

OFFICIAL NOTICE OF BOND SALE
\$67,120,000*
CITY OF FORT LAUDERDALE, FLORIDA
WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2012

NOTICE IS HEREBY GIVEN that electronic bids will be received via Parity[®]/BiDCOMP Competitive Bidding System in the manner, on the date and up to the time specified below:

BID DATE: May 3, 2012*

TIME: 11:00 a.m. Eastern Daylight Time*

ELECTRONIC BIDS: Must be submitted only through Parity[®]/BiDCOMP Competitive Bidding System (“*PARITY*”) as described below. No other form of bid or provider of electronic bidding services will be accepted.

GENERAL

Bids must be submitted electronically via *PARITY*[®] in accordance with this Official Notice of Bond Sale, until 11:00 a.m., Eastern Daylight Time, on the Bid Date, but no bid will be received after such time on the Bid Date and will be considered at the office of the Director of Finance of the City of Fort Lauderdale, Florida (the “City”), for the purchase of all, but not less than all of the \$67,120,000* of the City of Fort Lauderdale, Florida Water and Sewer Revenue Refunding Bonds, Series 2012 (the “Series 2012 Bonds”). Such bids will be opened in public in accordance with applicable legal requirements.

The Series 2012 Bonds are more particularly described in the Preliminary Official Statement dated April 19, 2012 relating to the Series 2012 Bonds (the “Preliminary Official Statement”), available at www.munios.com. This Official Notice of Bond Sale contains certain information for quick reference only. It is not, and is not intended to be, a summary of the Series 2012 Bonds. Each bidder is required to read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision. Capitalized terms used but not defined herein shall have the meaning assigned to such terms in the Preliminary Official Statement.

Prior to accepting bids, the City reserves the right to change the principal amount of the Series 2012 Bonds being offered and the terms of the Series 2012 Bonds, to postpone the sale to a later date or time or cancel the sale. Notice of a change or cancellation will be announced via *The Bond Buyer* news service at the internet website address www.tm3.com, not later than 12:00 noon, Eastern Daylight Time, on the day preceding the bid opening or as soon as practicable prior to the sale. Such notice will specify the revised principal amount or terms, if any, and any later date or time selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed and a later date or time for the sale is not included in the notice of postponement, a later public sale may be held at the hour, in the manner, and on such date as

* Subject to change.

communicated upon at least twenty-four (24) hours notice via *The Bond Buyer* news service at the internet website address www.tm3.com. The City reserves the right, after the bids are opened, to adjust the principal amount of the Series 2012 Bonds, as further described herein. See “ADJUSTMENT OF AMOUNTS AND MATURITIES” herein.

To the extent any instructions or directions set forth in *PARITY*[®] conflict with this Official Notice of Bond Sale, the terms of this Official Notice of Bond Sale shall control. For further information about *PARITY*[®] and to subscribe in advance of the bid, potential bidders may contact *PARITY*[®] at (212) 849-5021.

Disclaimer

Each prospective electronic bidder must be a subscriber to *PARITY*[®]. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to view the bid form on *PARITY*[®] and to access *PARITY*[®] for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Bond Sale. Neither the City nor *PARITY*[®] shall have any duty or obligation to provide or assure access to *PARITY*[®] to any prospective bidder, and neither the City nor *PARITY*[®] shall be responsible for a bidder’s failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*[®]. The City is using *PARITY*[®] as a communication mechanism, and not as the City’s agent, to conduct the electronic bidding for the Series 2012 Bonds. The City is not bound by any advice or determination of *PARITY*[®] to the effect that any particular bid complies with the terms of this Official Notice of Bond Sale and, in particular, the bid specifications hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via *PARITY*[®] are the sole responsibility of such bidders and the City shall not be responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Series 2012 Bonds, the prospective bidder should immediately telephone *PARITY*[®] at 212-849-5021, notify the City’s Financial Advisor, First Southwest Company by facsimile at 305-819-9992 and notify the City’s Director of Finance, Douglas R. Wood, by facsimile at 954-828-5168. The City shall have no responsibility for technological or transmission errors that any bidder may experience in transmitting a bid. The use of *PARITY*[®] shall be at the bidder’s risk and expense, and the City shall have no liability with respect thereto.

THE SERIES 2012 BONDS - GENERAL

The Series 2012 Bonds shall be issued only as fully registered bonds without coupons in the denominations of \$5,000 or any integral multiple thereof, shall be dated their date of delivery, and shall bear interest as set forth in this Official Notice of Bond Sale and in the Preliminary Official Statement, payable semi-annually on March 1 and September 1 of each year until paid, commencing on September 1, 2012.

The Series 2012 Bonds will be initially issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (“DTC”) and immobilized in its custody. The book-entry system will evidence ownership interests in the

Series 2012 Bonds in the principal amount of \$5,000 or any integral multiple thereof, with transfers of ownership interests affected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Series 2012 Bonds, shall be required to deposit the certificates with DTC, registered in the name of Cede & Co., its nominee. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Series 2012 Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for such transfers of payments or for maintaining, supervising, or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Principal of the Series 2012 Bonds will be payable upon presentation and surrender thereof at the designated corporate office of the Paying Agent on the dates, in the years and amounts established in accordance with the award of the Series 2012 Bonds. Interest on the Series 2012 Bonds is payable on the dates shown in the Summary Table set forth herein (the "Summary Table"). The Paying Agent will mail interest payments on the Series 2012 Bonds on each interest payment date to the owners of the Series 2012 Bonds, as described in the Bond Resolution (as defined herein). So long as DTC or its nominee is the registered owner of the Series 2012 Bonds, payments of principal and interest on the Series 2012 Bonds will be made to DTC or its nominee.

In the event that (a) DTC determines not to continue to act as securities depository for the Series 2012 Bonds or (b) the City determines that it should not continue the book-entry system of evidence and transfer of ownership of the Series 2012 Bonds, the City will discontinue the book-entry system with DTC. If the City fails to identify another qualified securities depository to replace DTC, the City will deliver replacement Series 2012 Bonds in the form of fully registered certificates.

Paying Agent and Bond Registrar

Regions Bank is acting as Paying Agent and Bond Registrar for the Series 2012 Bonds.

Security

The Series 2012 Bonds will be secured by a lien on and pledge of the Net Revenues of the City's Water and Sewer System, as described in the Preliminary Official Statement.

Authority for and Purpose of the Series 2012 Bonds

The Series 2012 Bonds are being issued pursuant to and under the authority of Chapter 166, Part II, Florida Statutes, and other applicable provisions of law, and Resolution No. 03-29 adopted by the City Commission of the City on February 18, 2003, as supplemented by Resolution No. 12-75 adopted by the City Commission of the City on April 17, 2012 (collectively, the "Bond Resolution") for the purpose of providing funds, together with other legally available moneys, to (i) refund on an advanced basis a portion of the City's outstanding \$90,000,000 original aggregate principal amount of Water and Sewer Revenue Bonds, Series

2003 (the “Refunded Bonds”) and (ii) pay the costs of issuance of the Series 2012 Bonds and the refunding of the Refunded Bonds, as described in the Preliminary Official Statement.

BIDDER’S SPECIAL OPTION-TERM BONDS

Bidders on the Series 2012 Bonds have the option of specifying that the principal amount of Series 2012 Bonds in any two or more consecutive maturity dates, as provided in the Summary Table, may, in lieu of maturing on each such maturity date, be considered as a single maturity of Series 2012 Bonds (the “Term Bonds”) scheduled to mature in the latest of such maturity dates, and be subject to mandatory sinking fund redemption by lot at par in the manner described in the Preliminary Official Statement on each of the maturity dates, and in the principal amounts as given in the maturity schedule provided in the Summary Table, as the same may be modified by the City. Bidders may specify up to seven (7) such Term Bonds.

REDEMPTION PROVISIONS

Optional Redemption

The Series 2012 Bonds maturing on or prior to September 1, 2021 are not subject to redemption prior to maturity. The Series 2012 Bonds maturing on or after March 1, 2022 are subject to redemption at the option of the City prior to their respective dates of maturity on or after September 1, 2021, in whole or in part at any time, in any order of maturity selected by the City and by lot within a maturity, at a redemption price equal to 100% of the principal amount of the Series 2012 Bonds to be redeemed, together with accrued interest to the date fixed for redemption.

Mandatory Redemption

Any Term Bonds specified pursuant to “Bidders’ Special Option - Term Bonds” shall also be redeemable by operation of the amortization requirements to be deposited in the Principal and Interest Account established under the Bond Resolution, by lot at par in the amounts and in the years specified in the maturity schedule for the Series 2012 Bonds.

[Remainder of Page Intentionally Left Blank]

Summary Table

If numerical or date references contained in the body of the Official Notice of Bond Sale conflict with the Summary Table, the body of the Official Notice of Bond Sale shall control. Consult the body of the Official Notice of Bond Sale for a detailed explanation of the items contained in the Summary Table, including interpretation of such items and methodologies used to determine such items. Prospective purchasers of the Series 2012 Bonds must read the entire Official Notice of Bond Sale and the entire Preliminary Official Statement.

Terms of the Series 2012 Bonds

Dated Date:	Date of Delivery
Anticipated Delivery Date:	May 16, 2012*
Interest Payment Dates:	March 1 and September 1, commencing September 1, 2012
Principal Payment Dates:	March 1 and September 1, commencing March 1, 2013

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Maturity Date</u>	<u>Principal Amount*</u>
03/01/13	\$ 15,000	09/01/22**	\$1,795,000
09/01/13	1,245,000	03/01/23**	1,830,000
03/01/14	1,265,000	09/01/23**	1,870,000
09/01/14	1,280,000	03/01/24**	1,910,000
03/01/15	1,315,000	09/01/24**	1,950,000
09/01/15	1,330,000	03/01/25**	1,990,000
03/01/16	1,360,000	09/01/25**	2,025,000
09/01/16	1,390,000	03/01/26**	2,055,000
03/01/17	1,420,000	09/01/26**	2,095,000
09/01/17	1,440,000	03/01/27**	2,125,000
03/01/18	1,465,000	09/01/27**	2,160,000
09/01/18	1,495,000	03/01/28**	2,195,000
03/01/19	1,525,000	09/01/28**	2,235,000
09/01/19	1,570,000	03/01/29**	2,275,000
03/01/20	1,605,000	09/01/29**	2,320,000
09/01/20	1,640,000	03/01/30**	2,370,000
03/01/21	1,675,000	09/01/30**	2,420,000
09/01/21	1,715,000	03/01/31**	2,470,000
03/01/22**	1,760,000	09/01/31**	2,520,000

Interest Calculation:	360-day year consisting of twelve 30-day months
Ratings:	Moody's "Aa1" (underlying) S&P "AA+" (underlying)

* Preliminary, subject to change. Amounts may be increased or decreased after submission of bids as described herein under "ADJUSTMENT OF AMOUNT OF MATURITIES."

** May be combined into up to seven term bonds. See "BIDDERS' SPECIAL OPTION-TERM BONDS" herein.

Bidding Parameters

Principal Amount	\$67,120,000*
Sale Date:	May 3, 2012*
Bidding Method:	<i>PARITY</i> [®]
All or none vs. Maturity-by-Maturity:	All-or-none
Bid Award Method:	Lowest true interest cost, but not exceeding 4.0%
Bid Confirmation:	Fax signed Official Confirmation of Bid Form
Bid Award:	As soon as practicable on day of sale
Good Faith Deposit:	\$671,200, wire transfer or cashier's or certified check required by 11:00 a.m. the day after the bid
Coupon Multiples:	1/8 or 1/20 of 1%
Maximum/Minimum Coupon:	No more than 300 basis points between minimum and maximum coupons.
Optional Redemption:	Yes, at par on or after September 1, 2021
Term Bonds:	At bidder's option. See "Bidder's Special Option-Term Bonds" herein.
Maximum Re-offering Price:	Maturity – 125%; Aggregate – 115%
Minimum Re-offering Price:	Maturity – 98%; Aggregate – 98%
Ascending Coupon Requirement:	None
Insurance	None

Adjustment Parameters

(As required to generate level Debt Service)

Principal Increases:	Maturity	Unlimited
Principal Reductions:	Maturity	Unlimited

*Preliminary, subject to change.

ADJUSTMENT OF AMOUNT OF MATURITIES

The aggregate principal amount of each maturity of Series 2012 Bonds is subject to adjustment by the City after the receipt and opening of the bids for their purchase. Changes to be made after the opening of the bids will be communicated to the successful bidder directly prior to 8:00 a.m., Eastern Daylight Time on the date following the sale date.

The City may cancel the sale of the Series 2012 Bonds or adjust the principal amounts of the maturities. The City may increase or decrease the principal amount of any maturity of the Series 2012 Bonds as shown in the Summary Table provided that the aggregate principal amount of Series 2012 Bonds issued does not exceed \$75,000,000. The City will consult with the successful bidder before adjusting the amount of any maturity of the Series 2012 Bonds or canceling the Series 2012 Bonds; however, the City reserves the sole right to make adjustments, within the limits described above, or cancel the sale of the Series 2012 Bonds.

Adjustment to the maturities of the Series 2012 Bonds within the limits described above does not relieve the purchaser from its obligation to purchase all of the Series 2012 Bonds offered by the City.

Each bid must specify the initial reoffering prices to the public of each maturity of Series 2012 Bonds. Adjustments may be made to the principal amounts based on the reoffering prices shown on *PARITY*[®]. In determining whether there will be any revision to the principal amount of the maturities of the Series 2012 Bonds subsequent to the bid opening and award, the City expects that changes may be made that are necessary to increase or decrease the principal

amount of the Series 2012 Bonds to meet the City's funding objectives, all subject to the limitations set forth above.

In the event that the principal amount of any maturity of the Series 2012 Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's Discount on the Series 2012 Bonds as submitted by the successful bidder shall be held constant. The "Underwriter's Discount" shall be defined as the difference between the purchase price of the Series 2012 Bonds submitted by the bidder and the price at which the Series 2012 Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Series 2012 Bonds bid.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, have assigned ratings of "Aa1" and "AA+" respectively, to the Series 2012 Bonds. The Series 2012 Bonds will not be insured by a municipal bond insurance policy.

OFFICIAL STATEMENT

The Preliminary Official Statement, copies of which may be obtained as described below, is in a form "deemed final" by the City for purposes of clause (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") but is subject to revision, amendment and completion in a final Official Statement in accordance with Rule 15c2-12. Upon the sale of the Series 2012 Bonds, the City will prepare a final Official Statement dated the date of the sale in substantially the same form as the Preliminary Official Statement (the "Final Official Statement"). Up to 200 copies of the Final Official Statement will be provided, at the City's expense, on a timely basis in such quantities as may be necessary for the successful bidder's regulatory compliance. The successful bidder will be furnished, without cost, the opinion of the Law Offices of Steve E. Bullock, P.A., Disclosure Counsel to the City ("Disclosure Counsel"), to the effect that, based solely on the participation of Disclosure Counsel in the preparation of the Final Official Statement and the examination of certain information by Disclosure Counsel, as described in such opinion, and excluding any financial, statistical or demographic data and information contained in the Final Official Statement, nothing has come to the attention of Disclosure Counsel which would lead Disclosure Counsel to believe that the Final Official Statement contains an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading in any material respect.

ELECTRONIC BIDDING PROCEDURES

Only electronic bids submitted via *PARITY*[®] will be accepted. No other provider of electronic bidding services will be accepted. No bid delivered in person or by facsimile directly to the City will be accepted. Bidders are permitted to submit bids for the Series 2012 Bonds during the bidding time period, provided they are eligible to bid as described under "GENERAL" above.

Each electronic bid submitted via *PARITY*[®] shall be deemed an irrevocable offer in response to this Official Notice of Bond Sale and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. All bids remain firm until an award is made. The successful bidder must confirm the details of such bid by a signed Official Confirmation of Bid Form, the form of which is attached hereto as Exhibit A, delivered by fax to First Southwest Company, Financial Advisor to the City at 305-819-9992 no later than one hour after being notified by the City of being the winning bidder, the original of which must be received by the Financial Advisor to the City on the following business day at 18851 N.E. 29th Avenue, Suite 520, Aventura, Florida 33180. Failure to deliver the Official Confirmation of Bid Form does not relieve the bidder of the obligation to purchase the Series 2012 Bonds.

FORM OF BID

Bidders must bid to purchase all maturities of the Series 2012 Bonds. Each bid must specify (1) an annual rate of interest for each maturity, (2) reoffering price or yield for each maturity and (3) a dollar purchase price for the entire issue of the Series 2012 Bonds. No more than one (1) bid from any bidder will be considered.

A bidder must specify the rate or rates of interest per annum (with no more than one rate of interest per maturity), which the Series 2012 Bonds are to bear, to be expressed in multiples of 1/8 or 1/20 of 1%. Any number of interest rates may be named, but the Series 2012 Bonds of each maturity must bear interest at the same single rate for all bonds of that maturity. Ascending coupon rates are not required.

Each bid for the Series 2012 Bonds must meet the minimum and maximum coupon criteria and minimum and maximum reoffering price criteria shown in the Summary Table on a maturity and aggregate basis.

Each bidder must specify, as part of its bid, the prices or yields at which a substantial amount (i.e., at least 10%) of the Series 2012 Bonds of each maturity will be offered and sold to the public. Reoffering prices presented as a part of the bids will not be used in computing the bidder's true interest cost. As promptly as reasonably possible after bids are received, the City will notify the successful bidder that it is the apparent winner.

AWARD OF BID

The City expects to award the Series 2012 Bonds to the winning bidder as soon as practicable after the bids are opened on the sale date. Bids may not be withdrawn prior to the award. Unless all bids are rejected, the Series 2012 Bonds will be awarded by the City on the sale date to the bidder whose bid complies with this Official Notice of Bond Sale and results in the lowest true interest cost ("TIC") to the City, but not exceeding the Maximum TIC permitted by the Bond Resolution. The lowest TIC will be determined by doubling the semi-annual interest rate, compounded semi-annually, necessary to discount the debt service payments from the payment dates to the dated date of the Series 2012 Bonds and to the aggregate purchase price of the Series 2012 Bonds. If two or more responsible bidders offer to purchase the Series 2012 Bonds at the same lowest TIC, the City will award the Series 2012 Bonds to one of such bidders by lot. Only the final bid submitted by any bidder through *PARITY*[®] will be considered. The

right reserved to the City shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Official Notice of Bond Sale.

RIGHT OF REJECTION

The City reserves the right, in its discretion, to reject any and all bids and to waive irregularity or informality in any bid.

DELIVERY AND PAYMENT

It is anticipated that the Series 2012 Bonds in definitive form will be available for delivery on or about the delivery date shown in the Summary Table in New York City at DTC, or such other date and place to be mutually agreed upon by the successful bidder and the City against payment of the purchase price therefor, to be delivered in Federal Reserve funds without cost to the City. The City intends to conduct the closing by telephone.

GOOD FAITH DEPOSIT

If the City selects a winning bid, then the successful bidder is required to submit a “Good Faith Deposit” (the “Deposit”) to the City in the form of a cashier’s or certified check or a wire transfer in the amount of \$671,200. Such Deposit must be submitted to the City no later than 11:00 a.m. Eastern Daylight Time on the next business day following the award. If the Deposit is not received by that time, the City reserves the right to withdraw the award to the successful bidder and solicit new bids for the purchase of the Series 2012 Bonds. The Deposit of the successful bidder will be collected and the proceeds thereof retained by the City to be applied in partial payment for the Series 2012 Bonds. No interest will be allowed or paid upon the amount of the Deposit, but in the event the successful bidder shall fail to comply with the terms of the bid, the Deposit will be retained as and for full liquidated damages, without waiving the City’s other rights at law or in equity.

CLOSING DOCUMENTS

The City will furnish to the successful bidder, upon delivery of the Series 2012 Bonds, the following closing documents in a form satisfactory to Squire Sanders (US) LLP, Bond Counsel: (1) signature and no-litigation certificate; (2) tax compliance certificate; (3) certificate regarding information in the Official Statement; (4) continuing disclosure certificate; and (5) seller’s receipt as to payment. A copy of the transcript of the proceedings authorizing the Series 2012 Bonds will be delivered to the successful bidder of the Series 2012 Bonds upon request. Copies of the form of such closing papers and certificates may be obtained from the City.

