

CITY OF HIALEAH, FLORIDA

**Annual Report of Financial Information and Operating Data for the
Fiscal Year Ended September 30, 2015**

**Taxable Special Obligation
Revenue Bonds
Series 2015A**

**Special Obligation
Refunding Revenue Bonds
Series 2015B**

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INTRODUCTION

The City issued its Taxable Special Obligation Revenue Bonds, Series 2015A, and its Special Obligation Refunding Revenue Bonds, Series 2015B (collectively, the “Series 2015 Bonds”) on December 2, 2015. The City entered into a Continuing Disclosure Agreement with respect to the Series 2015 Bonds, dated December 2, 2015. In the Agreement, the City covenanted to provide audited financial statements and annual reports of financial information and operating data not later than the 270th day following the end of each Fiscal Year commencing with the Fiscal Year ending September 30, 2015, and material events notices and notices of failure to file to the MSRB through its EMMA portal.

The City submitted its Comprehensive Annual Financial Report to the MSRB on June 29, 2016.

With respect to the Series 2015 Bonds, the City hereby submits its Annual Report of Financial Information and Operating Data for the Fiscal Year Ended September 30, 2015, that was due on or before June 30, 2016.

The City is the obligor with respect to two issues of outstanding bonds issued by the Florida Municipal Loan Council (“FMLC”): Revenue Bonds, Series 2011D (City of Hialeah Series), issued in May, 2011 (the “2011D Bonds”), and Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series), issued in November, 2012 (the “Series 2012A Bonds”). The City entered into Continuing Disclosure Agreements with respect to both issues of bonds among the underwriters of the bonds, FMLC, as the issuer of the bonds, and the City, as obligor. In the Agreements, the City covenanted to provide audited financial statements, annual reports of financial information and operating data, material events notices and notices of failure to file to FMLC, acting as dissemination agent, for submission to the MSRB through its EMMA portal. The City has provided to FMLC its Comprehensive Annual Financial Report for the Fiscal Year Ended September, 30, 2015, which has been submitted to the MSRB.

The City will provide, simultaneously with this annual report of financial information and operating data, a separate annual report of financial information and operating data with respect to the Series 2011D Bonds and the Series 2012A Bonds to FMLC, acting as dissemination agent, for submission to the MSRB.

THE SERIES 2015 BONDS

The Series 2015A Bonds were issued by the City on December 2, 2015, to provide funds to (i) finance a portion of the annual required contribution for Fiscal Year 2015 and Fiscal Year 2016 with respect to the contributory defined benefit retirement plan known as the Employees' Retirement System sponsored and administered by the City that covers substantially all employees of the City, and (ii) pay a portion of the costs associated with the issuance of the Series 2015A Bonds, including the municipal bond issuance premium.

The Series 2015B Bonds were issued by the City on December 2, 2015, to provide funds to (i) pay the outstanding amount of a loan pursuant to a loan agreement between the City and the Florida Municipal Loan Council ("FMLC"), dated February 1, 2005, and such funds were used by FMLC to refund all of that portion of the outstanding FMLC Revenue Bonds, Series 2005A, attributable to the City and for which the City was the obligor, and (ii) pay a portion of the costs associated with the issuance of the Series 2015B Bonds, including the municipal bond insurance premium.

The Series 2015 Bonds are special limited obligations of the City payable exclusively from the Pledged Revenues, defined in the Bond Ordinance as the Franchise Fee Revenues and any funds on deposit in any bank account created under the Bond Ordinance. To the extent that the Pledged Revenues are not adequate to pay the Bond Service Requirement, the City, in the Bond Ordinance, covenanted to budget, appropriate and deposit Non-Ad Valorem Revenues in an amount equal to such deficiency into the Sinking Fund for the applicable Fiscal Year.

The City entered into a Continuing Disclosure Agreement with the participating underwriters, dated as of December 2, 2015, with respect to the Series 2015 Bonds. In the Agreement, the City covenanted to provide audited financial statements, annual reports of financial information and operating data, annual actuarial valuation of the Employees' Retirement System, material events notices and notices of failure to file to the Municipal Securities Rulemaking Board ("MSRB") through the Board's EMMA portal.

