49,237,870)	(73,598,339)	46,322,656	(27,275,683)
Total net assets	$ 123,075,914	$ 141,375,773	$ 264,451,687	$ 135,176,645	$ 134,673,943	$ 269,850,588

Net assets of the City's governmental activities decreased by 9% ($12.1 million) from $135.2 million for last fiscal year, compared to $123.1 million in the current fiscal year. See detailed explanation under Financial Highlights.

Net assets of the City's business-type activities increased by 5% ($6.7 million) from $134.7 million for last fiscal year, compared to $141.4 million in the current fiscal year.

CITY OF HIALEAH - CHANGES IN NET ASSETS

	Governmental Activities	Business-type Activities	Total 2009	Governmental Activities	Business-type Activities	Total 2008
Revenues:						
Program revenues:						
Charges for services	$ 24,550,985	$ 56,498,989	$ 81,049,974	$ 23,472,526	$ 57,635,618	$ 81,108,144
Operating grants & contributions	15,049,192	-	15,049,192	8,534,749	-	8,534,749
Capital grants & contributions	13,323,168	3,119,117	16,442,285	14,978,580	4,413,317	19,391,897
General Revenues:						
Property taxes	65,666,056	-	65,666,056	68,833,515	-	68,833,515
Utility taxes	22,580,807	-	22,580,807	21,696,763	-	21,696,763
Franchise fees on gross receipts	11,602,898	-	11,602,898	11,865,713	-	11,865,713
Intergovernmental revenue	26,285,985	-	26,285,985	32,202,844	-	32,202,844
Grants & contributions unrestricted	-	-	-	-	-	-
Unrestricted interest	172,565	1,929,614	2,102,179	992,459	1,995,210	2,987,669
Total revenues	179,231,656	61,547,720	240,779,376	182,577,149	64,044,145	246,621,294

CITY OF HIALEAH - CHANGES IN NET ASSETS (Continued)

Expenses:						
General government	74,384,843	-	74,384,843	69,140,040	-	69,140,040
Police	46,859,988	-	46,859,988	47,982,487	-	47,982,487
Fire	38,524,121	-	38,524,121	38,058,400	-	38,058,400
Streets	13,865,386	-	13,865,386	14,561,927	-	14,561,927
Recreation & community service	13,262,701	-	13,262,701	16,045,320	-	16,045,320
Interest on long-term debt	5,421,745	-	5,421,745	5,559,726	-	5,559,726
Water & sewer	-	39,571,242	39,571,242	-	38,888,103	38,888,103
Solid waste	-	14,743,134	14,743,134	-	15,349,165	15,349,165
Hialeah circulator	-	-	-	-	2,214,548	2,214,548
Total expenses	192,318,783	54,314,376	246,633,159	191,347,800	56,451,816	247,799,716
Change in net assets before transfers	(13,087,127)	7,233,344	(5,853,783)	(8,770,751)	7,592,329	(1,178,422)
Transfers	391,068	(391,068)	-	-	-	-
Change in net assets	(12,696,059)	6,842,276	(5,853,783)	(8,770,751)	7,592,329	(1,178,422)
Net assets-beginning	135,771,973	134,533,497	270,305,470	143,947,396	127,081,614	271,029,010
Net assets-ending	$ 123,075,914	$ 141,375,773	$ 264,451,687	$ 135,176,645	$ 134,673,943	$ 269,850,588

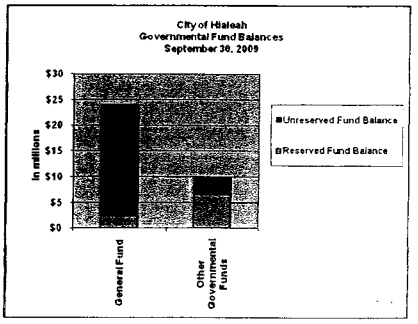
Governmental activities - Governmental activities decreased the City's net assets by $12.7 million. This decrease was due primarily to the new GASB 45 pronouncement regarding Other Post Employment Benefits (OPEB). Based on the actuarial evaluation, the OPEB expense for the current fiscal year decreased total net assets of the City by an additional $10.9 million compared to the prior year. These changes reported in the statement of activities do not require the use of current financial resources. Therefore, not considering these non-cash changes, the City had a decrease in net asset of $1.8 million or 1% in the current fiscal year. In addition, ad valorem tax revenues decreased by $3.2 million in the current fiscal year; this was due to a decrease in the assessed property values within the City by the Miami-Dade County Property Appraisers' Office. This continues to be a challenge for the City of Hialeah to maintain the high level of services while revenues continue to decrease in the current economic crisis. Yet despite these issues, the City of Hialeah remains determined to maintain its promise not to raise taxes. The City's millage rate remained unchanged from the prior fiscal year at a rate of 6.54 mills and will remain at that rate for the coming fiscal year.

Business-type activities - Net assets of the City's business-type activities increased by $6.7 million in the current fiscal year. During the current fiscal year the Hialeah Circulator fund was converted from an enterprise fund to a special revenue fund. Due to the transfer of this fund, current year revenues and expenses in the business-type activities funds decreased approximately $1.8 million and $1 million, respectively. Notwithstanding this change, current year revenues and expenses remained relatively constant as compared to the prior year in the City's business-type activities. In addition, there was approximately a $1 million decrease in Capital grants and contributions received by the Water and Sewer department during the current fiscal year. This demonstrates that over the last several fiscal years of operations the City has been stable with reasonable sources of income while performing very efficiently. The current year operating loss for Solid Waste fund of $1.1 million was due primarily to the new GASB 45 pronouncement regarding OPEB and the depreciation expense amount in the current fiscal year of $746 and $754 thousand, respectively. These changes reported in the statement of revenues, expenses and changes in net assets do not require the use of current financial resources and are non-cash transactions. Therefore, not considering these non-cash transactions, the Solid Waste fund had operating income in the normal course of operation of $434 thousand in the current fiscal year. This operational income was due to a decrease in operational expenses of approximately $528 thousand in the current fiscal year while maintaining the City's high level of services. Due to the current economic crisis that the nation is undergoing, the City decided not to increase the rates charged to the residents for these services in the current fiscal year in order to alleviate their financial burden.

Financial Analysis of the City's Funds

As noted earlier, the City of Hialeah uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.



As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (both reserved and unreserved) of $33.9 million, a decrease of $778 thousand in comparison with the prior year. The individual *statement of revenues, expenditures and changes in fund balances* for nonmajor governmental funds can be found on pages 78-80 of this report.

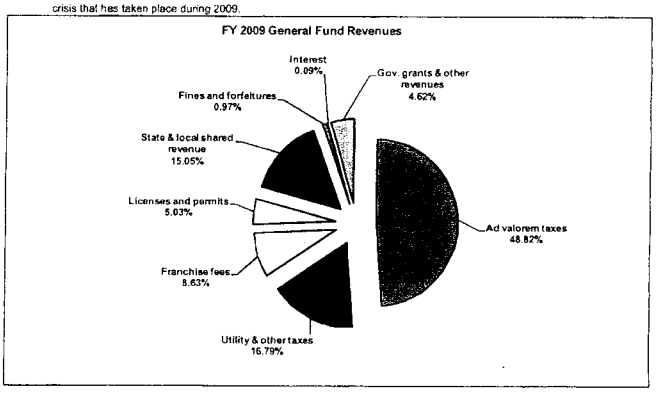
Unreserved fund balance in the amount of $21.7 million or 90% of total fund balance constitutes amount which is available for spending as explained earlier under Financial Highlights. The remainder of fund balance is *reserved* to indicate it is not available for new spending because it has already been committed for a variety of restricted purposes, such as encumbrances and inventory.

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund.

The amount of General Fund revenue from various sources, the percentage of the total and the amount of change compared to last fiscal year are shown in the following schedule:

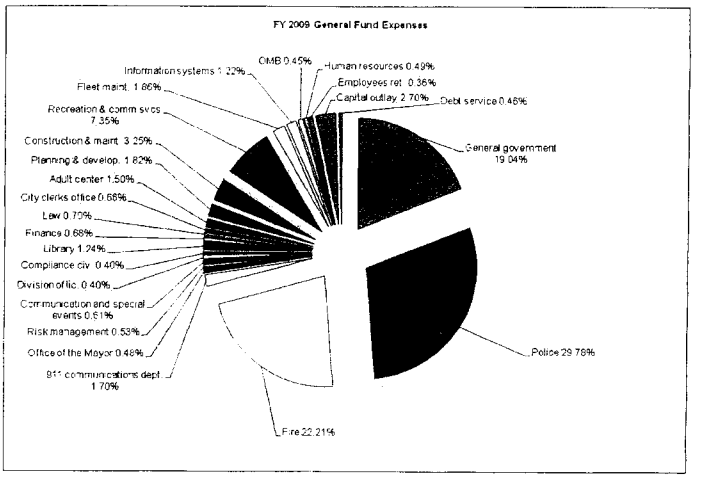
Revenue Sources	2009 Amount	2009 Percent of Total	2008 Amount	2008 Percent of Total	Amount Incr (Decr) from Prior Year	Percent Incr -Decr from Prior Year
Ad valorem taxes	$ 65,666,056	48.82%	$ 68,833,515	48.75%	$ (3,167,459)	-4.60%
Utility & other taxes	22,580,807	16.79%	21,696,763	15.37%	884,044	4.07%
Franchise fees	11,602,898	8.63%	11,865,713	8.40%	(262,815)	-2.21%
Licenses and permits	6,767,212	5.03%	6,958,549	4.93%	(191,337)	-2.75%
State & local shared revenue	20,242,733	15.05%	22,258,302	15.76%	(2,015,569)	-9.06%
Fines and forfeitures	1,305,696	0.97%	1,446,391	1.02%	(140,695)	-9.73%
Interest	114,506	0.09%	712,949	0.50%	(598,443)	-83.94%
Gov. grants & other revenues	6,218,694	4.62%	7,436,073	5.27%	(1,217,379)	-16.37%
Total	$ 134,498,602	100%	$ 141,208,255	100%	$ (6,709,653)	-4.75%

Compared to the prior fiscal year, total General Fund revenues decreased by $6.7 million or 4.7% in fiscal year 2009. This decrease is due to a decrease in ad valorem taxes which resulted from a decreased assessed property values by Miami-Dade County Property Appraisers Office during fiscal year 2008 that affected the City's ad valorem revenue in fiscal year 2009. This change had an effect of approximately $3 million decrease in the current fiscal year's ad valorem revenue. However, the City's millage rate remained at a rate of 6.54 mills during the current fiscal year and will remain the same in coming fiscal year. Yet despite these issues, the City of Hialeah remains determine to maintain its promise not to raise taxes. In addition, State and local shared revenues and Government grants and other revenues also decreased by approximately $2 million and $1 million, respectively, due to the current economic crisis that has taken place during 2009.



Expenditures in the General Fund are shown in the following schedule:

Expenditures	2009	2009 Percent of Total	2008	2008 Percent of Total	Amount Incr (Decr) from Prior Year	Percent Incr -Decr from Prior Year
General government	$ 26,154,810	18.99%	$ 29,429,549	20.82%	$ (3,274,739)	-11.13%
Police	40,918,165	29.70%	41,532,291	29.38%	(614,126)	-1.48%
Fire	30,519,478	22.16%	30,189,478	21.36%	330,000	1.09%
911 communications dept.	2,334,640	1.69%	-	0.00%	2,334,640	100.00%
City clerks office	905,065	0.66%	1,315,761	0.93%	(410,696)	-31.21%
OMB	621,505	0.45%	668,269	0.47%	(46,764)	-7.00%
Office of the Mayor	682,240	0.48%	655,965	0.46%	6,275	0.96%
Commun. & spc. events	841,146	0.61%	1,016,370	0.72%	(175,224)	-17.24%
Employees ret.	489,769	0.36%	519,634	0.37%	(29,865)	-5.75%
Library	1,700,898	1.23%	1,896,684	1.34%	(195,786)	-10.32%
Compliance division	555,821	0.40%	563,559	0.40%	(7,738)	-1.37%
Finance	929,122	0.67%	907,045	0.64%	22,077	2.43%
Division of licenses	553,528	0.40%	478,074	0.34%	75,454	15.78%
Information systems	1,676,906	1.22%	1,446,964	1.02%	229,942	15.89%
Fleet maintenance	2,555,219	1.85%	2,361,705	1.67%	193,514	8.19%
Construction & maint.	4,464,077	3.24%	3,123,798	2.21%	1,340,279	42.91%
Recr. & comm.	10,096,913	7.33%	9,991,115	7.07%	105,798	1.06%
Planning & develop.	2,506,832	1.82%	2,939,020	2.08%	(432,188)	-14.71%
Adult center	2,056,599	1.49%	1,969,595	1.39%	87,004	4.42%
Law	960,676	0.70%	988,913	0.70%	(28,237)	-2.86%
Risk management	732,041	0.53%	716,475	0.51%	15,566	2.17%
Human resources	821,708	0.60%	693,341	0.49%	128,367	18.51%
Capital outlay	3,985,885	2.89%	7,236,301	5.12%	(3,250,416)	-44.92%
Debt service	707,059	0.51%	705,354	0.50%	1,705	0.24%
Total	$ 137,750,102	100.00%	$ 141,345,260	100.00%	$ (3,595,158)	-2.54%



In fiscal year 2009, total General Fund expenditures decreased by $3.6 million or 2.5% as compared to the prior year. The bulk of the decrease was due to approximately $3.2 million decrease in Capital Outlay in the current fiscal year. This decrease was due to decrease in the City's revenue, as described above, which has forced the City to cut cost in areas related to equipment, improvement and building projects.

Proprietary funds. The City maintains two proprietary funds. *Enterprise funds* are used to provide the same type of information found in the government-wide financial statements, but in more detail. The City uses proprietary funds to account for its water and sewer and solid waste operations.