DISCLOSURE OBLIGATIONS OF THE PURCHASER

Section 218.38(1)(b)(2), Florida Statutes, requires that the successful bidder file a statement with the City containing information with respect to any fee, bonus or gratuity paid, in connection with the Series 2012 Bonds, by any underwriter or financial consultant to any person not regularly employed or engaged by such underwriter or consultant. Receipt of such statement is a condition precedent to the delivery of the Series 2012 Bonds to such successful bidder. The

successful bidder must (1) **complete the Truth-in-Bonding Statement (the form of which is attached hereto as Exhibit B) and submit such form to the City, by facsimile transmission at (954) 828-5168 at the time it is determined that the bid is the winning bid, stating the amount of the total interest to be paid over the life of the Series 2012 Bonds,** and (2) indicate whether such successful bidder has paid any finder's fee to any person in connection with the sale of the Series 2012 Bonds in accordance with Section 218.386, Florida Statutes. The successful bidder will be required to submit to the City prior to closing a certification to the effect that (i) all of the Series 2012 Bonds have been subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices no higher than or yields no lower than those shown on the inside cover of the Final Official Statement, (ii) to the best of their knowledge, and based on their records and other information available to them which they believe to be correct, at least 10 percent of each maturity of the Series 2012 Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices not greater than or yields not lower than the respective prices or yields shown on the inside cover of the Final Official Statement, and (iii) at the time they agreed to purchase the Series 2012 Bonds, based upon their assessment of the then prevailing market conditions, they had no reason to believe any of the Series 2012 Bonds would be sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than or yields lower than the respective prices or yields shown on the inside cover of the Final Official Statement. **To the extent the successful bidder cannot make such certification to the effect provided above, Bond Counsel and the successful bidder shall attempt to reach a mutually satisfactory agreement with respect to a similar certification. If such an agreement cannot be reached, the City may reject the bid.** The closing certificate described herein shall be in substantially the form of Exhibit C hereto and shall cover such other matters as may be reasonably requested by Bond Counsel.

LEGAL OPINION

The successful bidder will be furnished, without cost, with the approving opinion of Bond Counsel to the effect that, based on existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended, and (ii) the Series 2012 Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. The interest on the Series 2012 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest.

CUSIP NUMBERS

It is anticipated that CUSIP identification numbers will be printed on the Series 2012 Bonds, but neither the failure to print such number on any Series 2012 Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept

delivery of and pay for the Series 2012 Bonds in accordance with its agreement to purchase the Series 2012 Bonds. Bond Counsel will not review or express any opinion as to the correctness of such CUSIP numbers. The policies of the CUSIP Service Bureau will govern the assignment of specific numbers to the Series 2012 Bonds. All expenses in relation to the printing of CUSIP numbers on the Series 2012 Bonds shall be paid for by the City; provided, however, that the CUSIP Service Bureau application and charge for the assignment of said number shall be the responsibility of and shall be paid for by the successful bidder.

MINORITY AND WOMEN BUSINESS ENTERPRISES

It is the policy of the City to provide minority business enterprises (“MBE”) and women business enterprises (“WBE”) an equal opportunity to participate in the performance of City contracts. The City has placed a high priority on increasing the amount of MBE and WBE participation in City contracts. Bidders are requested to assist the City in implementing its policy by providing equal opportunities for MBE and WBE underwriting firms to participate in their bidding syndicates.

BLUE SKY

The City has not undertaken to register the Series 2012 Bonds under the securities laws of any state, nor investigated the eligibility of any institution or person to purchase or participate in the underwriting of the Series 2012 Bonds under any applicable legal investment, insurance, banking or other laws. By submitting a bid for the Series 2012 Bonds, the successful bidder represents that the sale of the Series 2012 Bonds in states other than Florida will be made only under exemptions from registration or, wherever necessary, the successful bidder will register the Series 2012 Bonds in accordance with the securities laws of the state in which the Series 2012 Bonds are offered or sold. The City agrees to cooperate with the successful bidder, at the successful bidder’s written request and expense, in registering the Series 2012 Bonds or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the City shall not be required to consent to suit or to service of process in any jurisdiction.

CONTINUING DISCLOSURE

The City will covenant for the benefit of holders of the Series 2012 Bonds to provide certain financial information and operating data relating to the City not later than 243 days following the end of each fiscal year (the “Annual Report”), and to provide, or cause to be provided, notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notices of material events are set forth in the Continuing Disclosure Commitment which is reproduced in its entirety in APPENDIX G-1 attached to the Preliminary Official Statement. The covenants mentioned herein have been undertaken by the City in order to assist the successful bidder in complying with clause (b)(5) of Rule 15c2-12.

In order to implement the Continuing Disclosure Commitment and facilitate compliance with the continuing disclosure requirements of Rule 15c2-12, the City has entered into a

disclosure dissemination agent arrangement for the benefit of the Holders of the Series 2012 Bonds with Digital Assurance Certification, L.L.C. (“DAC”), under which the City has designated DAC as Disclosure Dissemination Agent.

COPIES OF DOCUMENTS

Copies of the Preliminary Official Statement and this Official Notice of Bond Sale, and further information which may be desired, may be obtained from the Director of Finance, City of Fort Lauderdale, Florida, 100 N. Andrews Avenue, Fort Lauderdale, Florida 33301, telephone 954-828-5144, or from First Southwest Company, 18851 N.E. 29th Avenue, Suite 520, Aventura, Florida 33180, telephone 305-819-8886, Financial Advisors to the City.

CITY OF FORT LAUDERDALE, FLORIDA

/s/ John P. “Jack” Seiler

Mayor

/s/ Douglas R. Wood

Director of Finance

EXHIBIT A

OFFICIAL CONFIRMATION OF BID FORM

\$ _____ *

City of Fort Lauderdale, Florida

Water and Sewer Revenue Refunding Bonds, Series 2012

The undersigned hereby offer to purchase all of the City of Fort Lauderdale, Florida Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"), to be dated as of the date of delivery (expected to be May 16, 2012), described in the attached Official Notice of Bond Sale and the Preliminary Official Statement referred to therein, which by reference is made part of this bid, for all but not less than all of said Series 2012 Bonds and will pay therefor, at the time of delivery, in immediately available Federal Reserve Funds _____ Dollars (\$ _____), bearing interest at the following rates per annum:

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
03/01/13	\$ 15,000			09/01/22**	\$1,795,000		
09/01/13	1,245,000			03/01/23**	1,830,000		
03/01/14	1,265,000			09/01/23**	1,870,000		
09/01/14	1,280,000			03/01/24**	1,910,000		
03/01/15	1,315,000			09/01/24**	1,950,000		
09/01/15	1,330,000			03/01/25**	1,990,000		
03/01/16	1,360,000			09/01/25**	2,025,000		
09/01/16	1,390,000			03/01/26**	2,055,000		
03/01/17	1,420,000			09/01/26**	2,095,000		
09/01/17	1,440,000			03/01/27**	2,125,000		
03/01/18	1,465,000			09/01/27**	2,160,000		
09/01/18	1,495,000			03/01/28**	2,195,000		
03/01/19	1,525,000			09/01/28**	2,235,000		
09/01/19	1,570,000			03/01/29**	2,275,000		
03/01/20	1,605,000			09/01/29**	2,320,000		
09/01/20	1,640,000			03/01/30**	2,370,000		
03/01/21	1,675,000			09/01/30**	2,420,000		
09/01/21	1,715,000			03/01/31**	2,470,000		
03/01/22**	1,760,000			09/01/31**	2,520,000		

* Preliminary, subject to change. Amounts may be increased or decreased after submission of bids as described in the attached Official Notice of Bond Sale under "ADJUSTMENT OF AMOUNT OF MATURITIES."

** May be combined into up to seven term bonds. See "BIDDER'S SPECIAL OPTION-TERM BONDS" in the attached Official Notice of Bond Sale.

Any two or more consecutive maturities of the Series 2012 Bonds maturing on or after March 1, 2022 bearing interest at the same rate may be combined into up to seven term bonds with mandatory sinking fund installments equal to the amounts specified in the Official Notice of Bond Sale for the years combined to form a term bond.

The principal installments for the Series 2012 Bonds indicated on the previous page shall be applied for the mandatory retirement of Term Bonds maturing in the years and amounts and bearing interest as follows:

\$_____ Term Bonds maturing on [March/September] 1, _____ at ____% per annum to yield ____% per annum, subject to mandatory redemption on March 1 and September 1 of the following years and in the following principal amounts:

Year

Principal Amount

* Final Maturity.

\$_____ Term Bonds maturing on [March/September] 1, _____ at ____% per annum to yield ____% per annum, subject to mandatory redemption on March 1 and September 1 of the following years and in the following principal amounts:

Year

Principal Amount

* Final Maturity.

\$_____ Term Bonds maturing on [March/September] 1, _____ at ____% per annum to yield ____% per annum, subject to mandatory redemption on March 1 and September 1 of the following years and in the following principal amounts:

Year

Principal Amount

* Final Maturity.

\$_____ Term Bonds maturing on [March/September] 1, _____ at ____% per annum to yield ____% per annum, subject to mandatory redemption on March 1 and September 1 of the following years and in the following principal amounts:

Year

Principal Amount

* Final Maturity.

\$_____ Term Bonds maturing on [March/September] 1, _____ at ____% per annum to yield ____% per annum, subject to mandatory redemption on March 1 and September 1 of the following years and in the following principal amounts:

Year

Principal Amount

* Final Maturity.

\$_____ Term Bonds maturing on [March/September] 1, _____ at ____% per annum to yield ____% per annum, subject to mandatory redemption on March 1 and September 1 of the following years and in the following principal amounts:

Year

Principal Amount

* Final Maturity.

\$_____ Term Bonds maturing on [March/September] 1, _____ at ____% per annum to yield ____% per annum, subject to mandatory redemption on March 1 and September 1 of the following years and in the following principal amounts:

Year

Principal Amount

* Final Maturity.

GOOD FAITH DEPOSIT

In accordance with the attached Official Notice of Bond Sale, we are the authorized issuer of a cashier's or certified check or a wire transfer in the amount of six hundred seventy-one thousand two hundred and 00/100th Dollars (\$671,200.00) with respect to this bid as described in the attached Official Notice of Bond Sale.

MISCELLANEOUS

This proposal is not subject to any conditions not expressly stated herein or in the attached Official Notice of Bond Sale. Receipt and review of the Preliminary Official Statement relating to the Series 2012 Bonds is hereby acknowledged. The names of the underwriters or member of the account or joint bidding account, if any, who are associated for the purpose of this Proposal are listed either below or on a separate sheet attached hereto.

TRUTH IN BONDING STATEMENT

Prior to an award, the successful bidder must complete, sign and deliver with this Official Confirmation of Bid Form the Truth in Bonding Statement which is attached to the Official Notice of Bond Sale as Exhibit B. The City reserves the right to assist the bidder in correcting any inconsistencies or inaccuracies set forth in such Truth in Bonding Statement. The City may waive any inconsistencies or inaccuracies relating to such Statements and any such waived inconsistencies or inaccuracies shall not adversely affect the bid.

Senior Manager: _____

Address: _____

City: _____ State: ____ Zip Code: _____

Authorized Signature: _____

Printed Name: _____

Telephone Number: _____

Facsimile Number: _____

Email: _____

EXHIBIT B

TRUTH-IN-BONDING STATEMENT

For purpose of Section 218.385(2) and (3), Florida Statutes, we submit the following truth-in-bonding statement with respect to the Series 2012 Bonds: The City of Fort Lauderdale, Florida (the "City") is proposing to issue \$_____ of its Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds") for the purpose of (i) refunding on an advanced basis the Refunded Bonds, and (ii) paying the costs of issuing the Series 2012 Bonds. This debt or obligation is expected to be repaid over a period of approximately 19 years. At an average interest rate of _____%, total interest paid over the life of the Series 2012 Bonds will be \$_____.

The source of repayment or security for the Series 2012 Bonds is a pledge of Net Revenues of the Water and Sewer System of City will result in approximately \$_____ of Net Revenues not being available annually to finance the other services of the City's Water and Sewer System for _____ years, which amount is less than if the Series 2012 Bonds had not been issued and the Refunded Bonds had not been refunded.

The computations above are submitted for informational purposes and are not a part of this bid.

Furthermore, pursuant to Section 218.386, Florida Statutes, the names, addresses and estimated amounts of compensation of any person who has entered into an understanding with the managing underwriter or, to the managing underwriter's knowledge, the City, or both, for any paid or promised compensation or valuable consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the City and the managing underwriter or who exercises or attempts to exercise any influence to effect a transaction in the purchase of the Series 2012 Bonds, are set forth below in the space provided. If no information is provided below, the City shall presume no such compensation was paid.

[none]

Capitalized terms used but not defined herein shall have the meaning given to such terms in the Preliminary Official Statement dated April 19, 2012 relating to the Series 2012 Bonds.

By: _____

Title: _____

EXHIBIT C
CERTIFICATE
WITH RESPECT TO “ISSUE PRICE”

_____ (the “Purchaser”), acting on behalf of itself and the syndicate/selling group, if any, created by it as Purchaser (collectively, the “Underwriters”) of the \$_____ Water and Sewer Revenue Refunding Bonds, Series 2012 (the “Series 2012 Bonds”) of the City of Fort Lauderdale, Florida, in order to establish the initial offering prices of the Series 2012 Bonds for the purpose of determining the “issue price” of the Series 2012 Bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, DOES HEREBY CERTIFY that the Underwriters initially offered all of the Series 2012 Bonds to the public (excluding bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) for cash at prices not greater than (and yields not less than) the initial public offering prices (or yields) as set forth on the inside cover of the Official Statement for the Series 2012 Bonds and, based on actual facts as of the sale date, reasonably expected to sell at least ten percent of the aggregate face amount of each maturity of the Series 2012 Bonds to the public (excluding bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) for cash at prices equal to or less than (or yields equal to or greater than) the initial public offering prices (or yields).

Date May __, 2012.

By: _____

Title: _____

NEW ISSUE - Book-Entry Only

Ratings: Moody's: "Aa1"

S&P: "AA+"

(See "RATINGS" herein)

In the opinion of Squire Sanders (US) LLP, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) the Series 2012 Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. Interest on the Series 2012 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects relating to the Series 2012 Bonds, see the discussion under the heading "TAX MATTERS" herein.



\$67,120,000*

CITY OF FORT LAUDERDALE, FLORIDA
Water and Sewer Revenue Refunding Bonds, Series 2012

Dated: Date of Delivery

Due: March 1 and September 1,
as shown on inside cover page

The City of Fort Lauderdale, Florida Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds") will be issued by the City of Fort Lauderdale, Florida (the "City") as fully registered bonds, without coupons, in denominations of \$5,000 and integral multiples thereof and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2012 Bonds. Purchasers will not receive certificates representing their ownership interests in the Series 2012 Bonds purchased. See "THE SERIES 2012 BONDS – Book-Entry Only System" herein. Interest on the Series 2012 Bonds will accrue from their date of delivery and will be payable on September 1, 2012 and semiannually on each March 1 and September 1 thereafter. Regions Bank, Jacksonville, Florida, will serve as the initial Bond Registrar and Paying Agent (the "Paying Agent") for the Series 2012 Bonds. While the Series 2012 Bonds are registered through the DTC book-entry only system, principal of and interest on the Series 2012 Bonds will be payable by the Paying Agent to DTC.

The Series 2012 Bonds are being issued for the purpose of providing funds, together with other legally available funds of the City, to (i) advance refund a portion of the City's outstanding Water and Sewer Revenue Bonds, Series 2003 (the "Series 2003 Bonds"), which Bonds were originally issued to finance certain Costs of improving and upgrading the City's Water and Sewer System (the "Water and Sewer System"); and (ii) pay the costs of issuing the Series 2012 Bonds. The Series 2012 Bonds are payable from and secured by a lien on and pledge of the Net Revenues derived from the City's ownership or operation of the Water and Sewer System and certain other moneys held under the Resolution (as defined herein), on a parity with the portion of the Series 2003 Bonds remaining Outstanding after the issuance of the Series 2012 Bonds, and the City's Outstanding Water and Sewer Revenue Bonds, Series 2006, Water and Sewer Revenue Bonds, Series 2008, Water and Sewer Revenue Bonds, Series 2010 and any other Bonds or Alternative Parity Debt hereafter issued; **provided, however, that no deposit to the Reserve Account shall be made in connection with the issuance of the Series 2012 Bonds and the Series 2012 Bonds shall not be secured by, or entitled to any benefit from, amounts held in the Reserve Account for the benefit of other Bonds issued and Outstanding under the Bond Resolution (as such terms are defined herein).** See "SECURITY FOR THE SERIES 2012 BONDS" herein.

The Series 2012 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.

THE CITY IS OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE SERIES 2012 BONDS SOLELY FROM THE NET REVENUES AND CERTAIN OTHER MONEYS, AS DESCRIBED IN THE RESOLUTION. THE SERIES 2012 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, BROWARD COUNTY, FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. THE FAITH AND CREDIT OF THE CITY, BROWARD COUNTY, FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF IS NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2012 BONDS. THE ISSUANCE OF THE SERIES 2012 BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY, BROWARD COUNTY, FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY TAXES WHATEVER THEREFOR, OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2012 BONDS, EXCEPT AS PROVIDED IN THE RESOLUTION.

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

The Series 2012 Bonds are offered when, as and if issued by the City, subject to the approval of their legality by Squire Sanders (US) LLP, Miami, Florida, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Harry A. Stewart, Esquire, City Attorney. Certain legal matters relating to disclosure will be passed upon for the City by the Law Offices of Steve E. Bullock, P.A., Miramar, Florida, Disclosure Counsel. First Southwest Company,ventura, Florida, is acting as Financial Advisor to the City. It is expected that settlement on the Series 2012 Bonds will occur through the facilities of DTC in New York, New York on or about May 16, 2012.

BIDS FOR THE SERIES 2012 BONDS WILL BE RECEIVED USING THE PARITY BIDDING SYSTEM, THROUGH THE TM3 NEWS SERVICE, AS SPECIFIED IN THE OFFICIAL NOTICE OF BOND SALE

DAC Bond

Dated: May __, 2012

* Preliminary, subject to change.

\$67,120,000*
CITY OF FORT LAUDERDALE, FLORIDA
Water and Sewer Revenue Refunding Bonds, Series 2012

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
PRICES OR YIELDS AND INITIAL CUSIP NUMBERS*†**

\$ _____ Serial Series 2012 Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Initial CUSIP No.</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Initial CUSIP No.</u>
3/1/13	\$ 15,000	%	%	347658____	9/1/22**	\$1,795,000	%	%	347658____
9/1/13	1,245,000			347658____	3/1/23**	1,830,000			347658____
3/1/14	1,265,000			347658____	9/1/23**	1,870,000			347658____
9/1/14	1,280,000			347658____	3/1/24**	1,910,000			347658____
3/1/15	1,315,000			347658____	9/1/24**	1,950,000			347658____
9/1/15	1,330,000			347658____	3/1/25**	1,990,000			347658____
3/1/16	1,360,000			347658____	9/1/25**	2,025,000			347658____
9/1/16	1,390,000			347658____	3/1/26**	2,055,000			347658____
3/1/17	1,420,000			347658____	9/1/26**	2,095,000			347658____
9/1/17	1,440,000			347658____	3/1/27**	2,125,000			347658____
3/1/18	1,465,000			347658____	9/1/27**	2,160,000			347658____
9/1/18	1,495,000			347658____	3/1/28**	2,195,000			347658____
3/1/19	1,525,000			347658____	9/1/28**	2,235,000			347658____
9/1/19	1,570,000			347658____	3/1/29**	2,275,000			347658____
3/1/20	1,605,000			347658____	9/1/29**	2,320,000			347658____
9/1/20	1,640,000			347658____	3/1/30**	2,370,000			347658____
3/1/21	1,675,000			347658____	9/1/30**	2,420,000			347658____
9/1/21	1,715,000			347658____	3/1/31**	2,470,000			347658____
3/1/22**	1,760,000			347658____	9/1/31**	2,520,000			347658____

\$ _____ % Term Series 2012 Bonds Due _____ – Price: _____ % – Initial CUSIP Number: 347658____

* Preliminary, subject to change.