The City also agreed in the Continuing Disclosure Agreement that, to the extent such information is not otherwise included as part of the annual report of financial information and operating data, updated information from that set forth in the official statement for the Series 2015 Bonds, dated November 20, 2015, under the caption "Security for the Series 2015 Bonds".

The City has submitted its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2015 to the MSRB, through the FMLC, on June 29, 2016.

FRANCHISE FEE REVENUES AND PRO FORMA COVERAGE

The following is a record of the Franchise Fee Revenues collected by the City for the last five fiscal years and pro forma debt revenue coverage from such Franchise Fee Revenues as if the Series 2015 Bonds had been outstanding during that period.

<i><u>Fiscal Year</u></i>	<i><u>Franchise Fee Revenues</u></i>	<i><u>(1) Maximum Bond Service Requirement</u></i>	<i><u>(2) Pro Forma Coverage</u></i>							
2011	\$ 10,104,878	\$ 3,939,977	2.56 X							
2012	9,972,894	3,939,977	2.53 X							
2013	9,828,418	3,939,977	2.49 X							
2014	10,627,308	3,939,977	2.70 X							
2015	10,692,680	3,939,977	2.71 X							
(1) Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal Years 2011 through 2015 financial statements. Includes only those franchise fee revenues attributable to the Electric Franchise Ordinance and pledged to the Series 2015 Bonds.										
(2) Maximum Bond Service Requirement assumes that the Series 2015 Bonds were outstanding in Fiscal Years 2011 through 2015.										

CITY OF HIALEAH, FLORIDA

HISTORICAL GENERAL FUND NON-AD VALOREM REVENUES

FISCAL YEAR ENDED SEPTEMBER 30, 2011 THROUGH 2015

<u>Revenues</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
General Fund Non-Ad Valorem Taxes					
Utility Taxes - Electricity	\$ 10,993,230	\$ 11,491,228	\$ 12,254,172	\$ 13,440,089	\$ 13,489,474
Communications Services Taxes	8,807,237	7,971,748	7,084,188	6,163,911	5,892,013
Utility Taxes - Water & Sewer	1,962,013	2,232,511	2,076,221	2,426,059	2,441,664
Utility Taxes - Gas	449,879	485,887	494,960	457,339	425,431
Franchise Fees - Electricity (1)	10,104,878	9,972,894	9,828,418	10,627,308	10,692,680
Franchise Fees - Gas	284,395	353,727	314,808	331,182	289,552
Franchise Fees - Water & Sewer (2)	-	-	-	4,271,702	5,456,117
Franchise Fees - Bus Bench	110,881	151,760	134,738	140,590	146,546
Total General Fund Non-Ad Valorem Taxes	<u>32,712,513</u>	<u>32,659,755</u>	<u>32,187,505</u>	<u>37,858,180</u>	<u>38,833,477</u>
Licenses and Permits					
Business Tax Licenses	4,446,579	4,400,029	3,976,835	4,492,486	4,281,144
Building Permits (3)	2,467,725	-	-	-	-
Planning and Zoning	137,337	241,422	247,344	360,718	411,945
Total Licenses and Permits	<u>7,051,641</u>	<u>4,641,451</u>	<u>4,224,179</u>	<u>4,853,204</u>	<u>4,693,089</u>
Intergovernmental Revenues					
Half Cent Sales Tax	14,057,818	14,614,902	15,582,457	16,355,645	17,228,030
State Revenue Sharing	7,295,957	6,968,429	7,907,098	8,527,350	9,392,611
Other	168,127	292,482	944,209	211,322	318,462
Total Intergovernmental Revenues	<u>21,521,902</u>	<u>21,875,813</u>	<u>24,433,764</u>	<u>25,094,317</u>	<u>26,939,103</u>
Government Grant and Other Revenues					
Fines and Forfeitures	1,300,881	1,512,411	1,197,481	1,328,469	1,396,354
Interest	17,159	4,776	14,096	7,498	17,487
Government Grants and Other Revenues (4)	9,136,210	12,136,027	14,282,319	10,516,737	11,606,010
Total Government Grants and Other Revenues	<u>10,454,250</u>	<u>13,653,214</u>	<u>15,493,896</u>	<u>11,852,704</u>	<u>13,019,851</u>
Total General Fund Non-Ad Valorem Revenues	<u>\$ 71,740,306</u>	<u>\$ 72,830,233</u>	<u>\$ 76,339,344</u>	<u>\$ 79,658,405</u>	<u>\$ 83,485,520</u>

(1) Pledged Revenues securing the Series 2015 Bonds.