Unrestricted net assets of all the enterprise funds at the end of the year amounted to $37.6 million. Unrestricted net assets at the end of the year for the Water and Sewer Fund and Solid Waste Fund amounted to $44.6 million and a negative $6.9 million, respectively. Other factors concerning the finances of these two major funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The differences in the *actual* revenues and expenses as *compared* to the *budget* are summarized as follows:

- Utility taxes collected were higher than budgeted due to the budget projection being based information provided by the State of Florida.
- Licenses and permits collected were higher than budgeted due to an increase in local business and residents obtaining more licenses and permits during the current fiscal year.
- State and local-shared revenues were lower than budgeted due to the current economic crisis that is currently affecting the nation. Sales tax revenue, which is a major part of this revenue source, has been greatly affected since it is based on consumer spending.
- Interest revenue earned was lower than budgeted due to the low interest rates offered by financial institutions to the City. This is a direct effect of the current economic crisis affecting the nation.
- Government grants and other revenues were lower than budgeted amounts in the current fiscal year due to the fact that most grants are based on requests for reimbursement basis. Although the grants were awarded to the City, the City cannot determine the amount that will be requested for reimbursement until related expenses are incurred. Consequently, lower expenses in related grant revenues were incurred during the current fiscal year than initially anticipated.
- The City's departments were all efficient in staying under the budgeted figures by a total of $7.7 million savings in actual expenditures when compared to budgeted amounts.
- Police and Recreation and community services department expenses were 4% and 7.7%, respectively, lower than budgeted figures due to vacant positions during the fiscal year as well as efficient management by the respective department directors.
- General government's expenses were lower than budgeted figures by $3.3 million or 9.3% due to contingent reserves provided for in the general government's budget that were not significantly utilized due to the efficient operation of the department.

Differences between the *original budget* and the *final amended budget* for expense accounts increased by $3.4 million an increase of 2.3% over the original budget. These budget amendments are line item amendments; however, total actual expenditures were lower than the total final amended budget by $7.7 million or 5.2%.

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business type activities as of September 30, 2009 totals $418 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 3.6%.

CITY OF HIALEAH - CAPITAL ASSETS (NET OF DEPRECIATION)

	September 30, 2009			September 30, 2008		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
Land	$ 29,051,407	$ 329,356	$ 29,380,763	$ 29,051,407	$ 329,356	$ 29,380,763
Buildings and utility plants	78,760,349	1,692,158	80,452,507	74,642,849	1,583,613	76,226,462
Improvements other than buildings	12,764,300	112,956	12,877,256	13,290,805	143,122	13,433,927
Furniture, fixtures, machinery and equipment	15,410,866	3,015,451	18,426,317	14,499,846	3,944,676	18,444,522
Infrastructure	169,508,871	94,508,409	264,017,280	171,244,393	82,302,836	253,547,229
Construction in progress	7,664,479	5,980,557	13,645,036	10,591,478	2,094,993	12,686,471
Total capital assets	$ 313,160,272	$ 105,638,887	$ 418,799,159	$ 313,320,778	$ 90,398,596	$ 403,719,374

Additions to capital assets before depreciation for governmental activities equaled $15.5 million. Transfers to capital assets before depreciation for governmental activities equaled $9.6 million. Transfers to capital assets include projects in the amount of $9.3 million in construction in progress as of the end of the previous fiscal year that were subsequently completed in the current fiscal year. During the current fiscal year the Hialeah Circulator fund was converted from an enterprise fund to a special revenue fund. Due to this transfer, approximately $322 thousand of fixed assets were also transferred to governmental activities in the current fiscal year. The following additions and transfers include the following items:

- Reconstruction of several City street projects totaling $7.5 million and the continued construction in progress of several street projects, several City parks, Fire Station #6 and the planning of the Palm Center 75-units affordable housing project in the amount of $6.3 million.
- New vehicles and equipment for various departments totaling $2.3 million.
- Completion of construction of the new Jeb Bush Educational Center Charter School at Slade, remodeling and construction of the new E-911 Call Center for Police and Fire, as well as the remodeling of several City parks and completion of the Hialeah High parking garage totaling $7.3 million.

Additions to capital assets before depreciation for business type activities equaled $21.5 million and include the following items:

- Planning, design and the continued construction in progress of the new reverse osmosis water treatment plant in annexation area totaling $5.6 million.
- Lining of an additional 50,000 lineal feet of sewer mains, upgrading or replacing of water mains, repairing and modernizing sewer pump stations around the City in accordance with the State of Florida and Miami-Dade County ongoing program totaling $15.4 million.

Additional information on the City's capital assets can be found in Note 8 starting on page 46 of this report.

Long-term debt - At the end of the current fiscal year, the City had total bonded debt outstanding of $2 million all of which is secured by revenues derived from rescue transportation fees. More in-depth detail can be found on pages 49-54, Note 10.

CITY OF HIALEAH'S OUTSTANDING DEBT

General Obligation, Revenue Bonds and Notes Payable

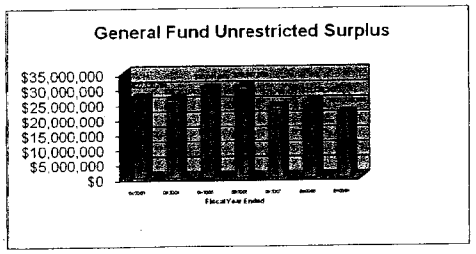
	Governmental Activities	
	2009	2008
Revenue bonds	$ 2,047,751	$ 2,223,591
Notes payable	107,450,000	109,035,000
Total	$ 109,497,751	$ 111,258,591

During the current fiscal year, the City's net outstanding debt decreased by $1.8 million. The decrease was due to the payoff and refunding of existing debt during the current fiscal year. During the current fiscal the City incurred $3 million in the refinancing of the City's line of credit which was offset by the debt service payments made in the current fiscal year. Additional information on the City's long-term debt can be found in the notes to the financial statements.

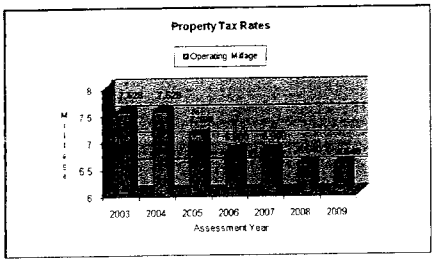
Economic Factors and Next Year's Budgets and Rates

The City's local economy is primarily based upon industrial, light manufacturing and service related companies. The occupancy rates of the City's establishments for these businesses remained at approximately 94%.

During the current fiscal year, unreserved fund balance in the General Fund decreased to $21.7 million. The unreserved fund balance of $21.7 million is approximately equal to two months of the General Fund expenditures. The following graph shows the City's fund balance for the last seven years:



In 1995, the State of Florida limited all local governments' ability to raise homestead assessed property value in any given year by 3% or cost of living, whichever is lower. As the following graph indicates, the City's property tax rates have been reduced by almost 1 mill since 2002 and have remained relatively steady. The City's operational expenditures, such as salaries, health insurance, pension contributions and gas and oil continue to increase while our revenue resources have become more and more limited. The City has its own police and fire services, recreational and aquatic facilities and a full service library system, which we maintain at optimum levels without the need for additional voter approved debt. During fiscal year 2009 the City's millage rate remained unchanged at a rate of 6.54 mills. This City has focused on maintaining taxes and service charges to a minimum while providing services to our taxpayers at a maximum level.



2009 Fiscal Year Accomplishments

During the 2008/2009 fiscal year, the City of Hialeah, has invested its revenues from all sources in a manner that reflects a vision towards the future. This investment will be enjoyed by the current residents of the City as well as future generations. The following list illustrates a sampling of our major accomplishments this year.

- The City has annexed 1,890 acres of land located in the Northwest section of the City and construction of the infrastructure system is underway. The proposed future land use for this area is as follows:
  - 4,395 Residential units
  - 1,651,680 Square Feet Retail/Commercial/Office
  - 7,623,000 Square Feet Industrial
  - 30 to 50 Acre Park
- Water and Sewer Department
  - Completed repairs and rehabilitation to sewage pump stations around the City of Hialeah
  - Completed the lining of approximately 50,000 lineal feet of sewer lines
  - Commenced with the construction of a new water treatment plant that will provide service to the new annexed area as well as other areas of the County
  - Continued construction of a regional sewage pump station to serve the newly City annexed area
- Construction and Maintenance
  - Completed construction of a new 300-units affordable housing project
  - Completed construction of a new parking garage adjacent to Hialeah High School to alleviate the high school's parking congestion and nearby new Performing Arts Center being constructed at Milander Park
  - Completed construction of a new fuel station for the City's Fleet Department
  - Completed renovation and construction of a new E-911 central dispatch center within the Fire Administration building that will serve both Police and Fire
  - Construction continues on the new Police community substation at Walker Park
  - Completed construction of a new Police training facility at the Police Headquarter location
  - Completed construction and remodeling of Fire Station #6
- Street Department
  - Completion of road construction and resurfacing projects around the City
  - Continue median beautification/maintenance program
- Recreation Department
  - Continued construction and completion of major renovations and improvements at various City parks and recreational facilities
  - Completion of the state of the art batting cages and refurbished racquetball courts at Babcock Park

Future Outlook

- Water and Sewer Department
  - Continue with the construction of a new water treatment plant that will provide service to the new annexed area as well as other areas of the County
  - Continue with ongoing programs to upgrade Sewer Pump Stations
  - Continue with ongoing program of lining an additional 54,000 lineal feet of sewer lines
  - Continue construction of a new regional pump station to support the new annexed area
  - Continue construction of the sanitary sewer system and the water distribution system to service the annexed area and to support development
  - Construction and remodeling of a new Water and Sewer Administration building at the existing location continues
- Construction and Maintenance Department
  - Begin the construction of a multipurpose facility that will house a neighborhood service center, 75 affordable housing units and an adjacent parking garage for the facility
  - Complete the construction of a new Police community substation at Walker Park
  - Complete the construction of 33 elderly housing units

Future Outlook (Continued)

- Streets Department
  - Continue with road construction and resurfacing projects around the City
  - Continue implementation of median beautification/maintenance program
- Recreation Department
  - Construction of drainage systems and new fencing for softball fields at Bucky Dent Park
  - Continued construction and major renovations at Milander Park and Auditorium to convert these facilities into a new Performing Arts and Exhibition Center
  - Construction continues on the 300 space parking garage at Milander Park to alleviate parking congestion at the new performing arts center
  - Construction and renovations continue on a new recreation building and parking lot at Sparks Park

All these factors were considered in preparing the City's budget for fiscal year 2010.

Requests for Information

This financial report is designed to provide a general overview of the City of Hialeah's finances for all those with an interest in the City's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Vivian Parks, Finance Director, Finance Department, City of Hialeah, 501 Palm Avenue, Hialeah, Florida 33010. In addition, the City's Comprehensive Annual Financial Report may be obtained through the City's website at http://www.hialeahfl.gov

BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 14,276,120	$ 18,594,115	$ 32,870,235
Investments	-	25,340,111	25,340,111
Receivables	28,071,803	10,229,468	38,301,271
Notes receivables	6,642,077	-	6,642,077
Net pension asset	1,901,565	-	1,901,565
Internal balances	7,901,132	(7,901,132)	-
Inventories	1,125,013	456,431	1,581,444
Prepaids	242,000	-	242,000
Restricted assets:			
Cash and cash equivalents	3,918,069	24,794,511	28,712,580
Other assets	-	3,283,546	3,283,546
Capital assets, not being depreciated	36,715,886	6,309,912	43,025,798
Capital assets, net of accumulated depreciation	276,444,385	99,328,973	375,773,358
Total assets	377,238,050	180,435,935	557,673,985
LIABILITIES			
Accounts payable and other current liabilities	9,932,301	6,570,740	16,503,041
Unearned revenue	8,691,709	1,690,363	10,382,072
Liabilities payable from restricted assets	-	17,725,071	17,725,071
Other liabilities	592,830	-	592,830
Non-current liabilities:			
Due within one year	7,852,833	416,449	8,269,282
Due in more than one year	227,092,463	12,657,539	239,750,002
Total liabilities	254,162,136	39,060,162	293,222,298
NET ASSETS			
Invested in capital assets, net of related debt	203,538,055	103,874,020	307,412,075
Restricted for:			
Capital projects	4,560,605	-	4,560,605
Public safety	1,173,854	-	1,173,854
Debt service	543,023	-	543,023
Unrestricted	(86,739,623)	37,501,753	(49,237,870)
Total net assets	$ 123,075,914	$ 141,375,773	$ 264,451,687

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Primary government:							
Governmental activities:							
General government	$ 74,384,843	$ 18,545,658	$ 7,847,287	$ 5,745,021	$ (44,246,879)	$ -	$ (44,246,879)
Police	46,859,988	2,828,878	1,000	-	(44,031,110)	-	(44,031,110)
Fire	38,524,121	4,113,359	72,206	826,541	(33,512,015)	-	(33,512,015)
Streets	13,895,386	-	5,645,410	5,549,995	(2,699,981)	-	(2,699,981)
Recreation and community services	13,282,701	1,285,892	1,481,289	1,201,611	(9,313,909)	-	(9,313,909)
Interest on long term debt	5,421,745	-	-	-	(5,421,745)	-	(5,421,745)
Total governmental activities	192,318,783	24,550,985	15,049,192	13,323,168	(139,395,438)	-	(139,395,438)
Business-type activities:							
Water and sewer	39,571,242	42,822,010	-	3,119,117	-	6,369,885	6,369,885
Solid waste	14,743,134	13,676,879	-	-	-	(1,066,155)	(1,066,155)
Hialeah circulator	-	-	-	-	-	-	-
Total business-type activities	54,314,376	56,498,889	-	3,119,117	-	5,303,730	5,303,730
	$ 246,633,159	$ 81,049,874	$ 15,049,192	$ 16,442,285	(139,395,438)	5,303,730	(134,091,708)
General revenues:							
Property taxes					65,686,056	-	65,686,056
Utility taxes					22,580,807	-	22,580,807
Franchise fees on gross receipts					11,602,898	-	11,602,898
Intergovernmental revenues					26,285,985	-	26,285,985
Unrestricted interest					172,995	1,929,614	2,102,179
Total general revenues					126,308,311	1,929,614	128,237,925
Change in net assets before transfers					(13,087,127)	7,233,344	(5,853,783)
Transfers					391,068	(391,068)	-
Change in net assets					(12,696,059)	6,842,276	(5,853,783)
Net assets - beginning					135,771,973	134,533,497	270,305,470
Net assets - ending					$ 123,075,914	$ 141,375,773	$ 264,451,687