** May be designated as Term Bonds. See Official Notice of Bond Sale – “Bidders’ Special Option – Term Bonds.”

† The City is not responsible for the use of CUSIP Numbers, nor is a representation made as to their correctness. The CUSIP Numbers are included solely for the convenience of the readers of this Official Statement.

CITY OF FORT LAUDERDALE, FLORIDA

OFFICIALS

John P. “Jack” Seiler, Mayor
Charlotte E. Rodstrom, Vice Mayor, Commissioner, District II
Bruce G. Roberts, Commissioner, District I
Bobby B. DuBose, Commissioner, District III
Romney Rogers, Commissioner, District IV

ADMINISTRATION

Lee R. Feldman, ICMA-CM, City Manager
Harry A. Stewart, Esquire, City Attorney
Douglas R. Wood, CGFM, Director of Finance
Jonda K. Joseph, City Clerk
John C. Herbst, C.P.A., CGFO, City Auditor
Gloria J. LeClaire, C.P.A., CGFM, Controller
Lynda C. Flynn, CGFO, Treasurer
Albert Carbon, P.E., Director, Public Works Department

BOND COUNSEL

Squire Sanders (US) LLP
Miami, Florida

DISCLOSURE COUNSEL

Law Offices of Steve E. Bullock, P.A.
Miramar, Florida

FINANCIAL ADVISOR

First Southwest Company
Aventura, Florida

FEASIBILITY CONSULTANTS

CH2M HILL, Inc.
Deerfield Beach, Florida

Burton & Associates
St. Augustine, Florida

[THIS PAGE INTENTIONALLY LEFT BLANK]

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters to make any representations, other than those contained in this Official Statement in connection with the offering contained herein, 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 nor shall there be any sale of the Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been obtained from public documents, records and other sources considered to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct. Any statements in this Official Statement involving estimates, assumptions and opinions, whether or not so expressly stated, are intended as such and are not to be construed as representations of fact, and the Underwriters and the City expressly make no representation that such estimates, assumptions and opinions will be realized or fulfilled. Any information, estimates, assumptions and matters of opinion contained in this Official Statement are subject to change without notice, as neither the delivery of this Official Statement, nor any sale hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the City or with respect to the City or the Water and Sewer System since the date hereof.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections in this Official Statement. The offering of the Series 2012 Bonds is made only by means of this entire Official Statement.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “project,” “forecast,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

THE SERIES 2012 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE EXEMPTION OF THE SERIES 2012 BONDS FROM REGISTRATION OR QUALIFICATION IN CERTAIN STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED OR RECOMMENDED THE SERIES 2012 BONDS FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY

TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2012 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME, AFTER THE INITIAL OFFERING TO THE PUBLIC, BY THE UNDERWRITERS.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM (“ORIGINAL BOUND FORMAT”) OR IN ELECTRONIC FORMAT ON THE WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

THIS OFFICIAL STATEMENT SHALL NOT CONSTITUTE A CONTRACT BETWEEN THE CITY OR THE UNDERWRITERS AND ANY ONE OR MORE HOLDERS OF THE SERIES 2012 BONDS.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE CITY FOR PURPOSES OF RULE 15c2-12 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT FOR CERTAIN FINANCIAL INFORMATION PERMITTED TO BE OMITTED PURSUANT TO RULE 15c2-12(b)(1).

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
PLAN OF REFUNDING	2
DESCRIPTION OF THE SERIES 2012 BONDS	3
General	3
Optional Redemption	3
Mandatory Sinking Fund Redemption	3
Notice of Redemption	4
Book-Entry Only System	5
Discontinuance of Securities Depository	7
SECURITY AND SOURCES OF PAYMENT	8
General	8
Rate Covenant	9
Flow of Funds	10
Reserve Account	11
Additional Bonds	12
Refunding Bonds	13
Other Obligations Secured by Net Revenues	14
THE CITY	14
WATER AND SEWER SYSTEM	15
History	15
Organizational Structure	16
Government Regulations	18
Service Area Population Projections	18
The Water System	20
The Sewer System	27
Customer Classification/Growth	34
Rates, Fees and Charges	37
Comparative Rate Study	39
Billing and Collection	40
Revenues and Expenses	40
CONCLUSIONS OF THE FEASIBILITY CONSULTANTS	42
CAPITAL IMPROVEMENT PROGRAM	43
General	43
Water System Improvements	43
Sewer System Improvements	44
ESTIMATED SOURCES AND USES OF FUNDS	45
DEBT SERVICE SCHEDULE	46
LITIGATION	47
LEGAL MATTERS	48
ENFORCEABILITY OF REMEDIES	49
TAX MATTERS	49
General	49
Original Issue Discount and Original Issue Premium	51
CONTINUING DISCLOSURE	52
PENSION PLANS	52
Defined Benefit Plans	52
Defined Contribution Plans	55

GASB STATEMENT NO. 45	56
FINANCIAL STATEMENTS	58
RATINGS	58
FINANCIAL ADVISOR	58
EXPERTS	58
VERIFICATION OF MATHEMATICAL COMPUTATIONS	58
UNDERWRITING	59
DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS	59
AUTHORIZATION OF OFFICIAL STATEMENT	60
CONCLUDING STATEMENT	60
 APPENDIX A - General Information Regarding the City of Fort Lauderdale, Florida and Broward County, Florida	
APPENDIX B - Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report	
APPENDIX C - Basic Financial Statements of the City for the Fiscal Year Ended September 30, 2011	
APPENDIX D - The Resolution	
APPENDIX E - Proposed Form of Opinion of Bond Counsel	
APPENDIX F - Proposed Form of Opinion of Disclosure Counsel	
APPENDIX G - Form of Continuing Disclosure Commitment	

OFFICIAL STATEMENT
relating to

\$67,120,000*
CITY OF FORT LAUDERDALE, FLORIDA
Water and Sewer Revenue Refunding Bonds, Series 2012

INTRODUCTION

The purpose of this Official Statement, including the cover page and all appendices, is to furnish certain information relating to the City of Fort Lauderdale, Florida (the “City”), its combined water and sewer system (the “Water and Sewer System”) and the sale of its \$67,120,000* in aggregate principal amount of Water and Sewer Revenue Refunding Bonds, Series 2012 (the “Series 2012 Bonds”). The Series 2012 Bonds are being issued pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 166, Florida Statutes, as amended, and the Charter of the City (collectively, the “Act”), Resolution No. 03-29 adopted by the City Commission of the City (the “City Commission”) on February 18, 2003 (the “Bond Resolution”), as supplemented by Resolution No. 12-75, adopted by the City Commission on April 17, 2012 (the “Series Resolution” and, together with the Bond Resolution, the “Resolution”). The Series 2012 Bonds, the Unrefunded Series 2003 Bonds and the City’s Outstanding Series 2006 Bonds, Series 2008 Bonds and Series 2010 Bonds (each as hereinafter defined) and any Additional Bonds issued under the provisions of the Bond Resolution are hereinafter referred to collectively as the “Bonds.” For a complete description of the terms and conditions of the Series 2012 Bonds, and the provisions of the Resolution, see “APPENDIX D – The Resolution.”

The Series 2012 Bonds will be issued in book-entry only form and purchasers of the Series 2012 Bonds will not receive certificates representing their interest in the Series 2012 Bonds purchased. The Series 2012 Bonds will contain such other terms and provisions, including provisions regarding redemption, as described in “THE SERIES 2012 BONDS” herein.

The Series 2012 Bonds are secured by a pledge of and lien on the Net Revenues derived from the City’s ownership and operation of the Water and Sewer System and from certain other moneys held under the Resolution. The City is obligated to pay the principal of and interest on the Series 2012 Bonds solely from the Net Revenues and certain other moneys held under the Resolution. The Series 2012 Bonds do not constitute an indebtedness of the City, Broward County, Florida, the State of Florida or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation. The faith and credit of the City, Broward County, Florida, the State of Florida or any political subdivision thereof is not pledged to pay the Series 2012 Bonds. The issuance of the Series 2012 Bonds does not directly or contingently obligate the City, Broward County, Florida, the State of Florida or any political subdivision thereof to levy or pledge any taxes whatever therefor or to make any appropriation for their payment, except for the City’s obligation to pay the Series 2012 Bonds from the Net Revenues and certain other moneys held under the Resolution. See “SECURITY FOR THE SERIES 2012 BONDS” herein.

Payment of the principal of and interest on the Series 2012 Bonds from the Net Revenues and other moneys held under the Resolution is secured on a parity with the portion of the City’s Water and Sewer Revenue Bonds, Series 2003 (the “Series 2003 Bonds”) which shall remain Outstanding after the issuance of the Series 2012 Bonds (the “Unrefunded Series 2003 Bonds”), the City’s Outstanding Water and Sewer Revenue Bonds, Series 2006 (the “Series 2006 Bonds”), the City’s Outstanding Water and Sewer Revenue

Bonds, Series 2008 (the “Series 2008 Bonds”), the City’s Outstanding Water and Sewer Revenue Bonds, Series 2010 (the “Series 2010 Bonds” and, collectively with the Unrefunded Series 2003 Bonds, the Series 2006 Bonds and the Series 2008 Bonds, the “Outstanding Bonds”) and any other Bonds or Alternative Parity Debt hereafter issued; **provided, however, that no deposit to the Reserve Account shall be made in connection with the issuance of the Series 2012 Bonds and the Series 2012 Bonds shall not be secured by, or entitled to any benefit from, amounts held in the Reserve Account for the benefit of the Outstanding Bonds or any other Bonds issued and Outstanding under the Bond Resolution.** See “SECURITY FOR THE SERIES 2012 BONDS – Reserve Account” herein. The Series 2003 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2010 Bonds were originally issued in the aggregate principal amount of \$90,000,000, \$100,000,000, \$155,000,000 and \$82,300,000, respectively. As of the date of issuance of the Series 2012 Bonds, the Series 2006 Bonds, Series 2008 Bonds and Series 2010 Bonds will be Outstanding in the aggregate principal amount of \$92,275,000, \$143,940,000 and \$79,755,000, respectively, and the Unrefunded Series 2003 Bonds will be Outstanding in the aggregate principal amount of \$ _____. See “SECURITY FOR THE SERIES 2012 BONDS – Other Obligations Secured By Net Revenues” herein.

This introduction is intended to serve as a brief description of this Official Statement and is expressly qualified by reference to this Official Statement as a whole. A full review should be made of this entire Official Statement, as well as the documents and reports summarized or described herein. The description of the Series 2012 Bonds, the documents authorizing and securing the same, including, without limitation, the Resolution, and the information from various reports contained herein are not comprehensive or definitive. All references herein to such documents and reports are qualified by the entire, actual content of such documents and reports. Copies of such documents and reports may be obtained from the City. Capitalized terms used but not defined in this Official Statement shall have the meaning ascribed to such terms in the Resolution. See “APPENDIX D - The Resolution.”

PLAN OF REFUNDING

A portion of the proceeds of the Series 2012 Bonds will be used to provide for the advance refunding of the Refunded Bonds. The City will call the Refunded Bonds for redemption on March 1, 2013 at a redemption price equal to 100% of the principal amount of the Refunded Bonds, without premium.

To effect the advance refunding of the Refunded Bonds, the City will enter into an Escrow Deposit Agreement (the “Escrow Agreement”) on or prior to the delivery of the Series 2012 Bonds with Regions Bank, Jacksonville, Florida (the “Escrow Agent”). Pursuant to the terms of the Escrow Agreement, the City will deposit a portion of the proceeds of the Series 2012 Bonds, together with other legally available moneys of the City, into an escrow deposit trust fund to be maintained by the Escrow Agent (the “Escrow Deposit Trust Fund”). A portion of such proceeds and moneys will be applied on the date of delivery of the Series 2012 Bonds to the purchase of direct, non-callable obligations of the United States of America (the “Government Obligations”) maturing at such times and in such amounts so that the maturing principal, together with the interest income thereon and any cash held uninvested in the Escrow Deposit Trust Fund, will be sufficient to pay the principal of and interest due on the Refunded Bonds to and including March 1, 2013, on which date the Refunded Bonds will be redeemed.

Subsequent to the deposit of moneys into the Escrow Deposit Trust Fund and the investment of such moneys as described in the preceding paragraph, the Refunded Bonds, in the opinion of Bond Counsel, rendered in reliance upon schedules verified as to accuracy by Robert Thomas CPA, LLC (the “Verification Agent”), will no longer be Outstanding under the provisions of the Bond Resolution and the right, title and interest of the holders of the Refunded Bonds in the Net Revenues, and the funds and accounts created under the Bond Resolution shall cease, determine and become void. See “VERIFICATION OF MATHEMATICAL

COMPUTATIONS” herein. The Series 2003 Bonds maturing September 1, 2012 to and including March 1, 2013 will remain Outstanding and entitled to all of the rights and benefits of the Bond Resolution, as such Series 2003 Bonds will not be refunded upon issuance of the Series 2012 Bonds.

The maturing principal of and interest on the Government Obligations and cash held uninvested in the Escrow Deposit Trust Fund will not be available to pay principal of and interest on the Series 2012 Bonds.

DESCRIPTION OF THE SERIES 2012 BONDS

General

The Series 2012 Bonds shall be dated the date of their delivery and shall bear interest at the rates and mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2012 Bonds is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2012. Interest on the Series 2012 Bonds shall be calculated on the basis of a 360 day year consisting of twelve 30-day months. Regions Bank, Jacksonville, Florida will serve as the initial Paying Agent (the “Paying Agent”) and Bond Registrar (the “Bond Registrar”) for the Series 2012 Bonds.

The Series 2012 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Series 2012 Bonds will be made in book-entry only form, without certificates. So long as the Series 2012 Bonds shall be in book-entry only form, the principal of and interest on the Series 2012 Bonds will be payable to Cede & Co., as registered owner thereof, and will be distributed by DTC and the Participants to the Beneficial Owners (as such terms are defined herein). See “DESCRIPTION OF THE SERIES 2012 BONDS - Book-Entry Only System” herein.

Optional Redemption

The Series 2012 Bonds maturing on or prior to September 1, 2021 are not subject to redemption prior to maturity. The Series 2012 Bonds maturing on or after March 1, 2022 are subject to redemption at the option of the City prior to their respective dates of maturity on or after September 1, 2021, in whole or in part at any time, in any order of maturity selected by the City and by lot within a maturity, at a redemption price equal to one hundred percent (100%) of the principal amount of the Series 2012 Bonds to be redeemed, together with accrued interest from the most recent interest payment date to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Series 2012 Bonds maturing on _____ 1, 20__ are subject to mandatory sinking fund redemption in part prior to maturity by lot through the application of Amortization Requirements, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the redemption date, on March 1 and September 1 of each year in the following amounts and years specified:

Due

Amortization
Requirement

*

* Final Maturity.

Notice of Redemption

Mailing of Notice of Redemption. At least thirty (30), but not more than sixty (60), days before the date set for redemption of any Series 2012 Bonds, either in whole or in part, a notice of such redemption, signed by the Finance Director, shall be (a) filed with the Bond Registrar and (b) mailed, first class mail, postage prepaid, to all registered owners of Series 2012 Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Bond Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall specify the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2012 Bonds are to be redeemed, the numbers or other distinguishing marks of such Series 2012 Bonds to be redeemed in part only, and the respective portions thereof to be redeemed. Such notice shall further state that on the redemption date there shall become due and payable upon each of the Series 2012 Bonds to be redeemed the redemption price or the specified portions thereof, in the case of Series 2012 Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest shall cease to accrue and be payable on such Series 2012 Bonds or portions thereof so redeemed.

In the case of an optional redemption of the Series 2012 Bonds, any notice of redemption may state that (i) it is conditioned upon the deposit of moneys with the Paying Agent or an escrow agent, no later than the redemption date, in an amount equal to the amount necessary to effect the redemption; or (ii) the City retains the right to rescind such notice of redemption 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 herein. Any 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 Finance Director delivers a written direction to the Paying Agent directing the Paying Agent to rescind the redemption notice. The Paying Agent shall give prompt notice of such rescission to the affected Bondholders. Any Series 2012 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the City to make such funds available shall constitute an Event of Default. The Paying Agent shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Series 2012 Bonds called for redemption and not so paid remain Outstanding.

In the event that only part of the principal sum of any Series 2012 Bond shall be called for redemption or prepaid, payment of the amount to be redeemed or prepaid shall be made only upon surrender of such Series 2012 Bond to the Bond Registrar. Upon surrender of such Series 2012 Bond, the Bond Registrar shall execute and deliver to the registered owner thereof, at the designated office of the Bond Registrar, new duly executed Series 2012 Bonds, of authorized principal sums equal in aggregate principal amount to, and of the same maturity and interest rate as, the unredeemed portion of the Series 2012 Bond surrendered.

Effect of Redemption. On the date so designated for redemption, notice having been mailed and filed in the manner and under the conditions described in the Resolution, the Series 2012 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2012 Bonds on such redemption date and, moneys for payment of the redemption price being held in separate accounts by the Bond Registrar or by a separate financial institution designated as escrow agent in trust for the Holders of the Series 2012 Bonds to be redeemed, interest on the Series 2012 Bonds so called for redemption shall cease to accrue, such Series 2012 Bonds shall cease to be entitled to any lien, benefit or security under the Resolution and the Holders or registered owners of the Series 2012 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest thereon.

As long as a book-entry system is used for determining beneficial ownership of Series 2012 Bonds, notice of redemption will be sent to DTC. DTC will be responsible for notifying the DTC Participants, which will in turn be responsible for notifying the Beneficial Owners. Any failure of DTC to notify any DTC Participant, or of any DTC Participant to notify the Beneficial Owner of any such notice, will not affect the validity of the redemption of the Series 2012 Bonds.

Book-Entry Only System

DTC will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co., as DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012 Bond certificate will be issued for each maturity of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, as set forth on the inside cover page of this Official Statement, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 its 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, thereby eliminating 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" and, together with Direct Participants, "DTC Participants"). DTC has Standard & Poor's rating of AA+. The DTC rules applicable to the DTC 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.

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("Beneficial Owner") is in turn to be recorded on the DTC

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 Series 2012 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, will not effect any change in beneficial ownership of the Series 2012 Bonds. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by DTC 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 Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, defaults and proposed amendments to the documents securing the Series 2012 Bonds. For example, Beneficial Owners of the Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 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 Bond Registrar and request that copies of notices are provided directly to them.

Redemption notices shall be sent by the Bond Registrar to DTC. If less than all of the Series 2012 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 Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2012 Bonds will be made to Cede & Co., or to 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 City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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, nor its nominee, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement

of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of DTC Participants.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the City only to DTC.

DTC may discontinue providing its services as securities depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates representing the Series 2012 Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates representing the Series 2012 Bonds will be printed and delivered. See "DESCRIPTION OF THE SERIES 2012 BONDS - Discontinuance of Securities Depository" herein.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE SOLE REGISTERED OWNER OF THE SERIES 2012 BONDS, THE CITY AND THE PAYING AGENT SHALL TREAT CEDE & CO. AS THE ONLY OWNER OF THE SERIES 2012 BONDS FOR ALL PURPOSES UNDER THE RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF AND INTEREST ON THE SERIES 2012 BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE CITY AND THE PAYING AGENT TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THE RESOLUTION. THE CITY AND THE PAYING AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (B) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2012 BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (D) OTHER ACTION TAKEN BY DTC OR CEDE & CO., AS THE REGISTERED OWNER OF THE SERIES 2012 BONDS.