(2) Pursuant to Ordinance No. 2013-82 as amended by Ordinance No. 2015-68, the City adopted a water and wastewater payment in lieu of franchise fee applicable to all sales of water and wastewater service by the City equal to between 7.5 percent and 10 percent of the bi-monthly rates, fees and charges (including base facility and consumption rates) from the sale of water and wastewater service to customers of the City's water and wastewater system. The City's water and wastewater utility is required to budget and transfer to the City's General Fund this payment in lieu of franchise fee on a monthly basis.

(3) The Building Department was converted to a Special Revenue Fund in fiscal-year 2012; consequently, in fiscal-years 2012 through 2015 it is not reflected under the category of the General Fund, instead it is reflected under the category of Other Governmental Funds in the Comprehensive Annual Financial Reports for the respective years.

(4) This category reflects charges for various services provided by the City to residents, property owners, other City departments, and grants received from other governments. Among these revenues are fees for parks and recreation, education and community services (including library fees), fees for police services (other than fines and forfeitures) and cost allocation fees charged to other special revenue, enterprise and general fund activities of the City incurred by the general fund in their support.

Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal Years 2011 through 2015 financial statements.

The table above is only an indication of the relative amounts of Non-Ad Valorem Revenues of the City which may be available, if necessary, for the payment of principal of and interest on the Series 2015 Bonds and other general governmental expenditures. The ability of the City to appropriate Non-Ad Valorem Revenues in sufficient amounts to pay the principal of and the interest on the Series 2015 Bonds is subject to a variety of factors, including the City's satisfaction of funding requirements for obligations having an express lien on or pledge of such revenues and after satisfaction of funding requirements for essential governmental services of the City. No representation is being made by the City that any particular Non-Ad Valorem Revenues will be available in future years, or if available, will be budgeted to pay debt service on the Series 2015 Bonds.

Continued consistent receipt of Non-Ad Valorem Revenues is dependent upon a variety of factors, including annexation and/or de-annexation policies by the City or greater growth in the unincorporated areas of the County as compared to the City which could have an adverse effect on Non-Ad Valorem Revenues. The amounts and availability of any of the Non-Ad Valorem Revenues to the City are also subject to change, including reduction or elimination by change of State law or changes in the facts or circumstances according to which certain of the Non-Ad Valorem Revenues are allocated. In addition, the amount of certain of the Non-Ad Valorem Revenues collected by the City is directly related to the general economy of the City. Accordingly, adverse economic conditions could have a material adverse effect on the amount of Non-Ad Valorem Revenues or covenant to budget and appropriate legally available Non-Ad Valorem Revenues of the City to future obligations that it issues. In the case of a specific pledge, such Non-Ad Valorem Revenues would be required to be applied to such obligations prior to paying the principal of and interest on the Series 2015 Bonds.

Selected Information Regarding the City's General Fund

The following table reflects historical financial information for the City's General Fund (the City's main operating fund) for the past four Fiscal Years (2011 through 2015), as audited by an independent certified public accountant.

CITY OF HIALEAH, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
GENERAL FUND**