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 13,659,569	$ 616,551	$ 14,276,120
Receivables	11,462,890	16,608,913	28,071,803
Due from other funds	22,884,669	15,172,617	38,057,286
Inventories	1,101,311	23,702	1,125,013
Prepaids	242,000	-	242,000
Notes receivable	6,642,077	-	6,642,077
Restricted cash	-	3,918,069	3,918,069
Total assets	$ 55,992,516	$ 36,339,852	$ 92,332,368
LIABILITIES AND FUND BALANCES			
Liabilities:			
Vouchers payable and accrued liabilities	$ 6,126,317	$ 3,805,984	$ 9,932,301
Compensated absences payable	135,285	-	135,285
Self-insurance claims payable	2,276,713	-	2,276,713
Due to other funds	13,577,163	16,578,991	30,156,154
Deferred revenue	9,219,915	6,113,871	15,333,786
Other liabilities	592,830	-	592,830
Total liabilities	31,928,223	26,498,846	58,427,069
Fund balances:			
Reserved for:			
Encumbrances	981,996	294,643	1,276,639
Prepaids	242,000	-	242,000
Inventories	1,101,311	-	1,101,311
Public safety	-	1,173,854	1,173,854
Capital projects	-	4,560,605	4,560,605
Debt service	-	543,023	543,023
Unreserved:			
Undesignated, reported in:			
General fund	21,738,986	-	21,738,986
Special revenue funds	-	3,268,881	3,268,881
Total fund balances	24,064,293	9,841,006	33,905,299
Total liabilities and fund balances	$ 55,992,516	$ 36,339,852	

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.	313,160,271
Long-term liabilities, including bonds payable, are not due and payable in the current period	(110,860,642)
Compensated absences	(22,854,877)
Claims payable	(38,040,481)
Net pension asset	1,901,565
Net pension obligation	(40,367,125)
Notes receivable- long term	6,642,077
OPEB Liability	(20,410,173)
Net assets of governmental activities	$ 123,075,914

See notes to basic financial statements

CITY OF HIALEAH, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	$ 65,666,056	$ -	$ 65,666,056
Utility taxes	22,580,807	3,604,271	26,185,078
Franchise fees	11,602,898	-	11,602,898
Licenses and permits	6,767,212	-	6,767,212
State and local shared revenues	20,242,733	11,478,569	31,721,302
Fines and forfeitures	1,305,696	761,351	2,067,047
Interest	114,506	58,059	172,565
Government grants and other revenues	6,218,694	28,553,897	34,772,591
Total revenues	134,498,602	44,456,147	178,954,749
Expenditures:			
Current:			
General government	26,154,810	5,759,262	31,914,072
Police	40,918,165	807,985	41,726,150
Fire	30,519,478	4,250,600	34,770,078
911 communications department	2,334,640	-	2,334,640
Streets	-	4,051,787	4,051,787
Grants and human services	-	2,773,003	2,773,003
State housing initiative program	-	960,403	960,403
Work Investment Act programs	-	2,247,265	2,247,265
City Clerk's office	905,065	-	905,065
Office of Management and Budget	621,505	-	621,505
Office of the Mayor	662,240	-	662,240
Communications and special events	841,146	-	841,146
Employee retirement	489,769	-	489,769
Library	1,700,898	-	1,700,898
Compliance division	555,821	-	555,821
Finance	929,122	-	929,122
Division of licenses	553,528	-	553,528
Information systems	1,676,906	-	1,676,906
Fleet maintenance	2,555,219	-	2,555,219
Construction and maintenance	4,464,077	-	4,464,077
Recreation and community services	10,096,913	-	10,096,913
Planning and development	2,506,832	-	2,506,832
Adult center	2,056,599	-	2,056,599
Law	960,676	-	960,676
Risk management	732,041	-	732,041
Human resources	821,708	-	821,708
Debt service:			
Principal	253,383	4,656,128	4,909,511
Interest	453,676	4,988,728	5,442,404
Capital outlay	3,985,885	15,273,135	19,259,020
Total expenditures	137,750,102	45,768,296	183,518,398
Deficiency of revenues over expenditures before other financing sources (uses)	(3,251,500)	(1,312,149)	(4,563,649)
Other financing sources (uses):			
Transfers in	-	3,419,660	3,419,660
Transfers out	(1,633,587)	(1,467,074)	(3,100,661)
Proceeds from issuance of debt	362,788	3,103,325	3,466,113
Total other financing sources (uses)	(1,270,799)	5,055,911	3,785,112
Net change in fund balances	(4,522,299)	3,743,762	(778,537)
Fund balances - beginning	28,586,592	6,097,244	34,683,836
Fund balances - ending	$ 24,064,293	$ 9,841,006	$ 33,905,299

See notes to basic financial statements.

CITY OF HIALEAH, 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, 2009

Amounts reported for governmental activities in the statement of activities (Page 18) are different because:		
Net change in fund balances - total governmental funds (Page 20)		$ (778,537)
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	$ 19,259,020	
Depreciation expense	(15,939,942)	
Net adjustment		3,319,078
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.		
Capital outlay which did not meet the threshold for capitalization	(3,719,935)	
Other miscellaneous	17,100	(3,702,835)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
The details of the difference are as follows:		
Increase in net present value of mortgage receivable		276,907
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 differences are as follows:		
Issuance of debt		
Notes payable	(3,000,000)	
Notes payable- City of Hialeah Education Academy	(103,325)	
Capital leases	(362,788)	
	(3,466,113)	
Principal payments:		
Revenue bonds	175,640	
Notes payable	4,585,000	
Mortgage payable	6,317	
Capital leases	142,353	
	4,909,510	
Net adjustment		1,443,397
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:		
Net pension obligation	541,432	
Net pension asset	149,952	
OPEB liability	(10,876,163)	
Increase in claims payable	(448,074)	
Amortization bond issue costs	(71,624)	
Amortization of bond discount/premium	92,283	
Compensated absences	(2,641,875)	
Net adjustment		(13,254,069)
Change in net assets of governmental activities (Page 18)		$ (12,696,058)

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

SEPTEMBER 30, 2009

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 18,594,115	$ -	$ -	$ 18,594,115
Investments	25,340,111	-	-	25,340,111
Customers accounts receivable	9,422,947	641,432	-	10,064,379
Other receivables	165,089	-	-	165,089
Due from other funds	652,280	2,112,732	-	2,765,012
Inventories	456,431	-	-	456,431
Restricted assets:				
Cash	24,794,511	-	-	24,794,511
Other assets	3,283,546	-	-	3,283,546
Total current assets	82,709,030	2,754,164	-	85,463,194
Non-current assets:				
Capital assets	187,476,304	12,709,462	-	200,185,766
Less accumulated depreciation	(84,542,942)	(10,003,939)	-	(94,546,881)
Total non-current assets	102,933,362	2,705,523	-	105,638,885
Total assets	$ 185,642,392	$ 5,459,687	$ -	$ 191,102,079

(Continued)

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(Continued)

SEPTEMBER 30, 2009

LIABILITIES AND NET ASSETS	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Total
Current Liabilities:				
Accounts payable and accrued liabilities	$ 6,367,834	$ 202,906	$ -	$ 6,570,740
Current portion of self-insurance claims payable	205,488	100,016	-	305,504
Current portion of revolving loan	110,945	-	-	110,945
Due to other funds	2,445,974	4,936,888	-	7,382,862
	9,130,241	5,239,810	-	14,370,051
Current liabilities payable from restricted assets:				
DERM payable	3,541,943	-	-	3,541,943
Due to other funds	3,283,282	-	-	3,283,282
Deferred revenues- RO Plant	7,069,441	-	-	7,069,441
Customer deposits	7,113,687	-	-	7,113,687
Total current liabilities payable from restricted assets	21,008,353	-	-	21,008,353
Total current liabilities	30,138,594	5,239,810	-	35,378,404
Non-current liabilities:				
Revolving loan	1,764,865	-	-	1,764,865
Deferred revenues, net	-	35,000	-	35,000
Deferred interest, net	1,655,363	-	-	1,655,363
Self-insurance claims payable	3,433,402	1,671,116	-	5,104,518
OPEB liability	1,579,837	1,514,257	-	3,094,094
Compensated absences payable	1,410,192	1,283,870	-	2,694,062
Total non-current liabilities	9,843,659	4,504,243	-	14,347,902
Total liabilities	39,982,253	9,744,053	-	49,726,306
Net assets:				
Invested in capital assets, net of related debt	101,168,497	2,705,523	-	103,874,020
Unrestricted	44,491,642	(6,989,889)	-	37,501,753
Total net assets	$ 145,660,139	$ (4,284,366)	$ -	$ 141,375,773

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Total
Operating revenues:				
Metered water sales	$ 14,907,080	$ -	$ -	$ 14,907,080
Sanitary sewer service	26,710,230	-	-	26,710,230
Sanitation fees	-	13,624,446	-	13,624,446
Other	1,204,700	52,533	-	1,257,233
Total operating revenues	42,822,010	13,676,979	-	56,498,989
Operating expenses:				
Operating, administrative and maintenance	35,962,861	13,996,938	-	49,959,799
Depreciation	3,447,045	746,196	-	4,193,241
Total operating expenses	39,409,906	14,743,134	-	54,153,040
Operating income (loss)	3,412,104	(1,066,155)	-	2,345,949
Non-operating revenues (expenses):				
Interest income	1,929,614	-	-	1,929,614
Interest expense	(161,336)	-	-	(161,336)
Transfers	-	-	(391,068)	(391,068)
Net non-operating revenues (expenses)	1,768,278	-	(391,068)	1,377,210
Income (loss) before contributions	5,180,382	(1,066,155)	(391,068)	3,723,159
Capital contributions	3,119,117	-	-	3,119,117
Change in net assets	8,299,499	(1,066,155)	(391,068)	6,842,276
Net assets - beginning	137,360,640	(3,218,211)	391,068	134,533,497
Net assets, ending	$ 145,660,139	$ (4,284,366)	$ -	$ 141,375,773

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Totals
Cash flows from operating activities:				
Cash received from customers	$ 42,809,098	$ 12,983,014	$ -	$ 55,592,112
Cash received from others	1,204,700	52,533	-	1,257,233
Cash paid for interfund services used	(2,000,000)	-	-	(2,000,000)
Cash payments to suppliers	(29,865,688)	(7,764,723)	-	(37,630,411)
Cash payments to employees	(5,488,383)	(5,270,824)	-	(10,759,207)
Net cash provided by operating activities	6,459,727	-	-	6,459,727
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(19,673,879)	-	-	(19,673,879)
Interest paid	(243,658)	-	-	(243,658)
Capital contributions	3,119,117	-	-	3,119,117
Payments on long-term debt	(347,915)	-	-	(347,915)
Net cash used in capital and related financing activities	(17,146,335)	-	-	(17,146,335)
Cash flows from investing activities:				
Purchase of investments	(1,613,391)	-	-	(1,613,391)
Interest received on investments	1,929,614	-	-	1,929,614
Net cash provided by investing activities	316,223	-	-	316,223
Net decrease in cash and cash equivalents	(10,370,385)	-	-	(10,370,385)
Cash and cash equivalents, beginning	53,759,211	-	-	53,759,211
Cash and cash equivalents, ending	$ 43,388,826	$ -	$ -	$ 43,388,826
Cash and cash equivalents per statement of net assets:				
Unrestricted	$ 18,594,115	$ -	$ -	$ 18,594,115
Restricted - current	24,794,511	-	-	24,794,511
	$ 43,388,626	$ -	$ -	$ 43,388,626

(Continued)

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 3,412,104	$ (1,066,155)	$ -	$ 2,345,949
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,447,045	746,195	-	4,193,240
Allowance for uncollectable accounts	205,000	-	-	205,000
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	786,788	(641,432)	-	145,356
Other receivables	(84,657)	-	-	(84,657)
Due from other funds	(652,280)	1,310,503	-	658,223
Inventories	20,601	-	-	20,601
Increase (decrease) in:				
Vouchers payable and accrued liabilities	(754,598)	(7,203)	-	(761,801)
Self insurance claims payable	415,241	(1,139,743)	-	(724,502)
Compensated absences payable	445,143	142,230	-	587,373
OPEB liability	747,554	754,170	-	1,501,724
Due to other funds	(460,539)	(98,565)	-	(559,104)
Deferred revenues	(1,506,643)	-	-	(1,506,643)
Customer deposits	438,968	-	-	438,968
Total adjustments	3,047,623	1,066,155	-	4,113,778
Net cash provided by operating activities	$ 6,459,727	$ -	$ -	$ 6,459,727

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

SEPTEMBER 30, 2009

	Pension Trust
ASSETS	
Cash and cash equivalents	$ 31,927,475
Securities lending cash collateral	119,928,583
Investments, at fair value:	
U.S. Treasury bonds and notes	19,291,352
U.S. Government securities	23,506,629
Asset backed securities	1,786,029
Mortgage backed securities	92,337,072
Real estate investment trusts	7,766,948
Corporate bonds and notes	71,017,049
Mutual funds- bonds	2,527,121
Mutual funds- equity	1,855,437
Certificates of deposit	750,000
Common stocks	243,217,240
Receivables:	
Other receivables	201,078
Employer and employee contributions	907,845
Accrued interest and dividends	1,900,431
Fraud recovery	227,351
Investments sold	25,650
Loans to members	11,195,865
Total assets	630,369,155
LIABILITIES AND NET ASSETS	
Obligations under securities lending	119,928,583
Due to retired participants	34,813,393
Investments purchased	6,885,031
Accounts payable and accrued liabilities	475,352
DROP payable	2,307,230
Total liabilities	164,409,589
Net assets held in trust for pension benefits	$ 465,959,566

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Pension Trust
ADDITIONS	
Contributions:	
Employer	$ 19,958,105
Employee	6,396,929
State	461,877
Total contributions	26,816,911
Investment income:	
Net appreciation in fair value of investments	1,284,366
Investment earnings	18,830,964
	20,115,330
Less investment expenses	1,020,230
Net investment income	19,095,100
Total additions	45,912,011
DEDUCTIONS:	
Pension benefits	34,337,574
Refunds of contributions	6,631,159
DROP benefits	1,523,771
Total deductions	42,492,504
Net increase	3,419,507
Net assets held in trust for pension benefits:	
Beginning	462,540,059
Ending	$ 465,959,566

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hialeah, Florida (the "City") was incorporated in 1925. The City operates under a strong mayor form of government with the legislative function being vested in a seven-member council. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water and wastewater, sanitation, social services, culture-recreation, public improvements, planning and zoning and general administrative services. 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 and financial reporting principles. The more significant of the City's accounting policies are described below.

a. The Financial Reporting Entity

The financial statements were prepared in accordance with Government Accounting Standards, 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.