Discontinuance of Securities Depository

DTC may resign as Securities Depository for the Series 2012 Bonds by giving notice to the City and discharging its responsibilities under applicable law. If DTC is incapable of discharging its duties or is no longer qualified to perform book-entry services, the City shall identify another qualified securities depository to replace DTC. If the City is unable to identify another qualified securities depository, the City will authenticate and deliver replacement Series 2012 Bonds in the form of fully registered certificates. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). In that event, the City will authenticate and deliver replacement Series 2012 Bonds in the form of fully registered certificates. If no qualified Securities Depository is the registered owner of the Series 2012 Bonds, the Beneficial Owners will be paid by the Paying Agent, by check for the interest thereon, mailed to the person registered on the Record Date as owner of the Series 2012 Bonds and upon presentation at the office of the Paying Agent for principal of the Series 2012 Bonds.

In the event that such book-entry only system is discontinued, the following provisions will apply: payments of interest on the Series 2012 Bonds 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 Bond Registrar, as of the close of business on the fifteenth day of the calendar month preceding the

applicable Interest Payment Date (or, if interest on the Series 2012 Bonds is in default, a Special Record Date established pursuant to the Resolution), by check mailed 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 Series 2012 Bonds, by bank wire transfer to a domestic bank account; principal of the Series 2012 Bonds is payable upon presentation of the Series 2012 Bonds to the Paying Agent; and the Series 2012 Bonds may be transferred or exchanged by the Bond Registrar upon the payment of any transfer tax, fee or other governmental charges required to be paid with respect to such transfer or exchange and in accordance with the provisions of the Resolution.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY OF SUCH INFORMATION.

SECURITY AND SOURCES OF PAYMENT

General

The Series 2012 Bonds are limited obligations of the City, payable solely from and secured by a lien upon and pledge of all Net Revenues of the Water and Sewer System and certain other moneys held under the Resolution. “**Net Revenues**” are defined in the Bond Resolution as being, for any particular period, the excess of the Revenues for such period over the Current Expenses for such period.

“**Revenues**” are defined in the Bond Resolution as all moneys received by the City from its ownership or operation (either by the City or on its behalf) of the Water and Sewer System, including the income derived by the City from the sale of water produced, treated or distributed by the Water and Sewer System, or from the collection, transmission, treatment or disposal of sewage by the Water and Sewer System, plus any proceeds of use and occupancy insurance on the Water and Sewer System or any part thereof and income from certain investments made under the Bond Resolution. Revenues do not include grants, contributions or donations, investment income from investment of moneys in the Construction Account and the Impact Fee Account established under the Bond Resolution, proceeds of insurance (except use and occupancy insurance) and condemnation awards, moneys held in any Arbitrage Rebate Account created pursuant to the Bond Resolution, proceeds of sales of property constituting a part of the Water and Sewer System, Special Assessments, the proceeds of Bonds or other Utility Debt and Impact Fees.

“**Current Expenses**” are defined in the Bond Resolution as the City's reasonable and necessary current expenses to maintain, repair and operate the Water and Sewer System. These include, without limiting the generality of the foregoing, all ordinary and usual expenses of maintenance and repair, which may include expenses not annually recurring, all City administrative expenses, expenses relating to the operation of all or a part of the Water and Sewer System by another on behalf of the City and any reasonable payments to pension or retirement funds properly chargeable to the Water and Sewer System, insurance premiums, engineering expenses relating to maintenance, repair and operation of the Water and Sewer System, fees and expenses of the Bond Registrar, legal and accounting expenses, any fees, taxes, fines or penalties lawfully imposed on the Water and Sewer System or its income or operations and reserves for such taxes, annual premiums for bond insurance, interest rate insurance or insurance assuring availability of the amounts required to be on deposit in the Reserve Account, annual fees for Credit Facilities or Liquidity Facilities and any other expenses required to be paid by the City under the Bond Resolution or by law, including any amounts required to fund any Arbitrage Rebate Account created pursuant to the Bond Resolution. Current expenses do not include any reserves for extraordinary maintenance or repair, or any allowance for depreciation, or any expenses associated with grant-funded expenditures, or any deposits or

transfers to the credit of the Sinking Fund Account, the Reserve Account, the Rate Stabilization Account, the Subordinated Indebtedness Account, the Renewal, Replacement and Improvement Account, the General Reserve Account, the Impact Fee Account or the Special Assessment Account. In addition, for purposes of the calculations required by the Bond Resolution relating to the issuance of Additional Bonds and relating to the Rate Covenant, Current Expenses will not include any payments in lieu of taxes or any indirect administrative charges paid to the credit of the City's General Fund.

The City is obligated to pay the principal of and the interest on the Series 2012 Bonds solely from the Net Revenues and certain other moneys held under the Resolution. The Series 2012 Bonds shall not be deemed to constitute a debt of the City, Broward County, Florida, the State of Florida or any political subdivision thereof or a pledge of the faith and credit of the City, Broward County, Florida, the State of Florida or any political subdivision thereof, but such Bonds shall be payable solely from the Net Revenues and certain other moneys held in the funds and accounts under the Resolution. The Series 2012 Bonds shall not directly or indirectly or contingently obligate the City, Broward County, Florida, the State of Florida or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, nor shall any Series 2012 Bonds constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City, Broward County, Florida, the State of Florida or any political subdivision thereof.

Rate Covenant

The City has covenanted in the Bond Resolution that it will fix, charge and collect reasonable rates and charges for the use of the services and facilities furnished by the Water and Sewer System and that it will adjust such rates and charges from time to time by increasing or decreasing the same or any selected categories of rates and charges as often as it shall appear necessary so that the Net Revenues received in each Fiscal Year (excluding from the computation of Current Expenses for any Fiscal Year any amounts received from any source other than Revenues which are applied to pay Current Expenses in such Fiscal Year) will equal at least one hundred twenty-five percent (125%) of the Principal and Interest Requirements for such Fiscal Year, on all Bonds then Outstanding plus one hundred percent (100%) of all amounts required to be deposited to the Reserve Account, the Renewal, Replacement and Improvement Account, the Subordinated Indebtedness Account, and the Rate Stabilization Account for such Fiscal Year; provided, however, that if either Impact Fees or Special Assessments are legally available for application with respect to any series of Additional Bonds under the Bond Resolution and the City elects to include the receipts from such Impact Fees or Special Assessments for purposes of calculating its compliance with the rate covenant contained in the Bond Resolution, then, in addition to the foregoing, the City further covenants that the Net Revenues received in each Fiscal Year, together with the Impact Fees and/or the Special Assessments, as applicable, will be sufficient to provide an amount in such Fiscal Year at least equal to one hundred thirty percent (130%) of the Principal and Interest Requirements for such Fiscal Year on account of the Bonds then Outstanding. So long as the City is in compliance with the foregoing rate covenant, the City may from time to time revise the rates for water and sewer service by the Water and Sewer System.

If in any Fiscal Year the Net Revenues are less than the amount required to meet the rate covenant contained in the Bond Resolution, within 30 days after the December 31 immediately succeeding such Fiscal Year, the City is required to employ a Rate Consultant to review and analyze the financial status of the Water and Sewer System, to inspect the Water and Sewer System, and to submit, within 60 days thereafter, a written report to the City recommending revisions of the Water and Sewer System's rates, fees and charges, and its methods of operation that will result in producing the required amount in the following Fiscal Year. Promptly upon its receipt of such recommendations, the City must transmit copies thereof to the City Manager and the City Finance Director and must revise its rates, fees and charges or alter its methods of operation, and take any other action to conform with such recommendations.

If the City fails to comply with the recommendations of the Rate Consultant, the registered owners of not less than ten percent (10%) in Outstanding principal amount of Bonds then Outstanding under the Bond Resolution may institute and prosecute an action or proceeding in any court (or before any board or commission having jurisdiction) to compel the City to comply with the recommendations and the requirements of the Rate Consultant. So long as the issuer of a Credit Facility shall not be in default in its payment obligations under its Credit Facility, such issuer shall be deemed to be the holder of all Bonds so insured for purposes of compelling the City to comply with the recommendations and requirements of the Rate Consultant.

If the City complies with all recommendations of the Rate Consultant in respect to its rates, fees, charges and methods of operation, the failure of Net Revenues to meet the rate covenant will not constitute an Event of Default so long as the Revenues, together with available moneys in the funds and accounts created under the Bond Resolution, other than the Arbitrage Rebate Account, are sufficient to pay the Current Expenses in cash and to pay the Principal and Interest Requirements on all Outstanding Bonds and other Utility Debt of the City for such Fiscal Year.

Flow of Funds

The Bond Resolution establishes the Construction Account and the Enterprise Fund. The Enterprise Fund consists of the Revenue Account, the Renewal, Replacement and Improvement Account, the General Reserve Account, the Sinking Fund Account (and within the Sinking Fund Account, the Bond Service Subaccount and the Redemption Subaccount), the Reserve Account, the Subordinated Indebtedness Account, the Rate Stabilization Account, the Impact Fee Account and the Special Assessment Account.

The City will deposit all Revenues collected from the operations of the Water and Sewer System into the Revenue Account of the Enterprise Fund. Not later than the 20th day of each month, the City will withdraw the balance of the Revenue Account (except for an amount equal to two month's Current Expenses under the Annual Budget, which amount shall be held for the payment of Current Expenses) and deposit the funds withdrawn in the following order:

(a) To the Bond Service Subaccount of the Sinking Fund Account, one-sixth (1/6) of the amount of interest payable on the Bonds of each Series on the next Interest Payment Date, plus one-twelfth (1/12) (or, if principal is payable semiannually, one-sixth (1/6)) of the next maturing installment of principal on all Serial Bonds then Outstanding, such amounts to be adjusted in each month intervening between the date of delivery of the Bonds and the next succeeding Interest Payment Date or principal payment date to add to the required deposit an additional amount which, when multiplied by the number of deposits to the credit of the Bond Service Subaccount required to be made during such period will equal the amount needed (in addition to any amounts received as accrued interest or capitalized interest from the proceeds of such Bonds) to pay principal and interest on such Bonds when such payments are due on the next Interest Payment Date or principal payment date;

(b) To the Redemption Subaccount of the Sinking Fund Account, an amount equal to one-twelfth (1/12), or, if any Bonds are required to be retired semiannually in satisfaction of the Amortization Requirements therefor, one-sixth (1/6), of the principal amount of Term Bonds of each Series required to be retired, in satisfaction of the Amortization Requirements, if any, for such Fiscal Year;

(c) To the Reserve Account, such amount, if any, of any balance remaining after making the deposits under clauses (a) and (b) above (or the entire balance if less than the required amount)

as may be required to make the amount deposited to the credit of the Reserve Account in such month equal to the Reserve Account Deposit Requirement for such month;

(d) To the Rate Stabilization Account, such amounts determined from time to time by the City Commission to be credited to such account;

(e) To the Subordinated Indebtedness Account, an amount, if any, of any balance remaining after making the deposits under clauses (a), (b), (c) and (d) above (or the entire balance if less than the required amount) equal to the sum of one-twelfth (1/12) of the principal of, redemption premium, if any, and interest coming due on any Subordinated Indebtedness during the next succeeding twelve month period and the amount, if any, required to be deposited in any special reserve subaccount established within the Subordinated Indebtedness Account pursuant to the Bond Resolution;

(f) To the Renewal, Replacement and Improvement Account, such amount, if any, of any balance remaining after making the deposits under clauses (a), (b), (c), (d) and (e) above (or the entire balance if less than the required amount) as may be required to make the amount deposited in such month to the credit of the Renewal, Replacement and Improvement Account equal to one-twelfth (1/12) of the difference between any lesser amount on deposit therein and the Renewal, Replacement and Improvement Account Requirement for such Fiscal Year; and

(g) To the General Reserve Account, the balance, if any, remaining after making the above deposits.

Reserve Account

The Bond Resolution establishes the Reserve Account within the Enterprise Fund. The Reserve Account is held for the benefit of all Bonds Outstanding except that: (i) the Series Resolution for a particular Series of Bonds may provide that such Series of Bonds is not to be secured by the Reserve Account and, in such event, such Series of Bonds will not be secured by the Reserve Account and the moneys held for the credit of the Reserve Account will not be applied for the benefit of such Series of Bonds, and (ii) the Series Resolution for one or more particular Series of Bonds may establish a separate subaccount within the Reserve Account for such particular Series of Bonds and, in such event, such Series of Bonds shall be secured only by the moneys held for the credit of such subaccount and by no other amounts held for the credit of the Reserve Account, and the Bonds Outstanding of any other Series will have no claim whatsoever on the moneys held for the credit of such separate subaccount in the Reserve Account.

The Bond Resolution provides for the establishment of the Reserve Account Requirement. The Reserve Account Requirement is to be an amount equal to the lesser of (i) the Maximum Principal and Interest Requirements for all Outstanding Bonds; (ii) one hundred twenty-five percent (125%) of the average annual Principal and Interest Requirements for all Outstanding Bonds; and (iii) ten percent (10%) of the original proceeds (within the meaning of the Code) of all Series of Bonds Outstanding. However, the Series Resolution provides that no deposit to the Reserve Account shall be made in connection with the issuance of the Series 2012 Bonds. In addition, no separate subaccount in the Reserve Account has been created solely for the benefit of the Series 2012 Bonds. **As a result, the Series 2012 Bonds shall not be secured by any separate subaccount in the Reserve Account nor entitled to any benefit from amounts held in the Reserve Account for the benefit of the Outstanding Bonds or any other Bonds issued and Outstanding under the Bond Resolution.** Therefore, amounts on deposit in the Reserve Account upon issuance of the Series 2012 Bonds shall be held solely for the benefit of the holders of the Outstanding Bonds and not for the benefit of the holders of the Series 2012 Bonds.

Additional Bonds

Additional Bonds of the City may be issued under and secured by the Bond Resolution, on a parity with the pledge of Net Revenues and certain other moneys held under the Resolution for the benefit of the Series 2012 Bonds, the Outstanding Bonds and any other Bonds and Alternative Parity Debt hereafter issued under the Bond Resolution, and superior in lien to any Subordinated Indebtedness, subject to the conditions described below, from time to time, to pay all or any part of the cost of constructing or acquiring any Improvements.

Before any Additional Bonds shall be issued under the provisions of the Bond Resolution the City Commission shall adopt a Series Resolution authorizing the issuance of such Additional Bonds, fixing the amount and the details thereof (including the Reserve Account Requirement therefor) and describing in brief and general terms the Improvements to be constructed or acquired. In addition, before such Additional Bonds shall be delivered, there shall be filed with the City, among other things, the following:

(a) a certificate of the Finance Director, an Accountant or the Rate Consultant demonstrating that the percentage derived by dividing the Net Revenues for any period of twelve (12) consecutive months selected by the City out of the twenty-four (24) months preceding the delivery of such certificate, by the Maximum Principal and Interest Requirements, including the Principal and Interest Requirements with respect to the Additional Bonds then to be delivered, for any future Fiscal Year is not less than one hundred twenty-five percent (125%) (the period during which Net Revenues are determined for purposes of this paragraph being referred to hereinafter as the "Measurement Period"); provided, however, that if either Impact Fees or Special Assessments are legally available for application with respect to such Additional Bonds pursuant to the terms of the Bond Resolution and the City elects to include the receipts from such Impact Fees or Special Assessments for the purpose of satisfying the Additional Bonds test contained in the Bond Resolution, then, in addition to the foregoing, the certificate shall also demonstrate that the percentage derived by dividing the Net Revenues (taking into consideration the Impact Fees and/or the Special Assessments, as applicable) for the Measurement Period, by the Maximum Principal and Interest Requirements, including the Principal and Interest Requirements with respect to the Additional Bonds then to be delivered, for any future Fiscal Year shall not be less than one hundred thirty percent (130%);

(b) an opinion of the City Attorney that the issuance of such Additional Bonds has been duly authorized and that all conditions precedent to the delivery of such Additional Bonds have been fulfilled; and

(c) a certificate of the Finance Director to the effect that no event of default, as defined in the Bond Resolution, and no event which with the passage of time, the giving of notice or both would become an event of default has occurred within the twelve (12) consecutive calendar months prior to the date of such certificate and is continuing, or, if any such event or event of default has occurred and is continuing, that the issuance of such Series of Additional Bonds will cure the same.

In determining whether to execute and deliver the certificate mentioned in clause (a) of this Section, the following adjustments to Net Revenues may be made:

(1) If the City, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees, rentals or other charges for the services of the Water and Sewer System, the Net Revenues for the Measurement Period shall be adjusted to show the Net Revenues which would have been derived from the Water and Sewer System in such Measurement Period as if such

increased rates, fees, rentals or other charges for the services of the Water and Sewer System had been in effect during all of such Measurement Period.

(2) If the City shall have acquired or has contracted to acquire any privately or publicly owned existing water system or sewer system, then the Net Revenues derived from the Water and Sewer System during the Measurement Period shall be increased by addition to the Net Revenues for the Measurement Period of the net revenues which would have been derived from said existing water system or sewer system as if such existing water system or sewer system had been a part of the Water and Sewer System during the Measurement Period. For the purposes of this paragraph, the net revenues derived from said existing water system or sewer system during the Measurement Period shall be adjusted by deducting the cost of operation and maintenance of said existing water system or sewer system from the gross revenues of said existing water system or sewer system in the same manner provided in the Bond Resolution for the determination of Net Revenues.

(3) If the City, in connection with the issuance of Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the City agrees to furnish services in connection with any water system or sewer system, then the Net Revenues of the Water and Sewer System during the Measurement Period shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said services by the City, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services. Such payments shall be deemed to be Net Revenues of the Water and Sewer System and pledged for the Bonds in the same manner as other Net Revenues of the Water and Sewer System.

(4) If the City covenants to levy Special Assessments or Impact Fees against improved property to be benefitted by the Improvements (which levy will be done in accordance with State law), the cost of which shall be paid from the proceeds of the proposed Additional Bonds, and if such Special Assessments or Impact Fees are legally available for application with respect to such Additional Bonds, as permitted under the terms of the Bond Resolution, then the Net Revenues during the Measurement Period shall be increased by an amount equal to one hundred percent (100%) of the amount which the Consulting Engineer estimates will be received in each year from the levy of said Impact Fees or said Special Assessments (without taking into account the possibility of prepayment of Special Assessments), within three (3) years of the date of the sale of such Additional Bonds, said amount to be the total received from the installment payments on the Special Assessments or Impact Fees, as the case may be, plus, in the case of Special Assessments, any interest paid on the unpaid portion of the Special Assessments. The estimate of the Consulting Engineer shall be based upon the preliminary assessment roll filed with the City prior to the construction of such Improvements.

The Series 2012 Bonds are being issued in satisfaction of the requirements for the issuance of Additional Bonds under the Bond Resolution.

Refunding Bonds

Under the provisions of the Bond Resolution, Refunding Bonds may be issued to refund some or all of the Series 2012 Bonds or other Bonds issued under the Bond Resolution, including the Outstanding Bonds, that are subject to redemption. Any such Refunding Bonds that are issued to refund Additional Bonds or Alternative Parity Debt shall be secured by the Net Revenues and certain other moneys held under the Resolution, on a parity with the Series 2012 Bonds, the Outstanding Bonds and any other Bonds or Alternative Parity Debt hereafter issued and Outstanding under the Bond Resolution, without meeting the

requirements described above in clauses (a) and (c) under the heading “SECURITY FOR THE SERIES 2012 BONDS - Additional Bonds,” so long as the issuance of the Refunding Bonds will result in a decrease in the total Principal and Interest Requirements for all Bonds Outstanding. The Series 2012 Bonds are being issued as Refunding Bonds.