FISCAL YEAR ENDED SEPTEMBER 30, 2011 THROUGH 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Ad valorem taxes	\$ 48,550,595	\$ 44,867,987	\$ 41,687,822	\$ 41,424,199	\$ 43,735,370
Utility taxes	13,405,122	14,209,626	14,825,353	16,323,487	16,356,569
Communication services tax	8,807,237	7,971,748	7,084,188	6,163,911	5,892,013
Franchise fees (1) (2)	10,500,154	10,478,381	10,277,964	15,370,782	16,584,895
Licenses and permits (3)	7,051,641	4,641,451	4,924,571	4,853,204	4,693,089
State and local shared revenues	21,521,902	21,875,813	23,733,372	25,094,317	26,939,103
Fines and forfeitures	1,300,881	1,512,411	1,197,481	1,328,469	1,396,354
Interest	17,159	4,776	14,096	7,498	17,487
Government grants and other revenues	9,136,210	12,136,027	14,282,319	10,516,737	11,606,010
Total revenues	<u>120,290,901</u>	<u>117,698,220</u>	<u>118,027,166</u>	<u>121,082,604</u>	<u>127,220,890</u>
Expenditures:					
Current:					
General government	22,998,342	23,821,995	25,015,678	26,520,903	5,055,587
Police	41,568,007	39,659,198	38,292,740	39,772,491	51,375,766
Fire	31,677,255	29,530,754	28,794,425	30,648,389	36,511,575
911 communications	3,057,095	2,877,722	2,842,064	3,432,867	3,692,776
City Clerk's office	813,123	1,074,523	676,279	992,671	1,071,420
Office of Management and Budget	576,663	551,784	494,087	461,476	560,939
Office of the Mayor	532,856	416,047	441,278	557,105	699,883
Communications and special events	747,618	-	47,427	221,436	304,392
Employee retirement	463,361	501,114	636,543	632,686	604,903
Library	1,364,642	1,158,859	1,124,518	1,241,652	1,495,749
Code compliance	447,585	310,669	392,052	447,571	658,107
Finance	879,174	932,222	880,172	1,032,730	1,352,174
Business tax division	286,569	248,847	392,421	429,010	589,707
Information technology	1,608,553	1,405,939	1,358,607	1,532,664	1,615,686
Fleet maintenance	1,966,394	1,984,209	2,052,285	2,286,994	3,321,279
Construction and maintenance	3,268,194	2,169,116	2,178,352	2,034,254	2,909,965
Parks and recreation	8,402,552	8,480,480	8,504,481	8,442,246	9,712,104
Planning and zoning	1,909,454	476,241	484,169	528,781	695,584
Education and community services	1,750,844	2,166,341	2,171,059	2,451,185	2,589,164
Law	730,159	805,255	768,888	1,231,716	1,291,022
Risk management	877,824	976,285	819,238	847,325	428,350
Human resources	752,723	572,277	513,118	731,129	700,530
Debt service:					
Principal	273,462	453,605	1,655,157	153,393	442,753
Interest	433,262	75,547	182,450	60,311	18,440
Debt issuance costs	-	-	12,000	-	-
Capital outlay	806,885	506,160	196,364	958,573	633,069
Total expenditures	<u>128,192,596</u>	<u>121,155,189</u>	<u>120,925,852</u>	<u>127,649,558</u>	<u>128,330,924</u>
(Deficiency) of revenues over expenditures					
before other financing sources (uses)	<u>(7,901,695)</u>	<u>(3,456,969)</u>	<u>(2,898,686)</u>	<u>(6,566,954)</u>	<u>(1,110,034)</u>
Other financing sources (uses):					
Proceeds from disposal of capital assets	-	-	163,973	4,076,089	55,529
Refunding debt issued	1,036,465	-	-	-	-
Issuance of debt	212,560	323,659	1,620,000	-	-
Transfers in	-	3,198,400	26,895	15,033,705	-
Transfers out	(41,258)	(59,919)	(4,562)	(4,747,653)	(2,147,066)
Total other financing sources (uses)	<u>1,207,767</u>	<u>3,462,140</u>	<u>1,806,306</u>	<u>14,362,141</u>	<u>(2,091,537)</u>
Net change in fund balances	(6,693,928)	5,171	(1,092,380)	7,795,187	(3,201,571)
Fund balances - beginning (4)	20,684,173	13,990,245	13,995,416	9,770,362	17,565,549
Fund balances - ending	<u>\$ 13,990,245</u>	<u>\$ 13,995,416</u>	<u>\$ 12,903,036</u>	<u>\$ 17,565,549</u>	<u>\$ 14,363,978</u>

ACTUARIAL VALUATION OF EMPLOYEES' RETIREMENT SYSTEM

The City's Employees Retirement System Actuarial Valuation as of October 1, 2015 – Contributions Applicable to the Fiscal Year Ended September 30, 2017, was filed with the MSRB on June 29, 2016.