Related Organization

The City Council is also responsible for appointing the members of the Board of the Hialeah Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. In fiscal year 2009, the City appropriated an operating grant of approximately $135,000 to this organization, of which $135,000 was expended.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements (Continued)

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 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 Basis of 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 government considers revenues to be available if they are collected within 60 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 City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The *Water and Sewers Utility System Fund* accounts for the activities of the Water and Sewers Department. The Department operates the sewage treatment plan, sewage pumping stations and collection systems, and the water distribution system.

The *Solid Waste Utility System Fund* accounts for providing solid waste services to customers of the City.

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 his 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 government's water and sewer function 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 and sewers fund and the solid waste fund 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents, for the purpose of the statement of cash flows, are considered to be cash on hand, demand deposits, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Government, certificates of deposit, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

The City's Retirement Plans are authorized by its governing board to invest in obligations of the U.S. Government, common stocks, corporate bonds and other investment types allowed by Florida Statutes.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net appreciation/depreciation in fair value includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

2. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred 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".

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

3. Inventories

Inventories of the general fund are valued at cost determined on the first-in/first-out (FIFO) method, and consist of gasoline and expendable supplies available for consumption. Inventory acquired by the City is expensed when purchased (purchase method). Inventories are recorded on the balance sheet with a reservation of fund balance. Inventories of the water and sewers fund are valued at lower of cost (determined using the weighted average) or market and consist of pipe, valves, fittings and meters.

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 $2,500 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 do not add to the value of the asset or materially extend assets lives are not capitalized. 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:

Assets	Years
Buildings	40-50
Improvements other than buildings	15-25
Furniture, fixtures, machinery and equipment	5-15
Public domain and system infrastructure	50

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

5. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and the department which the employee services.

The City's vacation and sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. Such leave is accrued and reported as a fund liability when it is probable that the City will compensate the employee with expendable available financial resources. Vacation and sick leave is accrued when incurred in proprietary funds and reported as a fund liability. All vacation pay is accrued when incurred in the government-wide and proprietary 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. Unearned/ Deferred Revenues

Unearned revenues at the government-wide level, governmental funds and proprietary funds are reported when the City receives resources before it has earned the revenues. Furthermore, governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

7. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

8. 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 represent tentative management plans that are subject to change. Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

Adjustments to Net Assets of Government-Wide and Fund Financial Statements

Net assets of the governmental activities, as of October 1, 2008, were restated to correct the adjustments noted below:

Net assets – beginning as previously reported	$ 135,176,645
Correction of compensated absences	(4,204,672)
Correction of notes receivable (see note 5)	4,800,000
Net assets – beginning as restated	$135,771,973

Net assets of the business type activities, as of October 1, 2008, were restated to correct the adjustments noted below:

Net assets – beginning as previously reported	$ 134,673,943
Correction of compensated absences	(140,446)
Net assets – beginning as restated	$134,533,497

Net assets of the enterprise funds, as of October 1, 2008, were restated to correct the adjustments noted below:

	Water and Sewers	Solid Waste
Net assets – beginning as previously reported	$137,284,374	$(3,001,499)
Correction of compensated absences	76,266	(216,712)
Net assets – beginning as restated	$137,360,640	$(3,218,211)

9. Capital Contributions

Capital contributions in proprietary fund financial statements arise from grants or outside contributions of resources restricted to capital acquisition and construction.

10. Utility Billings

Utility customers are billed monthly on a cycle basis. Unbilled revenue is recognized in the accompanying financial statements based upon estimates of revenues for services rendered between billing cycle dates and fiscal year end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

11. Rebatable Arbitrage

The City has elected the option of treating rebatable arbitrage as a reduction of investment income. However, for the fiscal year ended September 30, 2009, there was no rebatable arbitrage required to be recorded.

12. Employee Benefit Plans and Net Pension Asset/Obligation

The City provides two separate defined benefit pension plans for its employees and elected officials. At September 30, 2009, the City recorded a net pension obligation related to the Employees' Retirement System and a net pension asset related to the Elected Officials' Retirement System in its government-wide statement of net assets. The net pension asset/obligations are functions of annual required contributions, interest, adjustments to the annual required contribution, annual pension costs and actual employers contributions made to the Plans. Please refer to Note 13 for further information.

13. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations and useful lives and impairment of tangible assets, the determination of the actuarially accrued liability for unpaid claims, which is prepared based upon certain assumptions pertaining to interest rates, inflation rates, etc., among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. 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.

NOTE 2. PROPERTY TAXES

Property taxes (ad valorem taxes) are assessed on January 1 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 assessed value of property at January 1, 2008, upon which the 2008-2009 levy was based, was approximately $10.26 billion. 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, 2009 was 6.540 mills per $1,000 of assessed valuation.

NOTE 3. CASH AND INVESTMENTS

Cash

In addition to insurance provided by the Federal Deposit Insurance Corporation, all 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 with securities held by the entity or its agent in the entity's name.

Investments

As required by Florida Statutes, the City has adopted a written investment policy, which may, from time to time, be amended by the City. City administration is authorized to invest in those instruments authorized by the Florida statutes and the City's By Laws. Investments consist of the Florida Municipal Investment Trust administered by the Florida League of Cities, Inc., and investments held by the City's retirement funds. The investments held in the Retirement Plans may be invested in obligations of the U.S. Government or its agencies, first mortgages or first mortgage bonds, corporate bonds, and common and preferred stock. Investments are carried at fair value as determined by quoted market prices.

NOTE 3. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk exits when there is possibility that changes in interest rates could adversely affect an investment's fair value. In accordance with its investment policy, the City places no limit on the amount that may be invested in securities of the U.S. Government or its agencies. Interest rate risk disclosures are required for all debt investment as well as investments in mutual funds, external investment pools, and other pooled investments that do no meet the definition of a 2a7-like pool.

		Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
City of Hialeah Employees' Retirement System's					
U.S. Treasuries	$ 19,291,352	$1,998,311	$10,073,330	$7,219,710	$ -
U.S. Agencies/Instrumentalities	23,506,629	6,077,253	8,921,560	3,995,698	4,512,117
Corporate Bonds	71,017,049	4,144,325	24,544,870	27,620,396	14,707,458
Mortgage Backed Securities	92,337,072	-	1,401,288	10,153,070	80,782,715
Asset Backed Securities	1,786,029	-	1,717,945	-	68,084
Sub-total	207,938,131	12,219,889	46,658,993	48,988,874	100,070,375
Real estate investment trusts	7,766,948	n/a	n/a	n/a	n/a
Common stocks	243,217,240				
Sub-total	458,922,319	12,219,889	46,658,993	48,988,874	100,070,375
Elected Officials Retirement Plan					
Certificates of deposits	750,000	750,000			
Vanguard-bond mutual funds	2,527,121	-	2,527,121	-	-
Sub-total	3,277,121	750,000	2,527,121	-	-
Vanguard-equity funds	1,855,437	n/a	n/a	n/a	n/a
Sub-total	5,132,558	750,000	2,527,121	-	-
Primary Government					
FMIvT-bond mutual funds	25,340,111	2,467,650	22,872,461	-	-
Total	$489,394,988	$15,437,539	$72,058,575	$48,988,874	$100,070,375

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City has an investment policy that limits investments to the highest ratings by nationally recognized statistical rating organizations (NRSPO) – (Standard and Poor's, Moody's Investors Services and Fitch Ratings). Excess funds are also invested daily with the Florida Municipal Investment Trust (FMIvT).

NOTE 3. CASH AND INVESTMENTS (Continued)

As of September 30, 2009, the City's investments consisted of the following:

Investment Type	Fair Value	Credit Rating
City of Hialeah Employees' Retirement System's		
U.S. Treasuries	$ 23,506,629	AAA
U.S. Agencies/Instrumentalities	19,291,352	AAA
Mortgage Backed Securities	253,469	A2
Mortgage Backed Securities	91,219,562	AAA
Mortgage Backed Securities	211,324	BA1
Mortgage Backed Securities	652,716	NA
Asset Backed Securities	1,786,029	AAA
Corporate Bonds	9,236,016	A1
Corporate Bonds	17,663,864	A2
Corporate Bonds	6,889,309	A3
Corporate Bonds	672,456	AA1
Corporate Bonds	6,671,351	AA2
Corporate Bonds	6,400,901	AA3
Corporate Bonds	1,484,148	AAA
Corporate Bonds	10,715,068	BAA1
Corporate Bonds	6,011,352	BAA2
Corporate Bonds	5,272,585	BAA3
Sub-total	207,938,131	
Elected Officials Retirement Plan		
Inter-Term Bond Index Adm	971,099	Aa2/Aa3
Short-Term Bond Index Adm	353,535	Aa2/Aa3
Inflation Protect Sec Adm	317,209	Aa1/Aa2
GNMA Fund Admiral Shares	690,189	Aaa
Long-term Invest Gr Adm	195,089	Aaa
Sub-total	2,527,121	
Primary Government		
Florida Municipal Investment Trust:		
1-3 Year High Quality Bond	2,467,650	AAA/V2
Intermediate High Quality Fund	22,872,461	AAA/V3
Sub-total	25,340,111	
Total	$235,805,363	

NOTE 3. CASH AND INVESTMENTS (Continued)

Concentration Credit Risk

GASB Statement 40 requires disclosure of investments in any one issuer that represents 5% or more of the total of the City's investments. Conversely, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement.

As of September 30, 2009, concentration of the City of Hialeah Employees' Retirement System's investments was as follows:

FED HM LN PC POOL G13072	6.83%
FNMA Pool – 622547	6.89%
FNMA Pool – AA7720	6.76%

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the City of Hialeah Employees' Retirement System's (the "Plan") securities lending policy, $116,575,083 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

Securities Lending Transactions

State statutes do not prohibit the City of Hialeah Employees' Retirement System (the "Plan") from participating in securities lending transactions. The Plan, pursuant to a Securities Lending Authorization Agreement, has authorized State Street Bank and Trust Company ("State Street") to act as Plan's agent in lending the Plan's securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, State Street lent, on behalf of the Plan, certain securities of the Plan held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government and letters of credit. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to provide a form of indemnification to the Plan in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration and notice of Default of the Borrower (other than the default by Lehman Brothers Inc. which occurred in September 2009, and the Plan was made whole in connection with this process).

NOTE 3. CASH AND INVESTMENTS (Continued)

During the fiscal year, the Plan and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2009, such investment pool had an average duration of 47 days and an average weighted final maturity of 271 days for USD collateral. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral.

GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets unless the entity did not have the ability to pledge or sell collateral securities absent a borrower default as the case with the Plan. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them. The market values of collateral held and securities on loan for Plan as of September 30, 2009, were $119,928,584 and $116,575,083; respectively. The $119,928,584 was cash and securities collateral and has been reported in the statement of net assets as an asset of the Plan along with the liability of $119,928,584 for obligations under security lending.

NOTE 4. RECEIVABLES

Receivables as of September 30, 2009 for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water & Sewers	Solid Waste	Nonmajor Governmental Funds	Total
Receivables					
Billed	$ -	$ 7,799,717	$ -	$ 706,483	$ 8,506,200
Unbilled	-	3,522,724	-	-	3,522,724
Franchise and utility	5,038,516	-	-	-	5,038,516
Intergovernmental	2,761,133	-	-	1,278,052	4,039,185
Grants	1,480,089	-	-	15,285,371	16,765,460
Other	183,652	2,154,141	641,432	-	2,979,225
Sales taxes	1,999,500	-	-		1,999,500
Gross receivables	11,462,890	13,476,582	641,432	17,269,906	42,850,810
Less: allowances for uncollectibles	-	605,000	-	660,993	1,265,993
Net total receivables	$ 11,462,890	$ 12,871,582	$ 641,432	$ 16,608,913	$ 41,584,817

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned.

NOTE 4. RECEIVABLES (Continued)

Revenues of the Water & Sewer, Fire Prevention and Rescue Transportation fund are reported net of uncollectible amounts. Total amount charged to the provision related to revenues of the current period are as follows:

Uncollectible related to water & sewer fees	$ 205,000
Uncollectible related to fire rescue transport fees	2,567,524
Total uncollectible for the current fiscal year	$2,772,524

At the end of the current fiscal year, *deferred* or *unearned revenue* reported in the governmental funds was as follows:

Occupational licenses	$ 1,695,401
Grants and other deferred revenues	1,528,082
Hayes program	178,812
Community Development Block Grant (CDBG)	2,470,578
State Housing Initiative Program (SHIP)	2,818,835
Notes receivable (see note 5)	6,642,078
	$15,333,786

NOTE 5. NOTES RECEIVABLE

Note Receivable- Palm Centre

The Hialeah Housing Authority (the "Authority") assumed a Housing Development Grant ("HODAG Loan") awarded on July 12, 1989 to a developer through the City in the amount of $2,843,097 through the purchase of the Palm Centre Project (the "Project"). The HODAG Loan bears interest at 10.125% and is payable in full, including interest, on May 1, 2025 unless the Project is sold or transferred, or due to a violation of the grant covenants with HUD. Interest does not accrue unless the Project's revenues exceed the sum of the Project's net operating income (after payment of debt service in the Palm Centre Bonds) plus a cumulative return to the Authority of twelve percent (12%) per annum on the Authority's equity contribution. The HODAG loan is secured by a Second Mortgage issued to the City and is subordinated to Hialeah Housing Authority Bonds.