Other Obligations Secured by Net Revenues

Other than the Series 2012 Bonds, the only other obligations issued under the Bond Resolution are the Outstanding Bonds. The Outstanding Bonds were issued as part of the City’s multi-year comprehensive capital improvement program to modernize and improve the Water and Sewer System (the “CIP”). Other Bonds may be issued by the City to finance the improvements to the Water and Sewer System recommended by the City’s independent engineers and consultants in the CIP, but the City currently does not expect to issue such Bonds until it needs to upgrade its water treatment facilities, which is currently not projected to be needed until at least 2018. See “CAPITAL IMPROVEMENT PROGRAM” herein and “APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report.” The Series 2003 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and the Series 2010 Bonds were originally issued in the aggregate principal amount of \$90,000,000, \$100,000,000, \$155,000,000 and \$82,300,000, respectively. As of the date of issuance of the Series 2012 Bonds, the Series 2006 Bonds, Series 2008 Bonds and Series 2010 Bonds will be Outstanding in the aggregate principal amount of \$92,275,000, \$143,940,000 and \$79,755,000, respectively, and the Unrefunded Series 2003 Bonds will be Outstanding in the aggregate principal amount of \$ _____.

In addition to the issuance of Bonds, in connection with the implementation of the CIP, the City has borrowed funds from the State of Florida revolving loan program (the “SRF”). Although not currently contemplated, the City may obtain additional SRF loans for the CIP in the future. Such SRF loans have not been incurred by the City, and are not expected to be incurred by the City in the future, as Additional Bonds or Alternative Parity Debt. As a result, such SRF loans are currently, and if obtained in the future are expected to be, payable from and secured by Net Revenues on a basis that is junior and subordinate to the pledge of and lien on Net Revenues in favor of the Series 2012 Bonds, the Outstanding Bonds and any other Bonds or Alternative Parity Debt issued under the Bond Resolution.

THE CITY

The City, located in the heart of a robust, diversified growth region on the southeast coast of Florida, contains approximately 36 square miles and has an estimated population of approximately 165,500, as of September 30, 2011. The City was incorporated in 1911 and operates under the City Charter. The government consists of a five member City Commission elected by district, including a mayor elected at large. All elections are on a nonpartisan basis. The City Commission appoints a city manager. The current City Manager is Lee R. Feldman, who was appointed to serve as City Manager on June 7, 2011.

The City provides a full range of municipal services, including police and fire protection, streets, planning and zoning, parks and recreation, water, sewer, sanitation, economic development and public information services. Tourism is one of the City’s major economic forces, with manufacturing, industrial and commercial business and corporate and regional offices serving to diversify the City’s economic base. For more information about the City, see “APPENDIX A - General Information regarding the City of Fort Lauderdale, Florida and Broward County, Florida.”

WATER AND SEWER SYSTEM

History

The Water System. Approximately one year after the City's incorporation in 1911, the City's water system (the "Water System") began operations, serving less than 100 people. The original Water System was replaced with a larger well, pumping station and treatment plant in 1919. In 1926 construction of the Dixie Water Treatment Plant (now known as the Walter E. Peele-Dixie Water Treatment Plant) (the "Peele-Dixie WTP") began and such facility was enlarged in 1939 to a capacity of 14 million gallons per day ("mgd"). The number of customer accounts served by the Water System nearly doubled between 1935 and 1945 and again by 1950, growing from 2,365 in 1935 to 5,721 in 1945, and to 11,577 by 1950. In 1950 the City purchased the Fiveash Water Treatment Plant (the "Fiveash WTP") and increased its capacity from 8 mgd to 16 mgd in 1958. By the early 1970s, the capacity of the Peele-Dixie WTP was increased to 20 mgd, and the Fiveash WTP to 40 mgd. Together these water treatment plants provided service to approximately 35,700 customers. The Fiveash WTP was expanded by an additional 24 mgd of design capacity in the early 1980s as the Water System neared capacity.

In 1953 the City began providing water service to other nearby communities when the City entered into a contract with the Town of Lauderdale-by-the-Sea. Prior to 2008, Lauderdale-by-the-Sea owned the water lines within its boundaries and the City maintained those lines and otherwise provided retail water service to the residents of that community. In 2008, the City purchased the water lines it previously leased from Lauderdale-by-the-Sea. The City continues to provide retail water service to the residents of the Town of Lauderdale-by-the-Sea.

Other entities also purchase water from the City under similar arrangements, including the Village of Sea Ranch Lakes and parts of unincorporated Broward County. Together, the Town of Lauderdale-by-the-Sea and the Village of Sea Ranch Lakes comprise less than four percent (4%) of the total population served by the Water System. The number of retail customers that the City serves in unincorporated Broward County also comprises a small percentage of the total population served by the Water System.

Several other entities purchase water from the City on a wholesale or bulk user basis through a master meter or have emergency interconnects. These entities include the cities of Oakland Park and Wilton Manors and, as to a portion thereof, the City of Tamarac, the Town of Davie, unincorporated Broward County and Broward County's Port Everglades. The agreements for water supply between these entities and the City all have 30-year terms, except for the agreement with the City of Wilton Manors, which has a 25-year term. Such contracts collectively represent 16.2% of the City's total water production. Set forth below is a listing of such contracts, their current expiration dates and the percentage of total consumption of the Water System represented by each contract.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Water User Contracts

<u>Large User</u>	<u>Effective Dates of Agreement</u>	<u>% of Total Water System Consumption⁽¹⁾</u>
Broward County	1994 - 2024	1.17%
Town of Davie	1987 - 2017	0.29
City of Oakland Park	1994 - 2024	9.14
Broward County's Port Everglades ⁽²⁾	2002 - 2032	1.34
City of Tamarac	1994 - 2024	0.44
City of Wilton Manors	2005 - 2030	<u>3.85</u>
TOTAL		<u>16.23%</u>

Source: The Feasibility Report.

- (1) Total metered consumption in Fiscal Year 2011 amounted to approximately 13.175 billion gallons.
- (2) Since 2004, the City has provided retail water service to some tenants at Broward County's Port Everglades but continues also to provide wholesale water service at Port Everglades.

The Sewer System. Prior to construction of the G. T. Lohmeyer Wastewater Treatment Plant (the "Lohmeyer WWTP") in the 1970s, the Sewer System of the City (the "Sewer System") was comprised of numerous small sewer treatment facilities housed at various locations around the City. The construction of the Sewer System began in 1927 but, due to the impacts of a hurricane and local economic downturn, was not completed until 1937. In the 1940s and 1950s, the population of the City grew more rapidly than the Sewer System. As a result, new developments were often served by septic systems. By the late 1950s, the City began to expand the Sewer System to serve all areas of the City. Most new developments subsequent to 1950 were required to install sanitary sewers as well.

Expansion of the wastewater collection system was limited until 1957, when the City began expanding the Sewer System into unserved areas, beginning from the beach area and extending west. However, expansion of the gravity wastewater system slowed considerably in the late 1970s and 1980s, as available capital funds were used to consolidate and upgrade the wastewater treatment plants of the Sewer System. Currently, almost all of the City's residents are connected, or have access, to the Sewer System.

Construction of the Lohmeyer WWTP began in the mid-1970s. The Lohmeyer WWTP was designed to serve the entire City, as well as the City of Oakland Park, the City of Wilton Manors, Broward County's Port Everglades, portions of the Town of Davie and portions of the City of Tamarac. The City has negotiated contractual agreements with each of these large regional Sewer System users. All of these contracts were amended in 2001 and are now scheduled to expire in 2021. After constructing the Lohmeyer WWTP, the City closed all of the smaller wastewater treatment facilities that had previously been used to operate the Sewer System. The Lohmeyer WWTP has a permitted capacity of 56.6 mgd.

Organizational Structure

Organization and Management. Operation of the Water System and the Sewer System is the responsibility of the City's Public Works Department (the "Public Works Department"). In addition, the Public Works Department manages the operation of the City's stormwater drainage system and solid waste collection system. The Public Works Department was recently reorganized and several staff members were

transferred to Parks and Recreation and other City departments. Such reorganization, however, did not impact any of the divisions responsible for operation and management of the Water and Sewer System. The Public Works Department currently employs approximately 416 full-time equivalent staff and is composed of the following eight divisions:

Customer Service	Engineering
Distribution and Collection	Water and Wastewater Treatment
Solid Waste	Utilities Engineering
Environmental Services	Administration and Finance

Set forth below is a description of the eight divisions of the Public Works Department:

- Operation and maintenance of the potable water distribution facilities for the Water System and of the collection facilities for the Sewer System and the Stormwater Drainage System is the responsibility of the Distribution and Collection Division. The division employs approximately 182 personnel.
- The Peele-Dixie WTP, the Fiveash WTP and the Lohmeyer WWTP are operated by the Water and Wastewater Treatment Division. The laboratories section of this division provides inspection and monitoring services as well as chemical and microbiological analysis for the Water System, the Sewer System and the Stormwater Drainage System. The Process Control Subdivision is responsible for technology-related matters of the Public Works Department, including office automation and computer automation in the treatment facilities and wellfields. The Water and Wastewater Treatment Division has a staff of approximately 90 people.
- The Engineering Division is responsible for the planning, design and construction of City capital projects, other than projects for the Water and Sewer System. The division has a staff of approximately 54 people.
- The Customer Service Division is responsible for customer contacts and meter reading services. The division also operates a 24 hour customer call center. The Customer Service Division has a staff of approximately 28 people.
- The Administration and Finance Division provides clerical, record keeping, personnel services, training, safety, finance, inventory and other managerial and administrative services to other divisions of the Public Works Department, as well as computer operations support services. The Administration Division has a staff of approximately 21 people.
- The Utilities Engineering Division is responsible for planning, design, construction management and inspection of the CIP. See “CAPITAL IMPROVEMENT PROGRAM” herein. The Utilities Engineering Division has a staff of approximately 19 people.
- The Solid Waste Division manages the provision of solid waste service provided by the City. The division has a staff of approximately 8 people.
- The Environmental Services Division coordinates environmental resources, sustainability and related compliance programs for the Public Works Department and the City. The division is also responsible for stormwater management, including enforcement of NPDES

(hereinafter defined) requirements through inspections of construction projects, performing proactive inspections and responding to customer complaints. The Environmental Services Division has a staff of approximately 8 people.

The Director of the Public Works Department is Albert Carbon, P.E., registered civil engineer in Florida and California. Mr. Carbon has been director of the Public Works Department since October 2004. Prior to serving as director of the Public Works Department, Mr. Carbon was the Public Works Director for the City of South Pasadena, California.

The City is anticipating a significant reduction in staffing in 2012, as many of the staff in the Public Works Department are expected to retire or exercise buy-out options during the year. To address the anticipated staffing changes, the City plans to hire replacements for approximately fifty percent of the staff that retires or exercises a buyout option, and realign the remaining staff, as needed.

Training Programs and Certifications. The City has an active training program for its field crews and operations and maintenance staff, including monthly safety meetings and quarterly courses on various safety related subjects. All of the operators of the Water System, the Sewer System and the Stormwater Drainage System must be licensed or certified by the State of Florida as a condition of their employment as an operator and recent changes in the Florida Administrative Code require all distribution and collection field crew leaders to be certified by the State of Florida as a condition of their employment. The City's distribution and collection field crew leaders, and staff wishing to be eligible for promotion to such positions, are training to meet State of Florida certification requirements. The City is currently rotating staff to ensure that a licensed crew member is assigned to each job or project of the Water and Sewer System. The City is also requiring that vacancies be filled by licensed operators to provide a more permanent solution to the certification requirement. The City's environmental laboratories are certified by the Florida Department of Environmental Protection ("FDEP") and by the Florida Department of Health for collecting environmental water samples and conducting water quality analyses.

Government Regulations

The Water System and the Sewer System are subject to federal, state, regional and local regulation. Federal regulatory jurisdiction is vested in the United States Environmental Protection Agency (the "EPA"). The Water System must comply with the Federal Safe Drinking Water Act. However, the EPA has delegated the primary responsibility for enforcement of drinking water standards to the State of Florida. The Sewer System must comply with the Federal Water Pollution Control Act and the 1977 Clean Water Act Amendments. The EPA has retained jurisdiction over the enforcement of the federal laws and the National Pollution Discharge Elimination System ("NPDES").

The State, acting through FDEP, has its own system of operational permits which govern the Water System and the Sewer System. On a regional level, the South Florida Water Management District ("SFWMD") controls groundwater withdrawals through consumptive use permits, which stipulate the maximum annual and daily withdrawals for 2 to 5 years. Locally, the Broward County Department of Natural Resource Protection has its own licensing system for wastewater plants and a monitoring and enforcement process and the Broward County Health Department has jurisdiction over the treatment of potable water.

Service Area Population Projections

A comprehensive study of the Water and Sewer System in 2000 resulted in the creation of the Master Plan for improvements, upgrades and maintenance (the "Master Plan"). See "CAPITAL IMPROVEMENT PROGRAM" herein. Among other projections, the Master Plan projected a moderate increase in water

demand of 0.66% annually through 2020, based on the moderate population growth expected in the Water System service area. The City updates the Master Plan periodically and 2007 updates were most recently prepared for the Water System (the “2007 Water Master Plan Update”) and for the Sewer System (the “2007 Wastewater Master Plan Update” and, collectively with the 2007 Water Master Plan Update, the “2007 Master Plan Update”). Projections for population growth in the service area of the Water and Sewer System were updated in the 2007 Master Plan Update.

The population projections in the 2007 Water Master Plan Update projected population in the Water System service area to be approximately 248,000 permanent residents by 2010. Such population was projected to grow to approximately 310,000 by 2030, or by an average annual rate of approximately one percent (1%). Similarly, the population of the Sewer System service area was projected to be approximately 234,000 by 2010 and approximately 283,000 by 2030. The population projections in the 2007 Master Plan Update were derived from projections prepared by Broward County in 2005.

Since the 2007 Master Plan Updates were prepared, the 2010 Census of Population and Housing (the “2010 Census”) was conducted. After release of the updated population estimates in the 2010 Census, agencies and research bureaus that provide estimates of population growth for the Fort Lauderdale area updated their projections in response to the more current estimates provided in the 2010 Census. Included among such agencies was the SFWMD, which updated its population projections for the water utilities in the lower east coast water supply area (which includes the Water System service area) in its 2012 Lower East Coast Water Supply Plan (the “LECWSP”). The LECWSP includes estimates and projections through 2030 of the population served by each of the water utilities in the lower east coast water supply area.

The 2010 Census population estimate for the Water System service area is approximately 14.0 percent less than the 2007 Water Master Plan Update projection for calendar year 2010. In addition, the forecast rate of population growth in the Water System service area declines from 1.0 percent annually from 2010 to 2020 in the 2007 Water Master Plan Update to 0.5 percent in the LECWSP. Similarly, the forecast rate of growth in population from 2020 to 2030 declines from 1.2 percent in the 2007 Water Master Plan Update to 0.4 percent in the LECWSP.

While similar projections have not been prepared for the Sewer System service area, the Sewer System service area is similar to the service area of the Water System. Thus, decreases in the estimated population contained in the 2007 Wastewater Master Plan Update for the Sewer System service area are expected to be similar to the updated population estimates contained in the LECWSP, as compared to the population estimates contained in the 2007 Water Master Plan Update. For a more detailed discussion of the population projections provided in the 2007 Master Plan Update, the 2010 Census and the LECWSP, see “APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report.”

Based on the 2010 Census and the LECWSP, the City has noted the reduction in current population estimates and projections for the region of South Florida which includes the City, the corresponding reductions in population projections that may be expected for the service area of the Water System and the Sewer System and the associated potential decrease in demand for service from the Water and Sewer System. While the City continues to rely on the population projections set forth in the 2007 Master Plan Update, it has adjusted plans for expansion of the City’s major water and wastewater treatment facilities to reflect current conditions and the reduced rates of population growth that may occur in the future. See “WATER AND SEWER SYSTEM – The Water System – Water Treatment Facilities” and “– The Sewer System – Wastewater Treatment Facility” herein. Forecasts of Revenues presented in this Official Statement also have been made acknowledging reduced rates of population growth that may occur in the future.

The Water System

Service Area and Customer Base. The City provides water across several governmental jurisdictions in central Broward County. In some areas, the City owns and maintains the water distribution system. In others areas, the City sells bulk water for redistribution by another agency or entity. The Water System consist of groundwater withdrawal, treatment, transmission, storage and distribution facilities and includes two water treatment plants (the Peele-Dixie WTP and the Fiveash WTP) with associated wellfields, a distribution system consisting of approximately 768 miles of pipe, and water storage facilities.

The City provides retail water service to most of the area within its corporate limits. Several areas north, east and west of the City's Executive Airport and approximately one-half of the Rock Island area that was annexed by the City in 2005 receive water service from Broward County. The City also provides direct retail water service to the Town of Lauderdale-by-the-Sea, the Village of Sea Ranch Lakes, some tenants in Port Everglades and parts of unincorporated Broward County. In addition, the City provides water on a wholesale basis to the cities of Oakland Park and Wilton Manors, and to portions of the City of Tamarac, the Town of Davie, unincorporated Broward County and Broward County's Port Everglades.

Prior to 1980, the population growth rate in the service area for the Water System was relatively rapid. However, the service area population peaked at approximately 250,000 people in the mid-1980s and declined thereafter until 1991. The 2007 Water Master Plan Update projected the population of the Water System service area to be approximately 248,000 permanent residents in 2010, with growth to approximately 310,000 by 2030. Because of current economic conditions and development patterns, these population projections are now perceived by the City to be significantly higher than is likely to be the actual population growth of the Water System service area. Recent updates to population estimates for the service area of the Water System forecast population to grow from approximately 213,000 in 2010 (which is a decrease of 18,000 from the estimate provided in 2010 for the population of the Water System and a decrease of 35,000 from the population forecast for 2010 provided in the 2007 Water Master Plan Update) to approximately 233,000 by 2030 (which is a decrease of 55,000 from the estimate provided in 2010 for the forecasted population of the Water System and a decrease of 77,000 from the population forecast for 2030 provided in the 2007 Water Master Plan Update).

Water Production and Demands. Historically, residential units and commercial activities accounted for most of the demand of the Water System. Residential customers currently represent approximately seventy-two percent (72%) of all accounts of the Water System but only approximately thirty percent (30%) of all metered water usage. Master metered customers account for approximately seventeen percent (17%) of all metered water usage. No large, heavy manufacturing facilities are located in the Water System service area.

Among other projections, the 2007 Water Master Plan Update projected a moderate increase in water demand of 1.20 percent annually through 2025, based on the moderate population growth expected in the Water System service area and the continuation of water conservation efforts. Recent actual average daily water usage of the Water System is approximately 11.1 mgd (or 21.4 percent) less than projected in the 2007 Water Master Plan Update. Set forth below is the historical and projected average daily water usage of the Water System:

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Historical and Projected Water Demands

<u>Year</u>	<u>Actual</u>		<u>2007 Water Master Plan Update</u>
	<u>Average Daily Flow (mgd)</u>	<u>Maximum Daily Flow (mgd)</u>	<u>Average Daily Flow (mgd)</u>
1998	47.2	61.1	N/A
1999	47.5	62.2	N/A
2000	49.6	63.3	N/A
2001 ⁽¹⁾	44.8	52.0	N/A
2002	47.8	63.7	N/A
2005	50.1	78.2	49.1
2010 ⁽²⁾	40.7	49.1	51.8
2015 ⁽²⁾	N/A	N/A	54.9
2020 ⁽²⁾	N/A	N/A	58.2
2025 ⁽²⁾	N/A	N/A	62.4

Source: The Feasibility Report.

- (1) Water production was relatively low in 2001 due to water use restrictions that were imposed by the SFWMD in response to drought conditions in 2001.
- (2) Projections assume 8.1% annual distribution water losses.

Water Supply. The City currently obtains all of its raw water supply from two wellfields: the Dixie Wellfield and the Prospect Wellfield. Both wellfields draw water from the Biscayne Aquifer, a layer of highly permeable limestone and sand which extends from the surface to a depth of approximately 200 feet. Water withdrawn from the Dixie Wellfield is treated at the Peele-Dixie WTP and the Prospect Wellfield supplies raw water for treatment at the Fiveash WTP. Both wellfields are permitted by the SFWMD under Consumptive Use Permit No. 06-00123-W, issued September 11, 2008 and expiring September 11, 2028.