BANK LOANS

The City has entered into loan agreements with banks and federal and state agencies and issued promissory notes to such entities in order to evidence the repayment obligations to the lenders. The notes payable are as follows:

Capital Improvement Revenue Refunding Bond, Series 2012, November 19, 2012

Bank of America Promissory Note, August 20, 2011

Revolving Loan, May, 2001, State of Florida Department of Environmental Protection

Affordable Housing Note, Series 2011, March 23, 2011

Specific information concerning the loans can be found in the City's Comprehensive Annual Financial Reports for the Fiscal Year Ended September 30, 2015, in Notes to Basic Financial Statements – Note 11, beginning on page 54. Such information is hereby incorporated by reference.

CERTAIN MATTERS

1. The official statement for the City's Revenue Bonds, Series 2015, issued on December 2, 2015, included an unaudited Statement of Revenues, Expenditures and Changes in Fund Balance on pages 27-28. The Expenditures set forth therein are at variance with the Expenditures set forth in the City's Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2015, by approximately \$3.7 million or 3%. The unaudited Statement was prepared in July, 2015 and the Expenditures were annualized through September 30, 2015. The variance occurred because many Expenditures increased by immaterial amounts; an additional \$1.4 million in retirement expense for accrued interest was incurred because the City's contribution to the Employees' Retirement Plan was delayed until December, 2015, and the City's billings for its self-funded health insurance were approximately \$500,000 more than expected.

The City is working on a long term approach to remain current on all future retirement contributions as required by law, including the hiring of a financial advisor to develop 5-year revenue and expenditure forecasts. The City is bargaining for reform to its pension plan with the three employee bargaining unions in calendar year 2016 and, if successful, these changes will substantially lower its yearly contribution.

2. The City failed to timely file financial information and operating data with respect to (i) the outstanding Florida Municipal Loan Council Revenue Bonds, Series 2011D (City of Hialeah Series) for which the City is the obligor for the fiscal years 2011 through 2013, respectively, that were due on June 26-27, 2012, 2013 and 2014, respectively; and (ii) the outstanding Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series) for which the City is the obligor for the fiscal years 2012 and 2013 that were due on June 27, 2013 and 2014, respectively. The City did not file failure to provide notices in a timely manner for each failure. On January 14, 2015, the City filed a notice of failure to file and an Annual Report of Financial Information and Operating Data containing the information and data with the Municipal Securities Rulemaking Board for the years in which the filings were not made.

The City filed its Comprehensive Annual Financial Reports late for fiscal years 2013 (3 days) and 2014 (5 days). The City failed to timely file notices of certain rating changes due to changes in the rating of the bond insurer.

The City voluntarily participated in the Municipalities Continuing Disclosure Cooperation Initiative (MCDC) of the Securities and Exchange Commission, a voluntary self-disclosure program, to self-report that the City did not disclose an item related to the Series 2011D Bonds in the official statement for the Series 2012A Bonds.

The City has adopted written policies and procedures with respect to continuing disclosure and, to provide an additional resource for investors, has updated its website to include (i) the official statements for the Series 2011D Bonds, the Series 2012A Bonds and the Series 2015 Bonds; (ii) the continuing disclosure agreements executed in connection with the issuance of the Series 2011D Bonds, the Series 2012A Bonds and the Series 2015 Bonds; and (iii) the annual reports of financial information and operating data filed with the Municipal Securities Rulemaking Board with respect to the Series 2011D Bonds, the Series 2012A Bonds and the Series 2015 Bonds.

3. The City and Miami-Dade County (MDC), as parties to a joint participation agreement, contracted with GS Inima USA Construction Corporation (the “Company”) for the design, construction and operation of a reverse osmosis water treatment plant. The City has not accepted the plant at this time. The Company has asserted claims against the City of \$4,006,980 and the City has claims against the company of approximately \$4,100,000 in delayed claims. The Parties are in settlement discussions.

This Annual Report of Financial Information and Operating Data for the Fiscal Year Ended September 30, 2015 is submitted pursuant to Continuing Disclosure Agreement executed by the City in connection with the issuance of the Series 2015 Bonds.

Dated: June 30, 2016

CITY OF HIALEAH, FLORIDA



By:

Christopher Chiocca, CPA

Title: Finance Director