The Project was constructed on land leased from the City of Hialeah for a period of 49 years (starting December 26, 1985) with an option to renew for an additional 50 years. The Authority as part of the acquisition of the Project assumed the lease with the City. The lease agreement requires for lease payments to the City based on annual rent revenues generated by the property. In 2006, the City and the Authority amended the land lease agreement and the City accepted a payment of $500,000 as payment in full of all past due rents due from the Authority.

The amended land lease agreement provides for the following terms:

1. Provides free tenant selection services to the City for City owned housing units,
2. Provides the City each year a minimum of six thousand five hundred (6,500) square feet of commercial space in the Palm Centre, free of charge, and
3. Provides forty-two (42) affordable lower-income housing units to be rented at below market rents for the term of the HODAG loan.

NOTE 5. NOTES RECEIVABLE (Continued)

The future minimum receivable and net present value of these minimum payments as of September 30, 2009 were:

Long-term receivable	$3,578,872
Less present value	(1,736,794)
Present value of future receivable payments	$1,842,078

In connection with the construction of the Hialeah Housing Project mentioned above, the United States Department of Housing and Urban Development ("HUD") has challenged the manner in which certain of the proceeds of the HODAG Loan were used. HUD has claimed that $989,039 of the HODAG Loan was expended for nonqualified purposes (the "Claim"). The City has challenged the Claim. The Authority has agreed that the City will not be responsible for payment of any such challenged cost in the event it is required to fully indemnify the City for any payments to HUD regarding the claim. In a subordination agreement, the Authority and the City have agreed that, in the event that litigation is instituted by HUD regarding payment of the Claim, the City will fully cooperate with the Authority to resolve the litigation, and that the City will not foreclose on the Second Mortgage in the event the Claim is not paid on demand.

Note Receivable- Villas Hialeah

Pursuant to a "Reaffirmation of HODAG Note Obligation and Extension of Maturity Date with Interest" agreement (the "Reaffirmation Agreement") dated November 25, 2009; the City recorded a note receivable of $4,800,000 due from a developer (See Prior Period Adjustment Note 1 d.(8)). The developer through a Subordination and Assumption Agreement dated December 23, 2002 (Subordination Agreement) had assumed a Housing Development Grant ("HODAG Note") awarded on November 25, 1987 to an unrelated developer through the City in the amount of $4,800,000 with payment due in full on November 25, 2009. No payment of principal and interest was due on the HODAG Note until the first loan is paid in full or with proceeds from the re-financing of the property. The HODAG Note is secured by a Second Mortgage issued to the City and is subordinate to the loan provided to the developer in the amount of $15,793,850 to purchase the property from the original owner. The HODAG Note matures on November 25, 2009 and the City through the Reaffirmation Agreement has extended the maturity for one year in exchange for an interest payment of 5% with the option to extend the maturity for an additional one year period for a 6% interest payment.

The City has recorded the notes receivable in its governmental-wide financial statements as of September 30, 2009. No allowance against the notes receivable are deemed necessary at September 30, 2009. The notes receivable were also recorded in the City's general fund and offset by deferred revenues since the proceeds of the receivables are not considered to be available to liquidate liabilities of the current period.

NOTE 6. DUE FROM/TO OTHER FUNDS

The amounts due from/to other funds at September 30, 2009 were as follows:

	Receivables	Payables
Major Governmental Funds	$22,884,669	$13,577,163
Non-Major Governmental Funds	15,172,617	16,578,991
Major Proprietary Type Funds		
Water and Sewer	652,280	5,729,256
Solid Waste	2,112,732	4,936,888
Total Major Proprietary Type Funds	2,765,012	10,666,144
	$40,822,298	$40,822,298

- Amounts due from the Non-Major Governmental Funds to the general fund are for advances made to those funds to cover expenditures until the receivables on those funds are collected.
- Amounts due to the Non-Major Governmental Funds from the general fund are for amounts due to those funds for amounts collected on their behalf.
- Amounts due to the Solid Waste are for receivables collected by the Water & Sewer fund before year end which are owed to those funds
- Amounts due from the water and sewer fund to the solid waste fund, and general fund are for waste fees collected and utility taxes collected at year end

As of September 30, 2009, major fund and non-major fund activity was as follows:

	Transfer in	Transfer out
Major Governmental Funds		
General Fund	$ -	$1,633,587
Total Major Governmental Funds	-	1,633,587
Non-Major Governmental Funds	3,419,660	1,467,074
Non-Major Proprietary Type Funds		
Hialeah Circulator	-	391,068
	$3,419,660	$3,491,729

The general fund transfers to the non-major governmental funds were made to provide additional resources for current operations, and the transfers from the non-major governmental funds to other non-major funds were made to provide additional resources for current operations.

During 2009, the City changed the reporting of the Hialeah Circulator fund from an enterprise fund to a governmental fund. The reconciling difference of $72,069 between transfers in and transfers out represents the net amount of the capital assets and OPEB liability that was transferred to the governmental activities.

NOTE 7. RESTRICTED ASSETS

Restricted assets consist of the cash restricted for debt service, capital projects, advances, public safety and customer deposits at September 30, 2009:

Water and Sewers Fund	
Customers' deposit - cash and investments	$ 7,113,687
Restricted for Miami-Dade County DERM – DERM Fee	3,541,943
Reverse Osmosis Plant- Joint Participation Agreement	14,138,881
Total restricted cash water and sewers fund	24,794,511
Other restricted assets	
Customer accounts - Solid Waste Fund	2,154,141
Customer accounts - Stormwater Fund	711,943
Customer accounts - City Utility Tax	417,462
Total other restricted assets water and sewers fund	3,283,546
Total restricted assets water and sewers fund	28,078,057
Governmental Funds	
Capital Project Funds	
Capital Improvement Construction	2,379,353
Total Restricted for Capital Project	2,379,353
Special Revenue Funds	
Rescue Transportation	$958,699
Fire Prevention	177,373
State Law Enforcement Trust	36,218
Federal Law Enforcement Trust	342,408
Total Restricted for Public Safety	1,514,698
Debt Service	
Debt Service Funds	24,018
Total Restricted for Debt Service	24,018
Total Restricted Assets	$31,996,126

NOTE 8. CAPITAL ASSETS

A summary of the City's capital assets at September 30, 2009 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 29,051,407	$ -	$ -	$ -	$ 29,051,407
Construction in Progress	10,591,478	6,359,454	-	(9,286,453)	7,664,479
Total capital assets not being depreciated	39,642,885	6,359,454	-	(9,286,453)	36,715,886
Capital assets being depreciated:					
Buildings	91,296,811	1,259,266	-	5,280,422	97,836,499
Improvements other than buildings	24,222,368	656,830	-	-	24,879,198
Furniture, fixtures, machinery and equipment	40,291,765	3,778,695	(1,758,246)	322,151	42,634,365
Infrastructure	310,340,122	3,484,840	-	4,006,031	317,830,993
Total capital assets being depreciated	466,151,066	9,179,631	(1,758,246)	9,608,604	483,181,055
Less accumulated depreciation for:					
Buildings	16,653,962	2,422,188	-	-	19,076,150
Improvements other than buildings	10,931,563	1,183,335	-	-	12,114,898
Furniture, fixtures, machinery and equipment	25,791,919	3,108,026	(1,758,246)	81,801	27,223,500
Infrastructure	139,095,729	9,226,393	-	-	148,322,122
Total accumulated depreciation	192,473,173	15,939,942	(1,758,246)	81,801	206,736,670
Total capital assets being depreciated, net	273,677,893	(6,760,311)	-	9,526,803	276,444,385
Governmental activities capital assets, net	$ 313,320,778	$ (400,857)	$ -	$ 240,350	$ 313,160,271

NOTE 8. CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	$ 329,356	$ -	$ -	$ -	$ 329,356
Construction-in-progress	2,094,993	3,885,563	-	-	5,980,556
Total capital assets not being depreciated	2,424,349	3,885,563	-	-	6,309,912
Capital assets being depreciated:					
Buildings and utility plant	3,676,073	219,234	-		3,895,307
Improvements to other than building	320,533	-	-		320,533
Machinery and equipment	17,609,124	318,302	-	(322,151)	17,605,275
Infrastructure	146,809,908	15,250,780	(41,401)	-	162,019,287
Total capital assets being depreciated	168,415,638	15,788,316	(41,401)	(322,151)	183,840,402
Less accumulated depreciation for:					
Buildings and utility plant	2,092,460	110,689	-	-	2,203,149
Improvements other than building	177,412	30,166	-	-	207,578
Machinery and equipment	13,644,488	1,027,137	-	(81,801)	14,589,824
Infrastructure	64,527,031	3,025,248	(41,401)	-	67,510,878
Total accumulated depreciation	80,441,391	4,193,240	-	(81,801)	84,511,429
Total capital assets being depreciated, net	87,974,247	11,595,076	-	(240,350)	99,328,973
Business-type activities capital assets, net	$90,398,596	$15,480,639	$ -	$(240,350)	$105,638,885

During 2009, the City transferred approximately $9,286,453 of completed projects of its governmental activities to buildings, improvements and infrastructure. The net increase in transfers of $240,350 was due to the transfer of the capital assets of the Hialeah Circulator fund to the governmental activities. The Hialeah Circulator fund was previously reported as an enterprise fund.

Construction Commitments

At September 30, 2009, the City had in process various construction projects that were not completed with a remaining balance totaling $12,298,702. Funding of these projects is to be made primarily through the proceeds of loans, tax revenues and grants.

NOTE 8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	$ 2,546,136
Police	1,298,838
Fire	1,161,965
Streets	9,485,833
Recreation	1,447,170
Total depreciation expense - governmental activities	$15,939,942
Business-type activities:	
Water and sewer	$ 3,447,045
Solid waste	746,196
Total depreciation expense - business-type activities	$ 4,193,241

NOTE 9. CAPITAL LEASES

The City has entered into a lease agreement as lessee for the retrofit installation of energy efficiency equipment in City buildings. Payment on the lease is due quarterly through 2010. During 2009, the City entered into a purchase lease agreement for equipment totaling $362,788, which calls for five annual installments of $80,806. The lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the fixed assets section and the related liability in the governmental-wide financial statements.

Capital assets acquired through the issuance of capital leases are as follows:

	Governmental Activities
Buildings	$875,500
Equipment	362,788
Less: accumulated depreciation	(873,476)
	$364,812

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009 were:

Year ending September 30:	
2010	$ 120,619
2011	80,806
2012	80,806
2013	80,806
Total minimum lease payments	363,037
Less: amount representing interest	(28,612)
Present value of minimum lease payments	$334,425

NOTE 10. LONG-TERM DEBT

1993 Revenue Bonds - On November 1993, the City issued $4,400,000 Capital Improvement Revenue Bonds, Series 1993 (the "Series 1993 Bonds"). Proceeds from the Series 1993 Bonds were used to finance construction of a new fire administration building, fund the debt service account and pay certain issuance costs. The Series 1993 bonds mature October 2018 and bear interest ranging from 3.1% to 5.5%. The Series 1993 Bonds are secured by a lien upon revenues derived by rescue transport service fees. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs. During 2008, the City refunded the 1993 Revenue Bonds with the issuance of the Capital Improvement Revenue Refunding Bonds, Series 2007.

2007 Revenue Bonds- On December 16, 2007, the City issued $2,283,000 of Capital Improvement Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds") The Series 2007 bonds mature in December 2018 and bear interest at 4.33%. The Series 2007 Bonds are secured by a lien upon revenues derived by rescue transport service fees. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs.

The net proceeds of $2,283,000 were used to advance refund the Series 1993 Bonds with a total principal amount of $2,610,000 and an interest rate ranging from 3.1% to 5.5%.

The advance refunding reduced debt payments in the short-term. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately $200,000.

Fiscal Year End	Principal	Interest	Total
2010	$ 183,688	$ 86,882	$ 270,570
2011	191,886	78,684	270,570
2012	200,250	70,320	270,570
2013	209,387	61,184	270,570
2014	218,732	51,839	270,570
2015-2019	1,043,808	106,116	1,149,924
	$ 2,047,751	$ 455,025	$ 2,502,776

State of Florida

In fiscal year 1977, the Water and Sewers Fund borrowed $43,490,000 from the State of Florida toward the construction of the East Side Sewer System. The loan, which bears interest at rates ranging from 5.4% to 5.6%, is payable in varying annual installments of principal and interest through 2008. The loan is collateralized by a secondary lien on net revenues of the water and sewer system after the funding requirements of the 1968 revenue bonds have been met.

Construction of the East Side Sewer System was completed during 1980. Interest on the loan from the State of Florida, amounting to approximately $5,602,000, has been capitalized and included in construction costs and will be expensed over the estimated useful life of the system (50 years).

NOTE 10. LONG-TERM DEBT (Continued)

State of Florida (Continued)

The loan agreement provides that the State will deposit the loan proceeds in a restricted, interest-bearing investment account to be used by the Water and Sewers Fund as debt service reserves and for future construction requirements. Interest earned on the construction funds during the time the East Side Sewer was being built, which is credited to the Water and Sewers Fund, has been deferred and is being amortized to income over the same period that the related capitalized interest is being expensed (50 years). At September 30, 2009, the unamortized deferred interest balance was $1,655,363. The City paid off the State of Florida loan in 2008.