The permit specifies that the City's annual water withdrawal shall not exceed 22,334 million gallons (MG), with the maximum monthly withdrawal not to exceed 2,157.6 MG. In addition, the permit stipulates limitations to annual withdrawals from specific sources, limiting withdrawals from the Biscayne Aquifer to 19,181 MG annually (52.55 mgd), with a maximum month withdrawal of 1,857 MG. Biscayne Aquifer withdrawals are limited to 5,475 MG per year (15.00 mgd) from the Dixie Wellfield and 15,853 MG per year (43.43 mgd) from the Prospect Wellfield. Such amounts constitute the maximum limits per wellfield, with the total Biscayne Aquifer withdrawals not to exceed the previously specified maximum of 19,181 MG (not the sum of the individual wellfield maximum withdrawals of 21,328 MG). The remaining water supply will be withdrawn from the Floridan Aquifer, which is a lower quality, more brackish source of water supply.

The permit provides for withdrawals from the Floridan Aquifer via 2 existing and 14 proposed withdrawal facilities, and from the Biscayne Aquifer via 64 existing and 2 proposed withdrawal facilities. Biscayne Aquifer withdrawals from the Dixie Wellfield are treated at the Peele-Dixie WTP by nanofiltration and Floridan Aquifer withdrawals from the Dixie Wellfield will be treated at the Peele-Dixie WTP by reverse

osmosis. Biscayne Aquifer water withdrawn from the Prospect Wellfield will continue to be treated at the Fiveash WTP by lime-softening.

The Dixie Wellfield, consists of 25 wells, most of which were constructed between 1926 and 1952. Of the 25 wells that have been constructed on the Dixie Wellfield, only 8 are active production wells. The City completed upgrades to the Dixie Wellfield in 2009. The upgrades did not increase the capacity of the wellfield but allowed the older wells to be taken out of service. As part of the Peele-Dixie WTP nanofiltration facility construction program, 8 new wells were constructed. Construction of the new nanofiltration facility was completed in 2008. The existing Peele-Dixie WTP was phased out of service and all of the existing older wells at the Dixie Wellfield were plugged and abandoned in 2010. With the replacement wells, the capacity of the Dixie Wellfield is now approximately 20 mgd. However, the City's consumptive use permit from the SFWMD limits withdrawals from the Dixie Wellfield to 15 mgd on a maximum daily basis from the Biscayne Aquifer. The Dixie Wellfield is expected to provide the raw water for the new 12 mgd nanofiltration facility from the Biscayne Aquifer and for the proposed 6 mgd reverse osmosis treatment facility from the Floridan Aquifer. See "WATER AND SEWER SYSTEM – The Water System – Water Treatment Facilities" herein.

The Prospect Wellfield contains 29 wells located west of the City's Executive Airport. All of the wells in the Prospect Wellfield are currently in operation and such wells collectively have a pumping capacity of 87 mgd. However, the maximum daily allocation allowed under the SFWMD consumptive use permit is only 43.43 mgd on a maximum daily basis from the Biscayne Aquifer. The City has drilled 5 new wells at the Prospect Wellfield to replace 6 wells that the City abandoned. The 5 new wells have a capacity of 15.1 mgd, which is an increase in capacity from the 6 wells that were abandoned.

In addition to the Prospect Wellfield, another 24 wells are located on the City's Executive Airport property adjacent to the Prospect Wellfield (hereinafter referred to as the "Executive Airport Wellfield"). The wells located at the Executive Airport Wellfield are currently not in operation. In the early 1980s, volatile organic compounds ("VOCs") were detected in some of the production wells located at the Executive Airport Wellfield. To protect the quality of its water supply, the City abandoned such wells and constructed additional wells. The City avoided migration of the VOCs west to the uncontaminated production wells in the Prospect Wellfield by injecting raw water from the uncontaminated wells into the three westernmost wells located on the Executive Airport property. Such raw water injections maintained a hydraulic barrier between the contaminant plume and the production wells in the Prospect Wellfield. As a result of the construction of the new wells at the Prospect Wellfield, the last well used to create the hydraulic barrier was shut down in October 2008. The City has an on-going program for monitoring the production wells of the Prospect Wellfield for the presence of VOCs. No increase in the presence of VOCs has been detected.

Both the Dixie Wellfield and the Prospect Wellfield are located near salinity control structures. Withdrawals allowed under the current SFWMD consumptive use permit require freshwater mounds between the wellfields and the salt water fronts. In the past, groundwater models of the Dixie Wellfield have indicated potential problems maintaining this freshwater mound during extreme dry conditions. As a result, new wells constructed at the Dixie Wellfield are located to minimize the impacts of saltwater intrusion. The City's salt water intrusion monitoring program is part of Broward County's monitoring network that provides regional information, but only a limited amount of information that is specific to individual sites. A network of new salt water monitoring wells has been installed around the Dixie Wellfield. The monitoring wells are tested monthly, with the results being sent to the SFWMD. These wells, to date, have shown no indication of saltwater intrusion.

For several years the City has projected that it would meet its water supply demands from the Biscayne Aquifer until at least 2013 with its base condition water use of 52.55 mgd. However, because of

recent reductions in population projections for the region in which the Water System service area is located, the City now expects that it will be able to meet its water supply demands utilizing the Biscayne Aquifer as its sole source of raw water until at least 2018. To meet future demands in excess of the Biscayne Aquifer withdrawal limits, the City currently expects to use the Dixie Wellfield to access the Floridan Aquifer. In addition, to meet future demands, the City is studying the feasibility of several alternative water sources and offset projects, including additional Floridan Aquifer use, stormwater capture projects, reuse, and other alternative water supply projects.

Drought Conditions. Since 2006, the South Florida area has experienced lower than normal amounts of average annual rainfall. Extreme drought conditions occurred in 2007 when the SFWMD recorded the least amount of rainfall in South Florida since records were first taken in 1932. In response, the SFWMD imposed a series of water restrictions, culminating with the imposition of Modified Phase III Extreme Restrictions on May 10, 2007. The Modified Phase III Extreme Restrictions were reduced in 2007 but, due to continued historically low rainfall towards the end of the 2007, were reimposed in January 2008.

The drought conditions and resulting water shortage restrictions imposed by the SFWMD led to a reduction in consumption in the Water System service area. However, increased rates for water usage imposed by the City during the water restriction period offset most of the negative effects reduced consumption would have had on revenues of the Water System. See “WATER AND SEWER SYSTEM – Rates, Fees and Charges” herein. In addition, during the drought period, the Water System did not experience any minimum flow and levels violations imposed by the SFWMD and overall water service to the customers of the Water System was not negatively impacted.

On April 18, 2008, the SFWMD reduced the water restrictions from Modified Phase III to Modified Phase II. However, due to lower than normal levels of rainfall in certain years following 2008, Modified Phase III Extreme Restrictions were reimposed periodically. To encourage consistent, long-term water conservation behavior, on March 15, 2010 the SFWMD implemented year-round, permanent water conservation measures. The year-round water conservation measures establish permanent water use limitations on certain types of landscape irrigation. See “WATER AND SEWER SYSTEM – Water System – Water Restrictions” herein.

Water Treatment Facilities. The City operates two water treatment facilities: the Peele-Dixie WTP and the Fiveash WTP.

In 2008, the new nanofiltration facility was completed and placed into service at the Peele-Dixie WTP and the plant’s existing lime-softening equipment was decommissioned. Implementation of the nanofiltration system also included the installation of a deep injection well for concentrate disposal and two 4-MG finished water storage tanks. The capacity of the Peele-Dixie WTP is currently 12 mgd with all membrane units of the nanofiltration system in service.

The City has studied proposals to add a 6 mgd reverse osmosis treatment system at the Peele-Dixie WTP. This additional capacity would draw raw water from the Floridan Aquifer and would be used during peak demand periods, which usually occur during South Florida’s dry season. The new Peele-Dixie WTP will be maintained according to plant maintenance schedules. The City has drilled two Floridan Aquifer test wells in the Dixie Wellfield and constructed a section of raw water main from the new wellfield toward the Peele-Dixie WTP. Wellfield modeling, facility planning and a basis of design report was completed for the reverse osmosis treatment capacity in 2010. The construction of additional wells and treatment facilities, however, has been delayed. Because of recent reductions in population projections, future investment in the withdrawal, transmission and treatment of raw water from the Floridan Aquifer has been deferred until revised projections of water demands determine when the reverse osmosis treatment capacity will be needed.

Based on current projections, the contemplated reverse osmosis treatment capacity will not be needed until at least 2018.

The Fiveash WTP is the primary water treatment facility for the Water System. It has a designed capacity of 70 mgd with all units operating. However, hydraulic restrictions limit its actual capacity to 60 mgd. Actual treated flow averaged about 34.9 mgd in Fiscal Year 2011 with a maximum day flow of 44.4 mgd. The treatment of raw water at the Fiveash WTP consists of aeration followed by lime and polymer addition in a hydrotreater. The Fiveash WTP has two 12.5 mgd hydrotreaters, and two 22.5 mgd hydrotreaters that provide coagulation, flocculation, and clarification in one unit. After softening, the water is filtered, chlorinated, and fluoridated. Lime sludge is pumped directly to the Prospect Wellfield storage lagoon for disposal.

Water Transmission, Distribution and Storage. The City's water transmission and distribution system consists of 768 miles of water mains within the direct service area of the Water System, an elevated storage tank and a new ground level storage tank, with a combined storage capacity of 3.5 MG. In addition, in 2008 two 4.0 MG storage tanks were placed into service at the Peele-Dixie WTP and one 4.0 MG storage tank was demolished at the Fiveash WTP. Two 5.0 MG storage tanks and one 7.0 MG storage tank remain at the Fiveash WTP. The total combined storage capacity of the City's two water treatment plants is 25 MG. Rehabilitation of the City's elevated storage tank is currently being conducted and is scheduled to be completed in 2012. High service pumps at the treatment plants also facilitate the transmission and distribution of water in the Water System and maintain system pressures.

The transmission lines included in the Water System comprise lined and unlined cast and ductile iron pipe ranging in size from 10 to 54 inches in diameter. The main transmission line from the Fiveash WTP was installed in 1986 and is the predominant supply of water to the downtown area and other areas north, south and east of the Fiveash WTP. The primary transmission mains from the Peele-Dixie WTP are unlined cast iron pipelines that were constructed in the 1920s and 1930s. The water transmission pipelines emanating from the Peele-Dixie WTP are nearing the end of their useful lives. In 1999 the City completed a project to replace portions of the main transmission lines that were nearing the end of their useful life and has begun construction to replace the remaining portions of the main transmission lines. The City's CIP includes \$47.2 million in funding for water main improvements and replacements. See "CAPITAL IMPROVEMENT PROGRAM" herein.

The Master Plan recommended that the Water System have a finished water storage capacity equal to thirty percent (30%) of its maximum day demand, plus an allowance for fire flow demands. The Master Plan also recommended replacement of the City's existing elevated water storage tank and the standpipe previously used for storage with 1.5 MG and 2.0 MG ground storage tanks. Construction of one new ground storage tank and pump station was completed in mid-2007. However, due to public concerns and zoning issues, the City decided to rehabilitate and not replace its remaining Fiveash WTP elevated water storage tank. Such rehabilitation is expected to be completed in 2012. In addition, two 4.0 MG storage tanks were placed in service at the Peele-Dixie WTP in 2008. With its existing and new storage tanks, the City's finished water storage capacity will meet the storage amount recommended in the Master Plan.

High service pumps at the Fiveash WTP and at the Peele-Dixie WTP are used to supply water to the transmission and distribution operations of the Water System. Two interconnected high service pump systems at the Fiveash WTP supply the majority of the water demand throughout the service area of the Water System. In addition, a new high service pump system was constructed at the Peele-Dixie WTP in 2008 as part of the new nanofiltration system. These new pumps provide 26 mgd of pumping capacity. With these improvements, the existing high service pumps provide sufficient capacity at desired pressures to meet the needs of the Water System through the year 2020.

The City has an ongoing project to rehabilitate the transmission and distribution lines of the Water System. The City's CIP includes \$400,000 per year in funding to renew and replace water distribution and wastewater collection lines.

Overall, in the opinion of the Feasibility Consultants (hereinafter defined), the City's water transmission and distribution system is in good condition. The City's current CIP continues the practice of replacing aging water mains. In addition, the City has been following a plan of examining the Water System for leaks every 3 to 5 years, which has effectively maintained a relatively low percentage of unaccounted water. For the last 6 Fiscal Years, the percentage of unaccounted water has been 7.3%.

Regulatory Impacts. With the increasing urbanization of South Florida and the recognition of accelerating negative impacts upon the natural environment, State (through the SFWMD) and federal (through the U.S. Army Corps of Engineers) authorities have begun implementation of major regulatory and construction programs. Such programs are designed to balance the demands on regional water supplies and restore and protect the Everglades National Park ecosystem. These programs have affected the conditions the City has been required to meet, one of the more important of which was the limit in the City's new consumptive use permit on allowable withdrawals from the Biscayne Aquifer, producing a need to develop alternative water supply and treatment strategies.

The City is addressing concerns relating to water supply and quality by (i) installing enhancements to the existing water treatment system at the Fiveash WTP; (ii) replacing the conventional lime-softening treatment system at the Peele-Dixie WTP with a state-of-the-art nanofiltration, membrane system (the "Membrane Treatment"); (iii) pursuing multiple avenues of alternative water supply, including reclaimed water offsets, regional water supply solutions that would capture stormwater in a regional reservoir for aquifer recharge (as more specifically described below); and (iv) developing alternative sources of potable water supplies, such as brackish water from the Floridan Aquifer. The City has completed two Floridan Aquifer test wells for the Dixie Wellfield. Wellfield modeling, facility planning and a basis of design study and report to construct a 6 mgd reverse osmosis treatment facility was completed in 2010. Construction of the Floridan Aquifer wells and treatment facilities at the Dixie Wellfield and Peele-Dixie WTP were scheduled for completion in Fiscal Year 2014. However, because of reductions in population projections in the Water System service area, investment in facilities related to the withdrawal, transmission and treatment of raw water from the Floridan Aquifer has been deferred until a more certain indication of when demand will require such investment has been established. See "WATER AND SEWER SYSTEM – Service Area Population Projections" herein. Currently, facilities to meet additional demand by treating raw water from the Floridan Aquifer are not projected to be needed until at least 2018.

The City has also addressed concerns relating to water quality by implementing Membrane Treatment for water withdrawn from the Biscayne Aquifer at the Peele-Dixie WTP. Membrane Treatment produces a higher quality of finished water and is less sensitive to raw water quality than the lime-softening treatment technology previously used at the Peele-Dixie WTP. As an added benefit, Membrane Treatment systems can readily be designed to meet the increasingly stringent requirements of the Safe Drinking Water Act. By including Membrane Treatment at one of its water treatment plants, the City is also able to extend the useful economic life of its existing investment in lime-softening technology. A shortcoming of Membrane Treatment is that as much as twenty percent (20%) of the raw water is wasted as concentrate from the process, thus increasing raw water demands and further stressing the limits of the City's consumptive use permit. However, the very high quality water from the Membrane Treatment process can be proportionally blended with the water produced from the lime-softening process to produce potable water that can meet the current and anticipated requirements of the Safe Drinking Water Act.

While the City previously planned to replace the Fiveash WTP treatment process with a Membrane Treatment system, concerns relating to the availability of Biscayne Aquifer water supplies led the City to decide to retain the current lime-softening process. See “WATER AND SEWER SYSTEM – The Water System – Water Supply” herein. The City intends to use a portion of the funds that were going to be used to convert to the Membrane Treatment process to extend the life of the existing facility and to construct enhancements that will improve the removal of color from finished water at the Fiveash WTP. See “CAPITAL IMPROVEMENT PROGRAM” herein.

As an additional possible means of addressing concerns relating to the future availability and quality of sources of raw water, the City has met with other South Florida utilities to discuss the possibility of collaborative, sub-regional, multi-jurisdictional solutions designed to produce more cost-effective and environmentally sound methods of obtaining water supplies. A potential project has been identified as the C-51 Reservoir Project. Under this option, stormwater that currently causes environmental concerns in the Lake Worth Lagoon and certain estuarine environments would be captured and stored in the C-51 Reservoir for subsequent re-introduction into the regional water supply system. This water would be available for Biscayne Aquifer transfer and potentially available to recharge those portions of the Biscayne Aquifer that benefit multiple utilities in South Florida, including the Water System. Studies have indicated that the project has the potential to be economically advantageous to public water supply utilities compared with other alternative water supply options. The City plans to continue its involvement in the investigation of this project as one of the measures it may determine to implement to address future water supply concerns.

For a more detailed discussion of regulatory matters impacting the Water System, see “APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report.”

Water Restrictions. Pursuant to Sections 373.083 and 373.246, Florida Statutes, as amended, and Chapters 40E-8 and 40E-21 of the Florida Administrative Code (collectively, the “Water Restriction Rules”), the SFWMD is authorized to impose water shortage restrictions in its governing area (i) to ensure that established minimum flows and levels within the area are maintained; (ii) to ensure that water resources within the area do not suffer serious harm and (iii) in response to the occurrence or projected occurrence of a violation of minimum flows and levels standards during climatic conditions more severe than a 1 in 10 year drought, to the extent such violation results from consumptive uses. South Florida has experienced drought conditions almost every year since 2006. See “WATER AND SEWER SYSTEM – Water System – Drought Conditions” herein. In response, pursuant to the authority provided in the Water Restriction Rules, the SFWMD has imposed several water shortage restrictions. The most severe restrictions were imposed in the areas where the primary or secondary supply of water for such area is dependent upon certain surface water sources or Lake Okeechobee. The Water System is included among the water systems that have been, since 2007, the subject of the most severe water shortage restrictions. The restrictions imposed by the SFWMD have been pursuant to the authority described in clause (i) and (ii) above and not pursuant to clause (iii) above.

Water users of Lake Okeechobee and surface water connected to the lake have been under water shortage restrictions since November 16, 2006, when Modified Phase I Moderate Restrictions were imposed for such water users. The Water System first became subject to water shortage restrictions as a result of drought conditions on March 15, 2007, when the SFWMD imposed Modified Phase I Moderate Restrictions on the water service area comprising the Lower East Coast Region of the SFWMD’s governing area, which includes the Water System. The Modified Phase I restrictions were designed to promote relatively moderate water conservation. The objective of such restrictions was to produce an overall reduction in water usage, with an up to fifteen percent (15%) reduction in certain types of water consumption.

Due to the continued lack of rainfall in the South Florida area, Modified Phase II Severe Restrictions were imposed on certain systems in the drought area, including the Water System, on April 12, 2007. The Modified Phase II restrictions were designed to provide additional reductions in overall water usage, with an up to thirty percent (30%) reduction in certain types of water consumption. The Modified Phase II Severe Restrictions were increased to Modified Phase III Extreme Restrictions on May 10, 2007. The Modified Phase III restrictions were designed to provide significant reductions in water usage, with an up to forty-five percent (45%) reduction in certain types of water consumption. The Modified Phase III restrictions were reduced to Modified Phase II restrictions on several occasions after they were originally imposed.

In response to increases in rainfall during portions of 2009 and early 2010, followed by projections of a return to severe drought conditions, on March 15, 2010, the SFWMD replaced emergency water use restrictions in South Florida with year-round water conservation measures. The year-round water conservation measures establish permanent water use limitations, but only on certain types of landscape irrigation. Specifically, the permanent water conservation measures limit landscape irrigation when the water source for such irrigation is from a lake, pond, canal, well or potable water from a utility. Irrigation from such water sources is limited to certain hours during the day and to only two (2) days per week or three (3) days per week, depending upon the county. Exceptions to such limitations are provided, however, for certain situations, like the planting of new landscaping. The SFWMD estimates that implementation of the year-round limitations on landscape irrigation may permanently reduce overall potable water demand by five to ten percent (5% to 10%), potentially saving several hundred million gallons per day of potable water usage.