Notes Payable

Notes payable recorded in the governmental entity-wide statement relate to loans from the Florida Municipal Loan Council and a Community Development Block Grant Section 108 Loan.

1) Florida Municipal Loan Council

On April 28, 1999, the City executed a loan agreement with the Florida Municipal Loan Council to borrow $30,000,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 1999 for major roadway improvements and infrastructure projects. The loan has an outstanding balance of $18,120,000 and calls for semi-annual payments due on April 1 and October 1, commencing on October 1, 1999 through April 1, 2019 and bears interest at varying rates ranging from 3.2% to 5.1%.

Annual debt service requirements to maturity for the Series 1999 note payable are as follows:

Fiscal Year End	Principal	Interest	Total
2010	$ 1,460,000	$ 871,463	$ 2,331,463
2011	1,525,000	807,588	2,332,588
2012	1,595,000	738,963	2,333,963
2013	1,665,000	667,188	2,332,188
2014	1,740,000	592,263	2,332,263
2015-2019	10,135,000	1,535,819	11,670,819
	$ 18,120,000	$ 5,213,281	$ 23,333,281

On May 1, 2003, the City executed a loan agreement with the Florida Municipal Loan Council to borrow $48,135,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2003A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of $42,960,000 and calls for annual payments due on May 1, commencing on May 1, 2004 through May 1, 2033 and bears interest at varying rates ranging from 2.0% to 5.25%.

NOTE 10. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

1) Florida Municipal Loan Council (Continued)

Annual debt service requirements to maturity for the Series 2003 note payable are as follows:

Fiscal Year End	Principal	Interest	Total
2010	$ 960,000	$ 2,145,838	$ 3,105,838
2011	1,005,000	2,097,838	3,102,838
2012	1,055,000	2,047,588	3,102,588
2013	1,110,000	1,994,838	3,104,838
2014	1,165,000	1,936,563	3,101,563
2015-2019	6,825,000	8,696,863	15,521,863
2020-2024	8,775,000	6,743,788	15,518,788
2025-2029	11,060,000	4,452,950	15,512,950
2030-2033	11,005,000	1,409,000	12,414,000
	$ 42,960,000	$ 31,525,263	$ 74,485,263

On February 15, 2005, the City executed a loan agreement with the Florida Municipal Loan Council to borrow $29,090,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2005A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of $26,980,000 and calls for annual payments due on February 1, commencing on February 1, 2006 through February 1, 2035 and bears interest at varying rates ranging from 3.0% to 5.0%. The arbitrage rebate requirement generally requires issuers of tax-exempt debt to rebate to the U.S. Treasury that investment income arising from proceeds of tax-exempt debt to the extent that such income results from investments yields in excess of the bond yield. There is no arbitrage rebate liability in connection with the Revenue Bonds at September 30, 2009.

Annual debt service requirements to maturity for the Series 2005 note payable are as follows:

Fiscal Year End	Principal	Interest	Total
2010	$ 575,000	$ 1,270,002	$ 1,845,002
2011	595,000	1,249,005	1,844,005
2012	620,000	1,226,540	1,846,540
2013	640,000	1,202,357	1,842,357
2014	665,000	1,176,594	1,841,594
2015-2019	3,740,000	5,452,678	9,192,678
2020-2024	4,735,000	4,419,910	9,154,910
2025-2029	6,025,000	3,105,211	9,130,211
2030-2034	7,620,000	1,458,331	9,078,331
2035	1,765,000	45,485	1,810,485
	$ 26,980,000	$ 20,606,113	$ 47,586,113

NOTE 10. LONG-TERM DEBT (Continued)

2) Community Development Block Grant Section 108 Loan

On June 14, 2000, the City executed a loan agreement with the U.S. Department of Housing and Urban Development (HUD) under HUD's Community Development Block Grant (CDBG) Section 108 Loan Program. The loan totaled $4,400,000 and calls for semi-annual principal and interest payments at varying interest rates commencing on August 1, 2000 through August 1, 2019. The loan is payable to a bank as the trustee and registered holder of the note, guaranteed by HUD and collateralized by future CDBG funds granted to the City.

The loan had an outstanding balance of $2,890,000 at September 30, 2009.

The City granted all of the guaranteed loan funds to a local business to finance economic development activities, including the purchase of machinery and equipment for the local business warehousing and distributing facilities and corporate headquarters. A grant agreement was also executed with the local business and the City obtained a first priority security interest in the local business machinery and equipment as stipulated in the grant agreement. The City paid the local business $4,000,000 of the loan amount and has designated the additional $400,000 net of transaction fees in the City's CDBG special revenue fund.

Annual debt service requirements to maturity for the CDBG note payable are as follows:

Fiscal Year End	Principal	Interest	Total
2010	$ 210,000	$ 224,946	$ 434,946
2011	225,000	209,305	434,305
2012	240,000	192,435	432,435
2013	255,000	174,080	429,080
2014	275,000	154,399	429,399
2015-2019	1,685,000	418,583	2,103,583
	$ 2,890,000	$ 1,373,748	$ 4,263,748

3) Bond Anticipation Refunding Note

On December 16, 2005, the City entered into a loan agreement with SunTrust Bank for a construction line of credit for the purpose of financing the construction of a 300-unit affordable housing project in the amount of $15,000,000. Quarterly interest only payments shall be due and payable commencing on March 1, 2006 and ending on December 1, 2008 (the "Maturity Date") with the entire unpaid principal balance due and payable in full on the maturity date at a variable interest rate, currently at 4.69% and not to exceed 12% over the life of the loan. During 2009, the City entered into a new loan agreement with the bank which extended the maturity date to January 31, 2010 and increased the line of credit to $18,000,000. The note is secured by a pledged of net rental income, a covenant to allocate HOME Program Funds annually to pay all amounts due under the note and a covenant to budget and appropriate non-ad valorem revenues sufficient to pay the principal and interest due on the note for the fiscal year. At September 30, 2009, the loan had an outstanding balance of $16,500,000.

NOTE 10. LONG-TERM DEBT (Continued)

3) Bond Anticipation Refunding Note (Continued)

Subsequent to year end the maturity date of the note was extended to August 1, 2011 and the interest rate was reduced to 3.42%.

Annual debt service requirements to maturity for notes payable are as follows:

Fiscal Year End	Principal	Interest	Total
2010	$1,916,130	$592,808	$2,508,938
2011	14,583,870	425,285	15,009,155
	$16,500,000	$1,018,093	$17,518,093

Mortgage Payable

In September 1991, the City executed a mortgage note payable with the Miami-Dade Housing Agency for the purchase of an apartment building to be used for low-income housing. The mortgage calls for monthly principal and interest payments at 3% per annum of $759 through August 1, 2021 and is secured by the property.

Annual debt service requirements to maturity for mortgage payable are as follows:

Fiscal Year End	Principal	Interest	Total
2010	$ 6,461	$ 2,646	$ 9,107
2011	6,657	2,450	9,107
2012	6,860	2,247	9,107
2013	7,068	2,038	9,107
2014	7,283	1,823	9,107
2015-2019	39,877	5,656	45,533
2020-2021	11,238	513	11,751
	$ 85,444	$ 17,374	$ 102,818

Revolving Loan

On May 11, 2001, the City entered into a revolving loan agreement with the State of Florida Department of Environmental Protection for the purpose of providing financial assistance for planning and designing water and sewer system improvements. At September 30, 2009 the project had not been completed and the amount of the loan available for the project was $2,997,370 of which the City had withdrawn $2,312,470. The loan shall be repaid in 18 semiannual loan payments of $110,945 beginning September 15, 2007, which is based on the total amount owed. Amount due as of September 30, 2009 was $1,875,810, which includes capitalized interest and other costs.

NOTE 10. LONG-TERM DEBT (Continued)

Note Payable- Charter School

The City of Hialeah Education Academy has a note payable due to Academica Dade, LLC totaling $103,325. The note bears no interest rate and full payment is due June 30, 2012.

Changes in Long-Term Liabilities

The following is a summary of changes in the long-term debt for the year ended September 30, 2009:

	Balance September 30, 2008	Additions	Reductions	Balance September 30, 2009	Due Within One Year
Governmental activities:					
Revenue bonds-2007	$ 2,223,591	$ -	$ (175,840)	$ 2,047,751	$ 183,688
Notes:					
CDBG Sec 108	3,090,000	-	(200,000)	2,890,000	210,000
FMLC 1999 Bond	19,520,000	-	(1,400,000)	18,120,000	1,460,000
FMLC 2003 Bond	43,890,000	-	(930,000)	42,960,000	960,000
FMLC 2005 Bond	27,535,000	-	(555,000)	26,980,000	575,000
Bond Anticipaten Loan	15,000,000	3,000,000	(1,500,000)	16,500,000	1,916,130
Notes payable	109,035,000	3,000,000	(4,585,000)	107,450,000	5,121,130
Less deferred amounts:					
Bond issuance costs	(1,408,142)	-	66,574	(1,341,568)	(66,574)
Discount	(53,022)	-	5,050	(47,972)	(5,050)
Premium	2,321,519	-	(92,283)	2,229,236	92,283
	860,355	-	(20,659)	839,696	20,659
Notes Payable Net	109,895,355	3,000,000	(4,605,659)	108,289,696	5,141,789
Capital leases	113,992	362,788	(142,354)	334,426	108,897
Mortgage payable	91,761	-	(6,317)	85,444	6,451
Total	112,324,899	3,362,788	(4,930,170)	110,757,317	5,440,835
Note Payable- Charter School	$ -	$ 103,325	$ -	$ 103,325	$ -
Claims payable	$ 39,869,120	$ 27,319,623	$ (26,871,549)	$ 40,317,194	$ 2,276,713
Compensated absences	$ 20,348,287	$ 10,613,073	$ (7,971,198)	$ 22,990,162	$ 135,285
OPEB liability	$ 9,653,332	$ 15,666,813	$ (4,909,872)	$ 20,410,173	$ -
Net Pension Obligation	$ 40,908,557	$ 18,813,640	$ (19,354,072)	$ 40,367,125	$ -
Total Governmental activities	$ 223,103,995	$ 75,878,262	$ (64,036,961)	$ 234,945,296	$ 7,852,833
Business-type activities:					
Revolving loan	2,047,309	-	(171,499)	1,875,810	110,945
Miami-Dade County water purchase agreement	176,416	-	(176,416)	-	-
Total bonds and loans payable	$ 2,223,725	$ -	$ (347,915)	$ 1,875,810	$ 110,945
Claims payable	$ 6,134,524	$ 1,872,932	$ (2,697,433)	$ 5,410,023	$ 305,504
OPEB liability	$ 1,592,370	$ 2,187,187	$ (685,464)	$ 3,094,093	$ -
Compensated absences	$ 2,015,203	$ 1,621,734	$ (942,676)	$ 2,694,061	$ -
Total Business-type activities	$ 11,965,822	$ 5,781,853	$ (4,673,688)	$ 13,073,987	$ 416,449

Other long-term liabilities such as compensated absences are normally paid from the general fund.

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

The City is self-insured for general liability, automobile, workers' compensation, and health. The City also purchases stop loss coverage on its health insurance program. For all other coverage the City carries commercial insurance. The City currently reports all of its risk management activities in its General Fund, except those related to Enterprise Funds, which are reported in those funds.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNR). Claims liabilities are actuarially determined using historical and recent claim settlement trends. There were no significant reductions in insurance coverage from coverage in the prior year, and there were no settlements that exceeded insurance coverage for each of the past three years.

The City only records the current portion of claims payable within the General Fund if there is a settled claim which is due and payable at year end and is outstanding. The long-term portion is reported in the statement of net assets. Amounts payable from proprietary funds are accounted for within those funds.

	2009	2008	2007
Unpaid claims, beginning	$46,003,644	$39,047,904	$39,047,904
Incurred claims (including IBNR)	29,292,555	41,832,579	34,611,139
Claims payments	(29,568,982)	(34,981,550)	(34,506,428)
Unpaid claims, ending	$45,727,217	$46,003,644	$39,152,615

NOTE 12. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits incidental to its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City attorney that resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Charter School Agreements

On April 17, 2008, the City executed a contract with the School Board of Miami-Dade County, Florida that provides for The City of Hialeah Education Academy to (1) provide a high-quality career-oriented curriculum for 21st Century occupations; (2) prepare students for productive employment within a multilingual work environment; and (3) prepare students for successful progression into postsecondary studies. The contract ends on June 30, 2013 but provides for a renewal of up to 15 years by mutual agreement of both parties.

The City has entered into an agreement with Academica Dade LLC to provide administrative and educational services for the City's charter school. The agreement terminates on June 30, 2013 with an option for renewal for two additional years.

Water and Sewers Fund- Agreements with Miami-Dade County

The Department of Water and Sewers has entered into two agreements with the Miami-Dade Water and Sewer Department (the "County"), whereby the County will sell treated water and provide wastewater treatment and disposal services through September 2007 and February 2009, respectively, to the extent required by the City. (City is currently negotiating extensions.) Rates paid by the City of Hialeah vary depending on usage and costs incurred by the County. The charges to operations under these agreements for the year ended September 30, 2009 were $10,562,804 for water services and $11,160,593 for wastewater treatment and disposal services.

Water and Sewers Fund- Administrative Consent Agreement

The Department of Water and Sewers has entered an "Administrative Consent Agreement" with the Miami-Dade County Department of Environmental Resources Management ("DERM") pursuant to Section 24-7(15)(c), of the Miami-Dade County Code (MDCC). Pursuant to this agreement the City has agreed to correct deficiencies noted in a report submitted by DERM (SESS Phase III Report) which identified thirty five (35) pump stations within the City's sewer collection and transmission system that are not in conformance with the requirements of MDCC Section 24-42.2. The agreement requires the City to have corrected all the deficiencies noted in the SESS Phase III Report by September 30, 2010. The City is currently negotiating with DERM for a one year extension to comply with the agreement to September 30, 2011 and estimates that it will cost the City between $2 million to $4 million to correct the remaining pump stations to meet the requirements of the agreement.

Hialeah Branch Courthouse Lease

On November 4, 1996, the City entered into a lease with Miami-Dade County for two parcels of land owned by the City and reimbursement of design, construction and financing of a courthouse. The lease was amended in 2000 and extended to 2030 with annual payments from the County of $500,000.

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS

EMPLOYEES' RETIREMENT SYSTEM

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the City of Hialeah Employees' Retirement System Plan document for more complete information.

Plan Description

The City is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan that covers substantially all of the employees of the City. Cost of living adjustments of 2% annually (excluding beneficiaries and those members who are receiving a Deferred Retirement Allowance), are made to members for Basic and Service Pensions. The City of Hialeah Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Hialeah Employees' Retirement System, 501 Palm Avenue, Hialeah, Florida, 33010.

Membership in the Plan as of October 1, 2008 consisted of the following:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	1,115
Terminated employees entitled to benefits but not yet receiving them	88
Subtotal	1,203
Active employees:	
General employees	690
Police officers and firefighters	748
Subtotal	1,438
Total members	2,641

Loans to Members

The Employees' Retirement System Plan permits members to borrow from the Plan assets (subject to the rules of the Internal Revenue Service) at rates determined by the Plan Trustees. Interest charged on loans is 1.5% above the Wall Street Journal prime rate (4.75% as of September 30, 2009). Such loans are limited to and fully secured by the respective member's annuity savings account. Loan payments are deducted directly from the member's bi-weekly payroll.

Administrative Expenses

Administrative expenses incurred by the Plans are absorbed by the City.

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funding Policy

Plan members are required to contribute 7% of their basic compensation to the Annuity Savings Fund. The City is required to contribute at an actuarially determined rate. Plan participants are permitted to purchase a maximum of four years of membership credit service time. The contribution requirements of the plan members and the City are established and may be amended by the Employees' Retirement System Board of Trustees.

On August 25, 2009, the City passed Ordinance 09-54, which established a minimum City contribution ("floor") to the Plan equal to 22% of the member payroll. Once every five years, the City may increase or decrease the floor up to 2% of member payroll, if supported by an actuarial study. The floor shall not be less than 16% or more than 28% of member payroll. The new provisions also indicates that the floor is subject to Section 70-168(b) which specifies the contribution shall be computed as a level percent of payroll in accordance with generally recognized actuarial principles and the provisions of Chapter 112 of the Florida Statutes. Provisions under Chapter 112 of the Florida Statutes will take precedence in the event the required City contribution calculated under Chapter 112 exceeds the 28% of member payroll.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution	$17,861,709
Interest on net pension obligation	3,272,685
Adjustment to annual required contribution	(2,321,754)
Annual pension cost	18,812,640
Contributions made	(19,354,072)
Decrease in net pension obligation	(541,432)
Net pension obligation, beginning of year	40,908,557
Net pension obligation, end of year	$ 40,367,125

The annual required contribution for the current year was determined as part of the October 1, 2008 actuarial valuation using the entry age normal method. The actuarial assumptions included (a) 6% investment rate of return and (b) projected salary increases ranging from 3.5% to 12% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using 5-year smoothed expected fs. actual returns method. The unfunded actuarial accrued liability is being amortized using the level dollar open basis. The remaining amortization period was 30 years.

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2007	$15,501,815	93%	$41,091,160
9/30/2008	$17,935,308	101%	$40,908,557
9/30/2009	$18,812,640	103%	$40,367,125

DROP Plan

Effective March 1, 2007, the City established a deferred retirement option plan (DROP) for Police and Firefighters. An active participant of the City's retirement system may enter into the DROP, on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more. Upon entry into the DROP, a member's monthly retirement benefits, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months. As of September 30, 2009, there were thirty-one (31) DROP participants.

ELECTED OFFICIALS' RETIREMENT SYSTEM

Plan Description

The City of Hialeah Elected Officials' Retirement System (EORS) is a single employer defined benefit pension plan administered by the City of Hialeah. The EORS was established by City Ordinance effective June 1998. The Plan is considered part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. All qualified elected officials and city attorneys are eligible to participate in the plan. The Plan does not issue a stand alone financial report. The latest available actuarial valuation is as of September 30, 2008; however, employer contribution requirements for the year ended September 30, 2009 were based on the September 30, 2008 valuation. Benefit and contribution provisions are established by City ordinance and may be amended only by the City Council.

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

Membership in the Plan as of September 30, 2008, the date of the most recent actuarial valuation, was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	12
Current employees:	
Vested	14
Non-vested	-
Total	14

Pension Benefits

Participants earn one vesting credit for each year of service completed. A participant is considered fully vested after 8 years of credited service. After 8 years of credited service, the participant need not render any further service as an employee of the City, in order to begin receiving a pension benefit upon attaining eligibility.

A participant is eligible for normal retirement benefits when the participant has attained age 55 and 8 vesting credits or has attained 20 vesting credits regardless of age.

Normal retirement benefits are based on 3% of average final compensation multiplied by the years of service for each year of prior service.

Contributions and Funding Policy

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements of the Plan is the individual entry age method. This method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry age of the member and the assumed exit age.

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported as investment earnings. Realized gains and losses are determined on the basis of specific cost. Purchases and sales are recorded on the trade-date basis.

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

Annual Pension Cost and Net Pension Obligation (Asset)

The City's annual pension cost and net pension asset for the current year are as follows:

Annual required contribution	$ 288,006
Interest on net pension obligation	(105,097)
Adjustment to annual required contribution	167,139
Annual pension cost	350,048
Contributions made	500,000
Decrease in net pension obligation	(149,952)
Net pension obligation (asset), beginning of year	(1,751,613)
Net pension obligation (asset), end of year	$ (1,901,565)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2007	276,320	181%	(1,565,706)
9/30/2008	313,995	159%	(1,751,613)
9/30/2009	350,048	143%	(1,901,565)

The annual required contribution for the current year was determined as part of the September 30, 2008 actuarial valuation, using the individual entry age method. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 6% per year compounded annually, (b) projected salary increases of 8% per year compounded annually, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques, which express it as a percentage of the actuarial accrued liability. The unfunded actuarial accrued liability is being expressed as a percentage of covered payroll which approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. The unfunded actuarial accrued liability is being amortized using the level percent of payroll closed basis. The remaining amortization period at September 30, 2008 was 5-26 years, closed

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

The statement of net assets and statement of changes in net assets for the Elected Officials' Retirement System are presented below:

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

ASSETS	
Cash and cash equivalents	$725,024
Investments, at fair value:	
Certificates of Deposit	750,000
Mutual Funds – Bonds	2,527,121
Mutual Funds – Equity	1,855,437
Total Investments, at fair value	5,132,558
Total assets	5,857,582
LIABILITIES AND NET ASSETS	
Accounts payable and accrued liabilities	90,926
Net assets held in trust for pension benefits	$5,766,656

STATEMENT OF CHANGES IN NET ASSETS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

ADDITIONS	
Contributions:	
Employer	$ 500,000
Investment income:	
Net appreciation in fair value of Investment	595,885
	595,885
Less investment expenses	8,625
Net investment income	587,260
Total additions	1,087,260
DEDUCTIONS	
Pension benefits	160,388
Net increase	926,872
Net assets held in trust for pension benefits:	
Beginning	4,839,784
Ending	$5,766,656

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

The funded status of the Plans as of October 1, 2008, the most recent actuarial valuation date, is as follows:

EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2008	$526,091,435	$627,530,393	$101,438,958	83.8%	$77,006,760	131.7%

ELECTED OFFICIALS' RETIREMENT SYSTEM

10/1/2008	$4,839,784	$5,589,488	$749,704	86.6%	$1,200,461	62.5%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

	Employees' Retirement System	Elected Officials' Retirement System
Valuation date	October 1, 2008	September 30, 2008
Actuarial cost method	Entry age normal	Individual entry age
Amortization method	Level dollar open	Level percent of payroll, closed
Remaining amortization period	30 years	5-26 years closed
Asset valuation method	5-year smoothed market vs actual returns	Market value
Actuarial assumptions:		
Investment rate of return*	8%	6%
Projected salary increases*	3.5% to 12.0%	8%
* Includes inflation at:	3.5%	4%
Cost of living adjustment	2.0%	N/A

NOTE 14. DEFINED CONTRIBUTION PLANS

The City of Hialeah has two defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The Plans were created on March 27, 1984 by Ordinance 1781 as amended by Ordinance 84-43 and on May 26, 1981 by Ordinance 631 as amended by Ordinance 81-62, respectively. The purpose of these Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through state contributions provided by Chapter 175/185 of the Florida Statutes. The participants do not contribute to the Plans. These funds are a supplement to and in no way affect police officer and firefighter benefits under the City of Hialeah Employees' Retirement System. The City no longer receives passed-through State contributions for the police officers or firefighters. The City under Chapter 185 of the Florida Statutes has provided authorization to the State for the direct contribution of benefits to the Police Pension Fund. The City's Employment Retirement System received passed-through contributions from the two defined contribution plans totaling $461,877 for the fiscal year ended September 30, 2009.

Both funds issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to Hialeah Employees' Retirement Department, 501 Palm Avenue, Hialeah, Florida, 33010.

NOTE 15. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City of Hialeah sponsors a defined benefit OPEB plan. Retirees who meet certain age and service requirements may elect coverage for themselves and dependents. Self-funded and fully insured options are available. The employer currently charges no contribution for retirees with single coverage, and the single funding rate for double (employee plus spouse) coverage. Self funded management retirees pay less for double coverage. Disabled contributions vary between plans.

Funding Policy

The OPEB obligation is funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – fiscal 2009

NOTE 15. OTHER POST EMPLOYMENT BENEFITS (Continued)

	Governmental Funds	Water & Sewer	Solid Waste	Total
Annual Required Contribution	$ 15,666,813	$ 1,088,776	$ 1,098,411	$ 17,854,000
Interest on the Net OPEB Obligation	-	-	-	-
Adjustment to the ARC	-	-	-	-
Annual OPEB cost	$ 15,666,813	$ 1,088,776	$ 1,098,411	$ 17,854,000
Less estimated employer contributions	(4,909,972)	(341,222)	(344,242)	(5,595,436)
Increase in Net OPEB Obligation	10,756,840	747,554	754,170	12,258,564
Net OPEB obligation—beginning of year	9,853,332	832,283	760,087	11,245,702
Net OPEB obligation—end of year	$20,410,172	$1,579,837	$1,514,257	$23,504,266

Funded Status and Funding Progress

The funded status of the plan (most recent actuarial valuation date October 1, 2006*) was as follows:

	General Employees	Police Officers	Firefighters	Total
Actuarial accrued liability (AAL)	$140,501,000	$76,786,000	$64,631,000	$281,918,000
Actuarial value of plan assets	-	-	-	-
Unfunded actuarial accrued liability (UAAL)	$140,501,000	$76,786,000	$64,631,000	$281,918,000
Actuarial Value of Assets as a % of AAL	0%	0%	0%	0%
Covered Payroll	28,647,000	24,976,000	20,664,000	74,287,000
UAAL as a % of covered Payroll	490%	307%	313%	380%

*New Actuarial Valuation will be performed as of 10/1/09 for the September 30, 2010 fiscal year.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan, including the method of sharing of costs between the employer and plan members.

NOTE 15. OTHER POST EMPLOYMENT BENEFITS (Continued)

As of the most recent actuarial valuation performed as of October 1, 2006, the Entry age normal (percent of pay) actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11% initially, reduced by 1% per year to an ultimate rate of 5% after six years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30 year period beginning in fiscal 2008.

NOTE 16. JOINT PARTICIPATION AGREEMENT

On December 27, 2007, (as amended on August 2009) the City entered into a Joint Participation agreement with Miami-Dade County (the "County") for the design, construction and operation of a 17.5 MGD reverse osmosis water treatment plant (the "Plant").

The City and the County shall have equal 50% ownership of the Plant, exclusive of land but inclusive of structures, facilities and appurtenances to be situated in the Annexation Area of the City, having a capacity of 17.5 MGD ("WTP"). The construction of the WTP building structures shall be in one phase, while the water production and related appurtenances shall be in three phases, with the final phase at full production or capacity. The WTP shall operate to supply potable water to the Annexation Area of the City and upon agreement of the City and the County, to supply potable water to adjacent areas of unincorporated Miami-Dade County.

At all times during the operation of the WTP, the County and City shall each receive 50% of the water production produced by the WTP. However, if either party desires to purchase a portion of the other party's 50% share, the price of such water sold from one party to the other party shall be equal to the production costs.

The term of the Agreement shall coincide with the later of two dates: (1) The expiration date of the original issuance of any bond related to the WTP issued by the County; and (2) The expiration date of the original issuance of any bond related to the WTP issued on behalf of the City. In no event shall the agreement expire before February 1, 2029. Upon termination, each party shall maintain a fifty percent interest in the WTP.

The County shall contribute and pay for 50% of the planning, design and construction and construction management (the "design and construction") costs for the WTP, in an amount not less than $80 million, and the City shall contribute and pay for 50% of the design and construction costs of the WTP, in an amount not less than $80 million based on an estimate. If the design and construction is accomplished for less than $160 million, the County and the City shall bear half of such actual costs, and shall not be required to contribute amounts in excess of its share of the actual costs.