The water restrictions imposed by the SFWMD reduced water consumption in the City, which produced a slight decrease in Revenues generated by the Water and Sewer System. However, in an effort to offset the impact on Revenues of decreased consumption, the City adopted a drought rate ordinance in 2006. The drought rate ordinance provides a surcharge in rates for water usage during water shortage restriction periods. The new rates recently adopted by the City for the Water and Sewer System account for lower water consumption resulting from several years of drought conditions. The new rates have been set to generate sufficient Revenues, even when water use restrictions are in effect. See “WATER AND SEWER SYSTEM – Rates, Fees and Charges” herein.

The Sewer System

The Sewer System operated by the City consists of wastewater collection and transmission to the Lohmeyer WWTP, treatment and disposal of treated wastewater and disposal of residuals from the wastewater treatment process.

Service Area and Customer Base. Wastewater service areas in Broward County have been developed through regional planning studies conducted in a manner prescribed by law. These regional planning studies designated the City as the lead agency for wastewater transmission and treatment in the central wastewater region of Broward County. The central region includes substantially all of the City, the cities of Wilton Manors and Oakland Park, and portions of the City of Tamarac, the Town of Davie, unincorporated Broward County and Broward County’s Port Everglades. The Lohmeyer WWTP is designated as the facility that treats all wastewater from the central region.

Each municipality and entity in the various regional planning areas, except the unincorporated areas, owns and operates the wastewater collection facilities within its boundaries and performs its own customer billing. The transmission and treatment facilities serving a regional function are owned and operated by the City through “large user” agreements. The City has large user wastewater agreements with the cities of Oakland Park, Wilton Manors and Tamarac, the Town of Davie and Broward County for Port Everglades. In addition to the wholesale wastewater service that the City provides to Broward County’s Port Everglades,

the City also provides retail wastewater service to certain tenants at Port Everglades. The large users are treated as wholesale customers and each is issued a single bill for wastewater services provided by the City.

The City provides wastewater treatment and disposal services to an estimated 198,000 people in central Broward County, which is a decrease of slightly more than 15,000 from the estimate provided in 2010 for the number of people served by the Sewer System and a decrease of 33,000 from the population forecast for 2010 provided in the 2007 Wastewater Master Plan Update. Approximately seventy-five percent (75%) of the service population resides within the City, with the remainder located in adjacent governmental jurisdictions. By 2011, the vast majority (99 percent) of the population of the City received sewer service, leaving only approximately 1,870 residents that have not yet transitioned from septic tanks to the Sewer System, although such residents are currently being charged for sewer service. See “APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report” for detailed information concerning the historical and projected growth of the population in the service area of the Sewer System and the conversion of the population from non-sewered to sewer.

Wastewater Flows. In recent years, the average daily wastewater flow rate from the Sewer System service area has ranged from 35.1 mgd to nearly 38.1 mgd and, during seasonal wet weather periods, from 40 mgd to 46 mgd. The variations in wastewater flow are attributable to system growth and seasonal and long-term differences in rainfall and groundwater levels, which affect the amount of extraneous water that enters the Sewer System. Annual average and peak seasonal flow rates of the Sewer System were projected in the 2007 Wastewater Master Plan Update potentially to reach 48 mgd and 55 mgd, respectively, by the year 2020. Set forth below are the historical wastewater flows for the Sewer System:

Historical Wastewater Flows

<u>Calendar Year</u>	<u>Annual Average Daily Flow (mgd)</u>	<u>Calendar Year</u>	<u>Annual Average Daily Flow (mgd)</u>
2002	37.5	2007	38.1
2003	36.2	2008	36.8
2004	35.1	2009	37.2
2005	37.5	2010	37.4
2006	36.2	2011	37.9

Source: The Feasibility Report.

Set forth below are the wastewater flows for the Sewer System, as presented in the 2007 Wastewater Master Plan Update. The 2007 Wastewater Master Plan Update projections assume that all unsewered areas are converted to sewer areas in accordance with the schedule for such conversion provided in the Feasibility Report. The projected flows assume near normal precipitation rates, an increasing percentage of sewer population to total population, and moderate annual population growth, as described in the Feasibility Report. The amounts set forth in the following table were based on projections that infiltration and inflow (“I&I”) would remain near current levels but decline as a percentage of total Sewer System wastewater flows. The decline is projected to occur as a result of an ambitious sewer rehabilitation program that the City is currently undertaking along with the expansion of the wastewater collection system into new areas, which was accomplished under the City’s recently completed *WaterWorks 2011* Program. See “WATER AND SEWER SYSTEM – The Sewer System – Infiltration and Inflow” herein.

While specific flow monitoring has not been conducted for each of the I&I projects, flow reductions have been observed at the Lohmeyer WWTP. The annual average daily flow, based on a 12-month rolling average, prior to beginning the I&I program was approximately 41.6 mgd. As of February 2012, the 12-month annual average daily flow decreased to 38.5 mgd, a 3.1-mgd reduction overall, while additional sewer connections simultaneously were being made. Based on the 12-month rolling average, the flow reduction has been steady and consistent since the gravity sewer lining projects were completed. Given the 3.1-mgd reduction observed to date, and the fact that the I&I program is projected to continue, the I&I projection reasonably can be reduced from earlier projections. In addition, the population projections and associated wastewater flows set forth in the 2007 Wastewater Master Plan Update are now considered to be too high. See “WATER AND SEWER SYSTEM – Service Area Population Projections” herein. While a 19.8-mgd I&I projection would be considered reasonable, given the current data, a more conservative projection of 21-mgd has been made in the following table. With this revised I&I projection, the Lohmeyer WWTP capacity will not be exceeded until after 2020. See “WATER AND SEWER SYSTEM – The Sewer System – Wastewater Treatment Facility” herein. The City will continue to observe Lohmeyer WWTP flow rates to confirm the I&I reduction projections.

Historical and Projected Wastewater Flows⁽¹⁾

2007 Wastewater Master Plan Update				
<u>Year</u>	<u>Residential</u>	<u>Nonresidential</u>	<u>I&I Allowance</u>	<u>Total</u>
2005	13.2	5.7	22.0	40.8
2010	16.2	7.5	23.0	46.7
2015	16.8	8.4	23.0	48.2
2020	17.7	9.5	23.0	50.2
2025	18.7	10.7	23.0	52.4

Adjusted Population Flow Projections⁽²⁾				
<u>Year</u>	<u>Residential</u>	<u>Nonresidential</u>	<u>I&I Allowance</u>	<u>Total</u>
2010	13.9	7.5	21.0	44.7
2015	16.8	8.4	21.0	46.2
2020	17.7	9.5	21.0	48.2
2025	18.7	10.7	21.0	50.4

Source: The Feasibility Report.

- (1) All amounts represent annual average daily flows in million gallons per day.
- (2) The City issued a Capacity Analysis Report in 2011 that forecast wastewater flows for the service area of the Sewer System for the 10 year period from 2011 through 2020. The Report forecasts wastewater flows of 43.7 mgd in 2015 and 44.6 mgd in 2020. Such forecasts were based on population projections for the City’s wastewater service area that were prepared by CH2M HILL, Inc. in 2009. The population projections prepared by CH2M HILL, Inc. were, in turn, based on population projections issued by Broward County in 2009, which, similar to the 2010 Census, provided population estimates for 2010 that were lower than the estimates provided in the 2007 Wastewater Master Plan Update. CH2M HILL’s population projections for the service area of the Sewer System were 210,467 in 2015 and 214,839 in 2020, which compares to the population projections of 201,695 for 2015 and 206,430 for 2020 presented in the Feasibility Report from the estimates provided by the 2010 Census.

Wastewater Collection and Transmission. The City owns and operates the wastewater collection and transmission system located within the City boundaries and within the sewer unincorporated areas of the central wastewater region of Broward County. As the lead agency for wastewater transmission and treatment in such central wastewater region, the City also owns and operates some regional transmission facilities located outside of the City limits. The City's large user customers own and operate their own local wastewater collection and transmission systems.

The City's gravity collection system contains approximately 475 miles of pipeline, nearly 270 miles of which was constructed prior to 1970. Most of the system constructed prior to 1970 was built in the 15-year period between 1955 and 1970. Construction during this period used vitrified clay pipe with compression type joint gaskets, although cast iron pipe was also used in conditions where problems of differential settlement were thought to be severe. The pipeline constructed after 1970 generally used polyvinyl chloride ("PVC") pipe with rubber gasket joints.

The City's force main network is comprised of approximately 119 miles of pipeline, ranging from 4 inches to 54 inches in diameter. Most of the force mains are constructed of cast iron or ductile iron pipe, but some are high-density polyethylene or C-900 PVC pipe. The major force mains were constructed within the last 25 years and are believed to be in good physical condition. The existing force main system includes 204 pump stations that are owned by the City and several small, privately owned pump stations. Several isolated developments and individual businesses in the areas of the City that are not currently serviced by the Sewer System have constructed their own private lift stations that pump wastewater either to the City's force main system or to the gravity system of one of the City's existing pump stations. Private lift stations have also been constructed in areas where the existing City pump station in the area could not accommodate additional flow.

In the opinion of the Feasibility Consultants, the City's wastewater collection and transmission system is adequate for the demands of the Sewer System and system maintenance is regularly performed. To facilitate proper monitoring of the system, the City has three video inspection crews, one wet-well cleaning crew with a vacuum truck and three wastewater cleaning crews with vacuum trucks. In addition, all of the pump stations owned by the City are electronically monitored.

Wastewater Treatment Facility. All wastewater in the service area of the Sewer System and any wastewater received from large users of the Sewer System is treated at the Lohmeyer WWTP, which was upgraded to its present capacity in 1999. The original design capacity on a 3-month average daily flow basis was 38 mgd. As a result of improvements to the effluent pumping station, deep injection wells, clarifiers and solids handling processes, in March 2004 the Lohmeyer WWTP was re-rated to a 3-month average daily flow capacity of 56.6 mgd. Major liquid treatment processes include screening, grit removal, pure-oxygen activated sludge, clarification, and chlorination. Sludge is dewatered on belt filter presses and then hauled to the Broward County landfill. Treated effluent from the Lohmeyer WWTP is discharged to five deep injection wells at a nearby site.

Beginning in 1990, residuals produced by the Lohmeyer WWTP were dewatered by belt filter presses and mixed with lime to meet regulatory requirements for Class B pathogen and vector attraction reduction. The treated residuals ("biosolids") were then hauled by a private contractor for application to agricultural lands. During the summer of 2000, the City participated in a trial program where raw, dewatered biosolids were treated with lime to Class A standards by a contractor at the contractor's remote site. In part based on the results of this trial program, the City entered into a long-term contract with a private company that hauled the residuals to the Broward County landfill. In December 2009, a new disposal contract with a different private contractor went into effect. Under the terms of the new contract, the private contractor will treat the biosolids, at a residuals management facility near Clewiston, Florida, to Class AA standards and then use it

beneficially for land application or as a biofuel. The new contract allows the private contractor to dispose of the dewatered sludge at the Broward County landfill, if it is unable to process or dispose of all of the biosolids at its residuals management facility. Since the new contract went into effect, the private contractor has been sending the “pressed” biosolids to the Broward County landfill. However, in early April, 2012, the private contractor started regularly processing biosolids at its Clewiston facility.

With the re-rating of the Lohmeyer WWTP to a capacity of 56.6 mgd and the successful removal of sufficient I&I, in the opinion of the Feasibility Consultants, the Lohmeyer WWTP should have adequate capacity for the continued growth of the Sewer System, even with the addition of flow from the new customers that will be added to the Sewer System as conversions from septic tank systems continue. The need to add additional plant capacity in the future will depend on the type and success of continued residential growth and the continued success of I&I control efforts. No expansion of treatment or effluent disposal capacity is planned prior to 2014, but several renewal and replacement projects have been proposed by the Feasibility Consultants. Most of the proposed projects involve relatively small equipment replacements and repairs, including upgrades and repairs to the influent screening, reactor basin, oxygen system and belt filter presses.

Overall, in the opinion of the Feasibility Consultants, the Lohmeyer WWTP is in good physical condition. Recommendations for repairs and replacements to the exterior of certain buildings have been incorporated into contracts for on-going plant upgrades. Some of those repairs and replacements were recently completed or are currently under construction.

As a condition of the City’s agreement with its large users, the City is required to have an annual study prepared that inspects the condition of the regional wastewater transmission and treatment facilities, and that projects renewal and replacement needs for a 20-year forecasted period. The analysis then estimates the amount of funds that should be set aside in the renewal and replacement account on an annual basis to provide sufficient funding for the anticipated renewal and replacement expenditures. The City maintains a separate account for the renewal and replacement of its wastewater transmission and treatment facilities in accordance with the requirements of its agreement with the large users of the Sewer System. In general, most of the Lohmeyer WWTP and the other equipment of the Sewer System is in good or better condition, and those components that have been considered to be in fair or poor condition are scheduled for repair or replacement in the next few years.

The regional wastewater treatment facilities of the Sewer System are permitted based on the 3-month maximum average daily flow. These facilities have a current permitted capacity of 56.6 mgd. Based on the projected 3-month maximum average daily flow contained in the 2007 Wastewater Master Plan Update, with the revised population estimates and projections discussed in this Official Statement and the revised I&I projections discussed under the section See “WATER AND SEWER SYSTEM – The Sewer System – Wastewater Flows” herein, the current capacity of the wastewater treatment facilities of the Sewer System will be reached after 2020. Set forth below is the 3-month maximum average daily flow for the wastewater treatment facilities of the Sewer System for calendar year 2005 and as projected in the 2007 Wastewater Master Plan Update, as modified to reflect revised population and I&I projections.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

3-Month Maximum Average Daily Wastewater Flows

<u>Year</u>	<u>3-Month Maximum Average Daily Flow (mgd)</u>
2005	41.9
2010	43.0
2015	48.5
2020	49.7

Source: The Feasibility Report.

If the permitted capacity of wastewater treatment facilities will be reached in 5 years, FDEP requires that planning and preliminary design of plant expansion be initiated. Design of plant expansion must be initiated if capacity is to be reached in 4 years, permitting must initiated if the capacity will be reached within 3 years and construction and operation permitting must be completed if capacity will be reached within 6 months. Based on the projected 3-month maximum average daily flow contained in the 2007 Wastewater Master Plan Update, as modified to reflect revised population and I&I projections, expansion of the Lohmeyer WWTP from 56.6 to 61 mgd, as discussed in the 2007 Wastewater Master Plan Update, should not be required until sometime after 2020. Construction of such an expansion has been estimated to take approximately 2 years.

Infiltration and Inflow. I&I refers to surface water and groundwater that enters the wastewater collection system through cracks, joints and other openings in the system. Infiltration is defined as groundwater entering the wastewater collection system and house laterals through defective pipes, pipe joints and manhole walls. In the more westerly portions of the Sewer System, the infiltration consists of freshwater, while in the coastal portions of the Sewer System, the infiltration is saline. The magnitude of infiltration depends on the depth of the groundwater above the pipe defects and the percentage of the collection system submerged. Groundwater levels are influenced by both short-term rainfall events and seasonal precipitation cycles. Freshwater infiltration is expected to be greatest during the late summer and fall months when groundwater levels are high and a greater portion of the collection system is submerged. Inflow includes water discharged into direct connections to the collection system, including private laterals. Potential direct connections include downspouts, yard and area drains, manhole covers, cross connections from storm drains and catch basins. Inflow also is sometimes defined to include rainfall dependent infiltration (i.e., stormwater that percolates into the ground and enters pipe defects directly or indirectly through a temporary rise in the water table).

The presence of I&I is detrimental because it absorbs hydraulic capacity and dilutes the wastewater, rendering treatment less efficient. I&I is considered excessive when it becomes less costly to remove the I&I through sewer rehabilitation than to transport and treat it. A study of I&I conducted during the preparation of the Master Plan found that annual average inflow of the Sewer System ranged from approximately 1 to 4 mgd, with monthly extremes ranging from less than 0.5 mgd to more than 8 mgd. Annual average freshwater infiltration was estimated to range from approximately 9 to 12 mgd, with monthly extremes ranging from 6 to 17 mgd. Annual average saltwater infiltration was estimated to range from approximately 4 to 7 mgd, with monthly variations in the same range. Such I&I levels were considered to be excessive, based on EPA guidelines. The I&I estimates contained in the 2007 Wastewater Master Plan Update were

only slightly lower than the estimates contained in the Master Plan. However, for several years the City has conducted an aggressive sewer rehabilitation program. The City's recently completed *Waterworks 2011* capital improvement program replaced more than 42 miles of small water mains, installed 112 miles of gravity sewers and rehabilitated 60 miles of sewer lines to reduce I&I. Based on data compiled in February 2012, I&I appears to be lower than projected in the 2007 Wastewater Master Plan Update. See "WATER AND SEWER SYSTEM – The Sewer System – Wastewater Flows" herein.

Regulatory Impact. FDEP has given consideration to requiring Class A or AA lime stabilization before land application of solids or immediate incorporation of the solids into the soil. The timing for promulgation of any new rule is not currently known, however, it is anticipated that a lengthy implementation schedule of 7 - 10 years will be allowed. The FDEP permit for the Lohmeyer WWTP provides for reopening of the permit "at any time to require additional monitoring or reduced phosphorus loading rates for the land application sites." The City recently entered into a long-term contract with a private company to treat its biosolids at a residuals management facility to Class AA standards for land application or use as a biofuel. See "WATER AND SEWER SYSTEM – The Sewer System – Wastewater Treatment Facility" herein.

The Lohmeyer WWTP has consistently met all federal, state and local requirements for residuals and effluent quality. Pretreatment permits are in place with all significant industrial dischargers, each of which is currently meeting the terms of those permits.

The Sewer System service area is located in a critical water supply area, as designated by the SFWMD. As such, Florida Administrative Code Section 62-40.416 requires a reasonable amount of reuse of reclaimed water unless it is not economically, environmentally, or technically feasible. Section 403.064 of the Florida Statutes also requires domestic wastewater treatment plant permit applicants in a critical water supply problem area to submit a reuse feasibility study as part of their permit applications.

A wastewater reuse feasibility study was performed by the consulting engineers for the City in 1994. The study evaluated a wide range of alternatives for the beneficial reuse of wastewater in the Sewer System service area. The 1994 study concluded that wastewater reuse was not economically feasible in the City. However, conditions have changed in recent years, increasing the urgency of implementing a wastewater reuse system in the City. The City initiated an Alternative Water Supply Feasibility Study in 2007 that considered five potential project alternatives for a reclaimed water system that would treat sufficient flow to postpone or eliminate projected upgrades to the Lohmeyer WWTP (up to 12 mgd), provide high-quality reclaimed water for recharge purposes, and potentially provide offsets or credits to the City's raw water withdrawal limitations. The 2007 Alternative Water Supply Study identified the use of a membrane bioreactor treatment process to be located at the City's former composting facility site as the most beneficial reclaimed water alternative. The proposed facility could provide for treatment of 12 mgd of potential reuse water. However, the 2007 Alternative Water Supply Study concluded that a cost-benefit analysis would need to be performed by the City to determine the advisability of implementing the proposed project. Based on preliminary cost estimates, the reuse treatment facility would cost \$53 million more than conventional water capacity and wastewater treatment capital improvements. As part of its consumptive use permit for the Water System, the City is required to implement a Water Conservation Plan that includes ongoing evaluation and implementation of alternatives including reuse.

The City currently disposes of treated wastewater by using five existing deep injection wells that discharge into the boulder zone, which is located between 3,000 and 5,000 feet underground. This disposal is regulated under the FDEP Underground Injection Control Program. FDEP issues operating permits for the injection wells on a five year cycle. Such operating permit cycle requires that the City conduct mechanical integrity testing of each well at the end of the five year period and that the City monitors for upward movement of effluent out of the injection zone by use and testing of dedicated monitoring wells in overlying

transmissive intervals. The FDEP operating permit was issued for the City's five Class I underground injection wells on January 23, 2012, with the permit scheduled to expire on January 22, 2017.