NOTE 16. JOINT PARTICIPATION AGREEMENT (Continued)

The County shall receive a credit for the fair market value of the land being conveyed by the County to the City that will be provided for the location of the WTP and its related or connected uses, minus 10 feet for right-of-way for the construction of NW 97 Avenue, minus 55 feet for right-of-way for the construction of NW 107 Avenue and minus 80 feet for right-of-way for the construction of NW 102 Avenue, as part of the County's contribution to the design and construction costs. To the extent that the City, upon the transfer of the land to the City, is liable for a wetlands mitigation payment, each party shall pay 50% of the amount of such payment. The City shall also receive a credit towards its contribution for administrative costs and financing costs as part of the City's contribution to the planning, design and construction costs. The County shall also receive a credit towards its contribution for its financing costs as part of the County's contribution to the planning, design and construction costs. Additional funds that exceed the total design and construction estimate of $160 million and cost overruns shall be shared equally by the City and the County. If the City determines that design and construction of the WTP will or will likely require a County contribution in excess of $80 million, the City shall advise the County of same in writing, within 30 calendar days of such determination. The City and the County acknowledge that the $160 million estimate for the design and construction of the WTP does not include additional capital costs for the procurement of land for and the construction of additional wellfields for Phase II and III, if necessary. The City and the County shall share equally in these additional expenses, if necessary. In the event, that either the City or the County secure grants to design or construct the WTP, said grants shall be applied to the overall construction of the WTP, and the contribution required from each party shall be accordingly equally adjusted.

The County shall provided $9.5 million at the time the Agreement was executed. The County shall provide incremental payments as set forth in the Operating Agreement with the Contractor, and shall provide the balance of the $80 million contribution, if any, at the time of the commencement of operations of the WTP at Phase I. All money contributed by the City and the County shall be maintained by separate interest bearing accounts, and shall be used only for the purposes contemplated by the agreement. All interest that accrues in the account in which the County funds are deposited shall be credited towards the County's required contribution. All interest that accrues in the account in which the City funds are deposited shall be credited towards the City's required contribution. The City shall secure bond financing during 2010 for its contribution to the design and construction costs.

A volunteer Oversight Board shall be established consisting of five members who will serve without compensation for staggered two-year terms. The Oversight Board shall manage operations of the WTP after completion of Phase I, subject to the Operating Agreement with the Contractor. The Oversight Board shall review and approve the annual operating budget of the WTP, and shall provide overall financial oversight and financial management of the activities of the WTP within the physical perimeter of the WTP and well-fields. The Oversight Board shall not have any management or oversight of the water distribution system of the Hialeah Utility System. The Oversight Board shall not establish water rates and connection fees and other charges. The City shall appoint two members to the Oversight Board and fill vacancies of its appointed members due to resignation, expiration of terms of service, ill health or death and other reasons. The County shall appoint two members to the Oversight Board and fill vacancies of its appointed members due to resignation, expiration of terms of service, ill heath or death or other reasons. The four appointed members, by a majority vote, shall appoint the fifth member of the Oversight Board. The Chair of the Board shall be selected by majority vote of the entire membership. The City and the County will jointly prepare documents reflecting the duties and responsibilities of the Oversight Board.

NOTE 16. JOINT PARTICIPATION AGREEMENT (Continued)

As of September 30, 2009, the City has received $9,500,000 from the County and $558,900 from the South Florida Water Management Distinct towards the construction of the Plant. The City has deferred $7,069,441 of the $9,500,000 received from the County as of September 30, 2009. During 2009, the City also restricted $7,069,441 of its share of the costs of the Plant and reported $14,138,881 as restricted cash and cash equivalents for the construction of the Plant which includes the County's and City's share of the costs.

In 2009, the City was awarded a grant from the South Florida Water Management District of $6,000,000 towards the construction of the Plant. The contribution from the District will reduce the City's and County's contribution to the Plant equally.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF HIALEAH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Ad valorem taxes	$ 66,409,748	$ 66,409,748	$ 65,666,056	$ (743,692)
Utility taxes	21,457,123	21,457,123	22,580,807	1,123,684
Franchise fees	11,455,000	11,455,000	11,602,898	147,898
Licenses and permits	6,305,500	6,359,021	6,767,212	408,191
State and local shared revenues	21,864,848	21,864,848	20,242,733	(1,622,115)
Fines and forfeitures	1,137,000	1,137,000	1,305,696	168,696
Interest	500,000	500,000	114,506	(385,494)
Government grants and other revenues	5,993,599	6,667,515	6,218,694	(448,821)
Total revenues	135,122,818	135,850,255	134,498,602	(1,351,653)
Other financing sources				
Proceeds from issuance of debt	-	-	362,788	362,788
Appropriation of prior year fund balance	8,549,440	11,243,425	-	(11,243,425)
Total financing sources	8,549,440	11,243,425	362,788	(10,880,637)
Total revenues and other financing sources	143,672,258	147,093,680	134,861,390	(12,232,290)
Expenditures:				
Current:				
Police	$ 42,549,570	$ 42,795,738	$ 41,101,874	$ 1,693,864
Fire	30,410,754	30,410,754	30,519,478	(108,724)
911 Communications division	2,412,049	2,412,049	2,334,640	77,409
Fleet maintenance	2,573,724	2,581,124	2,555,519	25,605
Construction and maintenance	4,450,261	4,493,938	4,464,276	29,662
Recreation and community services	10,778,793	10,954,877	10,108,274	846,603
Planning and development	2,988,562	2,992,669	2,506,632	486,037
Education and community services	2,209,527	2,222,983	2,056,599	166,384
Law	1,015,168	1,032,573	960,550	72,023
Risk management	831,716	831,716	732,041	99,675
Human resources	911,635	914,875	821,708	93,167
City Clerk's office	1,110,170	1,115,417	905,065	210,352
Office of Management and Budget	598,063	612,503	621,505	(9,002)
Office of the Mayor	677,945	677,945	662,240	15,705
Communications and special events	1,104,115	1,108,744	841,146	267,598
Employee retirement	579,526	579,526	489,769	89,757
Library	1,891,943	1,926,278	1,782,522	143,756
Compliance division	700,867	700,867	555,821	145,046
Finance	951,851	951,851	929,122	22,729
Division of licenses	497,074	536,680	553,528	(16,848)
General government	32,882,231	35,534,574	32,204,274	3,330,300
Information systems	1,546,714	1,705,799	1,676,906	28,893
Total expenditures	143,672,258	147,093,680	139,383,689	7,709,991
Net change in fund balance	-	-	(4,522,299)	(4,522,299)
Fund balances - beginning	-	-	28,586,592	
Fund balances - ending	$ -	$ -	$ 24,064,293	

See notes to budgetary comparison schedule.

CITY OF HIALEAH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. The City follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements.

a. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the General Fund for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
b. Public hearings are conducted to obtain taxpayer comments.
c. Prior to October 1, the budget is legally enacted through passage of an ordinance.
d. At any time, the Mayor may transfer any unencumbered appropriation balance or portion thereof between classifications of expenditures within an office or department. At the request of the Mayor and within the last 6 months of the fiscal year, the City Council may transfer, by resolution, any unencumbered appropriation balance or portion thereof from one office or department to another. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations. The legal level of control is at the department level for the general fund and at the fund level for all other funds.
e. The reported budgetary data represents the final approved budget after amendments adopted by the City Council. Unencumbered appropriations lapse at fiscal year end.
f. The City Council may make supplemental appropriations during the fiscal year. Supplemental appropriations were $3,421,422 for the general fund, $263,405 for the Streets Fund, ($217,198) for the Stormwater Utilities Fund, $28,609 for the Rescue Transportation Fund, $184,424 for the Fire Rescue Fund, $55,078 for the E-911 Wireless Communication Fund, $358,884 for the Law Enforcement Trust-Federal Fund, $64,962 for the Law Enforcement Trust-State Fund, ($221,249) for the Affordable Housing Fund, $122,302 for the Children's Trust Fund, $362 for the Urban Areas Security Initiative Grant, $1,356,296 for the Building Better Communities Fund, $425,365 for the Metro Medical Response System Fund, $2,496,965 for the Hialeah Circulator Fund, ($13,000) for the City of Hialeah Education Academy Fund, $2,760 for the EMS County Grant Fund, $270,016 for the Parking Garage Construction Fund, ($13,000,000) for the Palm Center Capital Projects Fund, $100,721 for the 300 Units Development Fund and $434,818 for the Fire Station #6 Fund, during fiscal year ended September 30, 2009.

All funds with legally adopted budgets have been included as either a budgetary comparison schedule in the required supplementary information section or as a schedule of revenues and expenditures- budget vs actual in the combining fund statements section.

CITY OF HIALEAH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2009

(CONTINUED)

NOTE 2. For fiscal year ended September 30, 2009, expenditures exceeded appropriations in the following departments for the General Fund.

	Final Budget	Actual	Amount in Excess of Final Budget
Fire	$30,410,754	$30,519,478	$108,724
Office of Management and Budget	612,503	621,505	9,002
Division of Licenses	536,680	553,528	16,848

These excess of expenditures in those departments were funded with surpluses in other departments.

For fiscal year ended September 30, 2009, expenditures exceeded appropriations in the following non-major governmental funds.

	Final Budget	Actual	Amount in Excess of Final Budget
Fire Prevention Fund	$1,239,485	$1,410,606	$171,121
E-911 Fund	436,968	480,429	43,461
Affordable Housing	1,497,239	1,506,341	9,102
City of Hialeah Education Academy	596,000	744,207	148,207
300 Units Development	100,721	166,906	66,185

These excess were funded with excess revenues received in the current fiscal year or available fund balance.

CITY OF HIALEAH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2009

Fiscal Year Ended September 30,	EMPLOYEES' RETIREMENT SYSTEM Annual Required Contribution	EMPLOYEES' RETIREMENT SYSTEM Percentage Contributed	ELECTED OFFICIALS' RETIREMENT Annual Required Contribution	ELECTED OFFICIALS' RETIREMENT Percentage Contributed
2004	$ 15,257,996	69%	$ 130,205	229%
2005	16,577,257	88%	250,415	160%
2006	15,084,481	102%	240,475	208%
2007	15,855,083	88%	263,369	190%
2008	18,298,037	99%	288,006	174%
2009	17,861,709	108%	352,805	142%

The information presented in the required supplemental schedules was determined as part of the actuarial validations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	October 1, 2008	September 30, 2008
Actuarial cost method	Entry age normal	Individual entry age
Amortization method	Level dollar open	Level percent of payroll, closed
Remaining amortization period	30 years	4-25 years closed
Asset valuation method	5-year smoothed market vs actual returns	Market value
Actuarial assumptions:		
Investment rate of return*	8%	6%
Projected salary increases*	3.5% to 12.0%	8%
* Includes inflation at:	3.5%	4%
Cost of living adjustment	2.0%	N/A

CITY OF HIALEAH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2009

EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2003	$ 439,793,566	$ 501,224,409	$ 61,430,843	87.7%	$ 58,129,374	105.7%
10/1/2004	442,293,992	516,284,449	73,990,457	85.7%	57,655,037	128.3%
10/1/2005	462,096,761	507,134,721	45,037,960	91.1%	60,364,488	74.6%
10/1/2006	500,501,442	556,466,663	55,965,221	89.9%	66,835,565	83.7%
10/1/2007	522,796,029	595,379,468	72,583,439	87.8%	75,461,003	96.2%
10/1/2008	526,091,435	627,530,393	101,438,958	83.8%	77,006,760	131.7%

ELECTED OFFICIALS' RETIREMENT SYSTEM

10/1/2003	$ 2,664,848	$ 3,154,525	$ 489,677	84.5%	$ 988,293	49.5%
10/1/2004	3,049,827	3,396,593	346,766	89.8%	965,463	35.9%
10/1/2005	3,455,014	3,810,238	355,224	90.7%	1,043,850	34.0%
10/1/2006	3,920,986	4,568,219	647,233	85.8%	986,381	65.6%
10/1/2007	4,507,679	5,044,765	536,886	89.4%	1,116,589	48.1%
10/1/2008	4,839,784	5,589,488	749,704	86.6%	1,200,461	62.5%

CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

SEPTEMBER 30, 2010

UNAUDITED FINANCIAL STATEMENTS FOR INTERNAL USE ONLY

ASSETS	Water and Sewers Utility System
Current assets:	
Cash and cash equivalents	$ 14,544,492
Investments	19,121,530
Customers accounts receivable	10,771,180
Other receivables	174,705
Due from other funds	641,899
Inventories	591,590
Restricted assets:	
Cash	15,618,280
Other assets	3,602,347
Total current assets	65,066,023
Non-current assets:	
Note receivables	4,800,000
Capital assets, net	122,014,075
Total non-current assets	126,814,075
Total assets	$ 191,880,098

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(Continued)

SEPTEMBER 30, 2010

UNAUDITED FINANCIAL STATEMENTS FOR INTERNAL USE ONLY

LIABILITIES AND NET ASSETS	Water and Sewers Utility System
Current Liabilities:	
Accounts payable and accrued liabilities	$ 7,071,510
Current portion of self-insurance claims payable	136,074
Current portion of revolving loan	110,945
Due to other funds	3,031,528
	10,350,057
Current liabilities payable from restricted assets:	
DERM payable	3,802,220
Due to other funds	3,606,516
Deferred revenues- RO Plant	2,176,232
Customer deposits	7,397,830
Total current liabilities payable from restricted assets	16,982,798
Total current liabilities	27,332,855
Non-current liabilities:	
Revolving loan	1,594,684
Deferred revenues, net	-
Deferred interest, net	1,573,039
Self-insurance claims payable	3,389,330
OPEB liability	2,308,469
Compensated absences payable	1,111,680
Total non-current liabilities	9,977,202
Total liabilities	37,310,057
Net assets:	
Invested in capital assets, net of related debt	120,308,446
Unrestricted	34,261,595
Total net assets	$ 154,570,041

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

UNAUDITED FINANCIAL STATEMENTS FOR INTERNAL USE ONLY

	Water and Sewers Utility System
Operating revenues:	
Metered water sales	$ 16,314,171
Sanitary sewer service	27,863,732
Other	858,641
Total operating revenues	45,036,544
Operating expenses:	
Operating, administrative and maintenance	42,180,832
Depreciation	3,653,177
Total operating expenses	45,834,009
Operating (loss)	(797,465)
Non-operating revenues (expenses):	
Interest income	1,419,630
Interest expense	(51,709)
Net non-operating revenues	1,367,921
Income before contributions	570,456
Capital contributions	8,339,446
Change in net assets	8,909,902
Net assets - beginning	145,660,139
Net assets, ending	$ 154,570,041

See notes to basic financial statements