In 1991 a monitoring well at the disposal site gave evidence that secondary effluent was appearing in an interval in the Floridan Aquifer above the injection zone. While such evidence did not represent a threat to underground sources of drinking water, it constituted a violation of the conditions of the City's Underground Injection Control operating permits for the then-existing four injection wells. To address the violation, the City entered into a consent agreement with FDEP that established the conditions under which the wells would continue to operate and established the protocol for the investigation and remediation of the permit violation. The subsequent investigation found that the cause of migration was not confinement of the injection zone but rather the failure of the mechanical integrity of the monitoring well. In response to such finding, the City remediated the failed monitoring well, identified a new monitoring interval below the impacted zone, constructed two new monitoring wells, and conducted mechanical integrity testing on the then-existing four injection wells. The City's response demonstrated the integrity of the disposal system and in December of 1995, FDEP issued new operating permits for the injection wells and issued a construction permit for the fifth and final deep injection well to be constructed at the site.

In March of 2001, the City completed the operational testing of the fifth deep injection well and submitted the operating permit application. FDEP completed its review process for the City's Underground Injection Control operating permit applications that included site specific conditions that will govern the operation of the City's five wells. The City's injection wells are currently listed on the FDEP second tier level of concern. The City is attempting to be removed from the second tier level of concern, since it feels such listing was made in error due to an erroneous reading from one of the City's monitoring wells.

In December 2005, the EPA issued a new Underground Injection Control Rule. FDEP has been delegated responsibility for implementation of the rule in Florida. The rule will require wastewater systems that determine that there has been an upward migration of wastewater effluent from a deep injection well into the lower Floridan Aquifer to implement certain measures to address the problem. The measures required of such wastewater systems include the implementation of (i) filtration, treatment and high level disinfection of their effluent and (ii) reuse of at least forty percent (40%) of their total wastewater flows. Implementation of these measures within 5 years of determining that there is upward migration of the effluent will allow a wastewater system to continue to operate its deep injection disposal well.

The City has reviewed the EPA's Underground Injection Control Rule to evaluate its options for addressing the requirements of the rule, should it become subject to such requirements in the future. However, the City has not identified any upward migration of its wastewater effluent that would require it to implement the measures required by the Underground Injection Control Rule. The City monitors migration of its effluent on a daily basis. The Underground Injection Control Rule will require the implementation of high level disinfection of the City's wastewater effluent for any new disposal well that the City may need in the future.

Customer Classification/Growth

The City classifies the customers of the Water and Sewer System into two residential (i.e., single-family and multi-family) and four non-residential (i.e., commercial, exempt, master meters, and sprinkler) categories. As of December 31, 2011, the total population served by the City is estimated to be approximately 214,000 in the service area of the Water System and approximately 201,000 in the Sewer System service area.

The table set forth below reflects the historical number of active and inactive Water and Sewer System customer accounts for calendar years 2008 through 2011 and the projected accounts for calendar years 2012 through 2016.

Historical and Projected Water and Sewer Accounts

		<u>Actual⁽¹⁾</u>				<u>Projected⁽²⁾</u>				
<u>Accounts</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Water	Active	57,032	57,843	57,249	58,911	59,202	59,495	59,789	60,085	60,382
	Inactive ⁽³⁾	<u>6,902</u>	<u>6,349</u>	<u>5,047</u>	<u>3,526</u>	<u>3,543</u>	<u>3,561</u>	<u>3,579</u>	<u>3,596</u>	<u>3,614</u>
	Total	<u>63,934</u>	<u>64,192</u>	<u>62,296</u>	<u>62,437</u>	<u>62,746</u>	<u>63,056</u>	<u>63,368</u>	<u>63,681</u>	<u>63,996</u>
% increase - prior year:										
	Active	-0.9%	1.4%	-1.0%	2.9%	0.5%	0.5%	0.5%	0.5%	0.5%
	Inactive ⁽³⁾	15.6%	-8.0%	-20.5%	-30.1%	0.5%	0.5%	0.5%	0.5%	0.5%
	Total	0.7%	0.4%	-3.0%	0.2%	0.5%	0.5%	0.5%	0.5%	0.5%
Sewer	Active	36,808	41,702	43,098	45,727	45,953	46,180	46,409	46,638	46,869
	Inactive ⁽³⁾	<u>4,638</u>	<u>4,183</u>	<u>5,875</u>	<u>4,404</u>	<u>4,426</u>	<u>4,448</u>	<u>4,470</u>	<u>4,492</u>	<u>4,514</u>
	Total	<u>41,446</u>	<u>45,885</u>	<u>48,973</u>	<u>50,131</u>	<u>50,379</u>	<u>50,628</u>	<u>50,878</u>	<u>51,130</u>	<u>51,383</u>
% increase - prior year:										
	Active	3.5%	13.3%	3.3%	6.1%	0.5%	0.5%	0.5%	0.5%	0.5%
	Inactive ⁽³⁾	18.8%	-9.8%	40.4%	-25.0%	0.5%	0.5%	0.5%	0.5%	0.5%
	Total	5.0%	10.7%	6.7%	2.4%	0.5%	0.5%	0.5%	0.5%	0.5%

Source: The Feasibility Report.

- (1) Based on City records of active and inactive service accounts.
- (2) Projected increases in customers are based on the forecasted population growth in Broward County, revised as of February 10, 2012.
- (3) Historical fluctuations reflect account clean-up efforts and other changes associated with implementation of the City's new billing system in 2010.

The table set forth below reflects the forecasted population and active and inactive customer accounts by billing classification for customers in the Water System service area and for customers in the service area of the Sewer System. The information is as of December 31 in the years indicated and is based on population estimates, as revised in response to the estimates provided from the 2010 Census. See "WATER AND SEWER SYSTEM – Service Area Population Projections" herein. For the projected period, calendar year 2012 through 2016, the number of total Water System and Sewer System accounts is projected to increase at an average annual growth rate of slightly less than 0.5%.

**Water and Sewer Customers
by Customer Classification**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Water System</u>					
<i>Total Water Service Area Population</i>	214,796	215,858	216,925	217,998	219,076
<i>Services</i>					
Residential Customers	37,587	37,773	37,960	38,147	38,336
Commercial	5,664	5,692	5,720	5,748	5,777
Government (Exempt)	491	494	496	499	501
Master Meter	29	29	29	30	30
Sprinkler/Irrigation Meter	7,952	7,991	8,031	8,071	8,111
Multi-Family Customers	6,258	6,289	6,320	6,351	6,382
Unimproved	2	2	2	2	2
Fire Protection	1,219	1,225	1,231	1,237	1,243
<i>Total Water Services</i>					
Active	59,202	59,495	59,789	60,085	60,382
Inactive	<u>3,543</u>	<u>3,561</u>	<u>3,579</u>	<u>3,596</u>	<u>3,614</u>
Total	<u>62,746</u>	<u>63,056</u>	<u>63,368</u>	<u>63,681</u>	<u>63,996</u>
% Increase in Total Accounts	0.5%	0.5%	0.5%	0.5%	0.5%
<u>Sewer System</u>					
<i>Sewer Service Area Population</i>					
Sewered	199,164	200,149	201,139	202,133	203,132
Non-Sewered	<u>1,889</u>	<u>1,898</u>	<u>1,907</u>	<u>1,916</u>	<u>1,925</u>
<i>Total Sewer Service Area Population</i>	<u>201,052</u>	<u>202,047</u>	<u>203,046</u>	<u>204,049</u>	<u>205,057</u>
<i>Services</i>					
Residential Customers	34,232	34,402	34,572	34,743	34,914
Commercial	5,225	5,251	5,276	5,303	5,329
Government (Exempt)	444	446	449	451	453
Master Meter	1	1	1	1	1
Multi-Family	6,049	6,079	6,109	6,139	6,169
Unimproved	2	2	2	2	2
<i>Total Sewer Services</i>					
Active	45,953	46,180	46,409	46,638	46,869
Inactive	<u>4,426</u>	<u>4,448</u>	<u>4,470</u>	<u>4,492</u>	<u>4,514</u>
Total	<u>50,379</u>	<u>50,628</u>	<u>50,878</u>	<u>51,130</u>	<u>51,383</u>
% Increase	0.5%	0.5%	0.5%	0.5%	0.5%

Source: The Feasibility Report.

The following table reflects the largest users for the Water System for Fiscal Year 2011. The combined usage of the Water System by the largest customers, as set forth in the following table, represents twenty-two percent (22%) of the total consumption of the Water System.

<u>Largest Water System Users</u>			
<u>Customer</u>	<u>Type of User/Business</u>	<u>Consumption⁽¹⁾</u>	<u>Percentage of Total Consumption</u>
<i>Wholesale Customers</i>			
City of Oakland Park	Wholesale User	1,204,621	9.1%
City of Wilton Manors	Wholesale User	507,256	3.9
Port Everglades Authority	Wholesale User	176,983	1.3
City of Tamarac	Wholesale User	58,456	0.4
<i>Retail Customers</i>			
City of Fort Lauderdale	City Government	418,382	3.2
Broward County	County Government	154,173	1.2
School Board of Broward County	Public School System	130,815	1.0
Florida Power & Light	Electric Utility	78,355	0.6
Broward General Hospital	Hospital	73,376	0.6
Marriott Beach Resort	Hotel	<u>65,779</u>	<u>0.5</u>
Total (Large Users)		<u>2,868,196</u>	<u>21.8%</u>
Total (All Water System Users)		13,175,095	100.0%

Source: The Feasibility Report.

(1) Based on annual water usage in thousands of gallons.

Rates, Fees and Charges

The City is responsible for establishing rates and charges for the services of the Water and Sewer System. The water and sewer rate charges are adopted through ordinance, which requires approval by the City Commission. Historically, through its staff and consultants, the City has conducted an annual evaluation of water and sewer costs, revenues and debt service coverage requirements. After presentation of such evaluation to the City Commission, the City Commission makes the determination of whether rates for services of the Water and Sewer System should be adjusted and the amount of the adjustment required to continue to provide for the efficient operation and maintenance of the facilities and services of the Water and Sewer System. The City expects to continue such annual evaluation of costs, revenues and coverage requirements of the Water and Sewer System.

In response to the changing environment impacting the Water and Sewer System, including changing weather patterns, changes in the availability of water resources and rising fixed and semi-variable costs, in

2008 the City retained consultants to conduct a comprehensive study of its rate structure and charges for utility services. Based on the recommendations of the rate study, in August 2009 (the “2009 Rate Study”), the City Commission approved changes to its rates for services provided by the Water and Sewer System, including a change: (i) in the rate structure for monthly service, which change was designed to address the impacts of reduced consumption resulting from SFWMD water restrictions, (ii) to increase the stability of the revenue stream generated by the Water and Sewer System and to increase such revenues by twenty percent (20%); (iii) to implement an increase in monthly service rates for the Water and Sewer System of five percent (5%), effective August 1, 2010; (iv) to increase impact fees charged for obtaining service from the Water and Sewer System by sixty-six percent (66%); and (v) to establish new rates for service availability charges imposed on all customers in inactive status that had their property previously classified as active.

In August 2009 the City also approved modifications to its drought rate ordinance to make the ordinance consistent with the City’s new Water and Sewer System rate structure. The drought rates are designed to maintain Water and Sewer System revenues as water usage declines during a State declared drought. As the SFWMD implements mandatory reductions in water use, the new drought rates automatically increase the volume charges per thousand gallons of water consumed to (i) provide incentives for customers to conserve water during the drought period and (ii) help maintain Revenues of the Water and Sewer System. See “WATER AND SEWER SYSTEM – The Water System – Water Restrictions” herein. Since the City’s new rate structure established rates and charges based on consumption levels experienced during a drought year, imposing surcharges for Phase I and Phase II water restrictions was determined to be unnecessary. As a result, the City’s August 2009 modifications to its drought ordinance eliminated surcharges previously authorized during Phase I and Phase II water restrictions.

The 2009 Rate Study also identified subsequent future annual changes in rates for service of the Water and Sewer System (effective at the beginning of each fiscal year) of five percent (5%) from Fiscal Year 2012 through Fiscal Year 2014 to satisfy projected annual operating expenses, capital funding requirements and debt service coverage, operating and capital reserve targets. However, the future annual increases were not presented to the City Commission for approval at the time the 2009 Rate Study was completed because the City expected that it would provide for an additional rate study to be conducted in Fiscal Year 2011 to determine an updated plan of annual rate increases for the Water & Sewer System. Such study was completed in October 2011 (the “2011 Rate Study”).

As a result of the analysis and conclusions of the 2011 Rate Study, the City Commission adopted an annual rate indexing policy of adjusting rates for services of the Water and Sewer System. The annual rate adjustment is scheduled to be the greater of (i) the annual change (measured in May of each year) in the United States Consumer Price Index Water & Sewerage Maintenance Series, or (ii) 5%. However, because of the increased expenses associated with the City’s new return on investment policy and increasing repair and replacement requirements for the Water and Sewer System, the 2011 Rate Study recommended an additional 1% and 1.75% rate increase for Fiscal Year 2012 and Fiscal Year 2013, respectively. The rate increase methodology and additional percentage amounts for Fiscal Years 2012 and 2013 recommended in the 2011 Rate Study were enacted by the City Commission in September 2011 and became effective as of October 1, 2011. As such, effective October 1, 2011, the City adopted the following rate increases for services of the Water and Sewer System: (i) a 6.75 % rate increase for Fiscal Year 2012 (i.e., 5.75% actual change in the Water & Sewerage Maintenance Series for May 2011, plus an additional 1%), (ii) at least a 6.75% increase for Fiscal Year 2013 (i.e., assuming the actual change in the Water & Sewerage Maintenance Series for May 2012 is 5% or less, plus an additional 1.75%), and (iii) the greater of the change in the Water & Sewerage Maintenance Series of the Consumer Price Index or 5% annually in Fiscal Year 2014 and each Fiscal Year thereafter.

As part of its approval of the rate indexing adjustments described above, the City Commission expressly committed to performing annual financial reviews by April 30th of each year to determine if, as of September 30th of the prior year, taking into account adjusted rates for services of the Water and Sewer System, projected Revenues shall be in an amount in excess of the amount needed, based on the following criteria relating to the Water and Sewer System:

1. annual revenues exceed annual expenses,
2. net revenue is at or above two times annual debt service expenses,
3. there is an operating reserve at least equal to 120 days of operating costs,
4. there is an unrestricted capital reserve of at least \$10 million, and
5. there is replacement and repair funding of at least \$10 million.

If the City Manager determines that projected Revenues are in excess of the amount needed, based on the five criteria set forth above, the current customers of the Water and Sewer System shall receive a proportionate rebate of the excess funds on their water/wastewater bill in the same Fiscal Year. Conversely, the annual review described above may identify the need for an additional rate increase to meet the financial requirements of the Water and Sewer System.

The current rates of the Water and Sewer System, which became effective on October 1, 2011, are set forth in the Feasibility Report. For more detailed information concerning projections of customers of the Water and Sewer System and the rates and charges expected to be charged such customers, see “APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report,” including specifically, Exhibit 6-10 of the Feasibility Report.

The City’s contracts with the large users of the Sewer System specify the basis to be used for the annual calculation of regional wastewater treatment rates. These contracts specify that the rates will be based on the regional system’s budgeted costs. Budgeted costs include a component for the CIP, based on a renewal and replacement analysis of the wastewater treatment facilities, which is updated annually. At the end of each Fiscal Year, the rates are recalculated and each user provided either a credit or additional charge to equate their total bill to their proportionate share of the regional system’s total costs for that year. The contracts for bulk water service do not specify the basis for their rate calculations. Bulk users of the Water System currently pay the same volume rates as the retail customers of the Water System.

Comparative Rate Survey

The following table presents a comparison of the monthly residential water and sewer bills for selected cities within Broward County as of February 2012. The City’s total monthly water and sewer bill for residential customers consuming 5,000 gallons of water per month is \$46.29. This figure is the lowest of all of the other communities surveyed. A more complete list of monthly residential water and sewer bills for cities surveyed in Broward County is provided in the Feasibility Report. See “APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report.” Monthly water and sewer bills do not include other surcharges and utility taxes and do not reflect drought rates that may apply.

The total annual bill for residential water and sewer service in the City, assuming 5,000 gallons of water usage per month, would amount to \$555.00. This represents approximately 1.2% of the median household annual income in Broward County, as reported in 2010, of \$48,063.

**Monthly Bill Comparison With Other Communities
For Residential Water and Sewer Service
(Based on 5,000 Gallons/Month)
(As of February 2012)**

<u>Local Jurisdiction</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
City of Fort Lauderdale	\$17.29	\$29.00	\$46.29
City of Pembroke Pines	21.89	25.34	47.23
City of Lauderhill	20.03	27.24	47.27
City of Plantation	18.91	30.17	49.08
City of Pompano Beach	24.08	25.76	49.84
City of Deerfield Beach	28.25	24.53	52.78
City of Tamarac	18.57	34.22	52.79
City of Coral Springs	21.13	32.08	53.21
City of Miramar	21.38	32.95	54.33
City of Hallandale Beach	26.36	30.45	56.81
City of Coconut Creek	35.41	27.12	62.53
Cooper City	25.14	38.20	63.34
City of Sunrise	30.10	36.76	66.86
City of Hollywood	23.29	47.20	70.49
City of Parkland	44.26	33.91	78.17
City of Margate	28.11	54.60	82.71
City of Weston	37.65	45.96	83.61
City of Wilton Manors	46.66	38.72	85.38
City of Dania Beach	32.70	53.46	86.16
Town of Davie	<u>34.62</u>	<u>64.56</u>	<u>99.18</u>
Average	\$27.79	\$36.61	\$64.40

Source: The Feasibility Report.

Billing and Collection

The City bills customers for water, sewer, garbage, and stormwater service on a single monthly bill. Unpaid billings amounted to approximately 2.53% of total billings as of March 15, 2012. The City has a new billing system, which was placed in service in mid-2010.

Revenues and Expenses

Set forth below are actual and projected revenues, expenses and debt service coverage for the Water and Sewer System. For an explanation of the assumptions made by the Feasibility Consultants in connection with the projections provided in the following table and the reasons provided for such assumptions, see "APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report."

**Historical and Projected Revenues,
Expenses, Debt and Debt Service Coverage**

<u>Fiscal Year</u>	<u>Gross Revenues⁽¹⁾</u>	<u>Operating Expenses⁽²⁾</u>	<u>Net Revenue Available for Debt Service⁽¹⁾</u>	<u>Debt Service for Revenue Bonds⁽³⁾</u>	<u>Debt Service Coverage for Revenue Bonds</u>	<u>Debt Service for State Revolving Fund Loan⁽⁴⁾</u>	<u>Debt Service Coverage for Revenue Bonds and State Revolving Fund Loan</u>
2005	\$78,776,550	\$42,006,695	\$36,769,855	\$5,549,040	6.63x	\$ 490,867	6.09x
2006	78,109,099	46,423,173	31,685,926	5,536,438	5.72	519,493	5.23
2007	82,803,797	48,748,993	34,054,804	10,765,323	3.16	2,998,445	2.47
2008	85,741,240	50,296,313	35,444,927	15,420,148	2.30	4,797,834	1.75
2009	92,071,208	52,576,232	39,494,976	21,465,684	1.84	6,619,167	1.41
2010	103,156,000	55,207,000	47,949,000	22,548,000	2.13	6,424,000	1.66
2011	104,215,633	50,674,542	53,541,091	26,678,218	2.01	6,616,649	1.61
2012	111,912,684	57,547,129	54,365,555	26,677,661	2.04	5,474,290	1.69
2013	117,991,370	56,863,960	61,127,410	26,678,755	2.29	6,565,662	1.84
2014	123,436,353	58,874,964	64,561,389	26,683,930	2.42	6,565,662	1.94
2015	129,213,643	61,220,049	67,993,594	26,701,318	2.55	6,565,662	2.04
2016	135,635,049	63,924,358	71,710,690	26,715,543	2.68	6,565,662	2.15

Source: Feasibility Report.

- (1) Does not include revenues from Impact Fees, extension charges or interest on Bond funds. Impact Fees are not available to pay debt service on the Series 2012 Bonds but are available to pay debt service on the State Revolving Fund Loan, subject to applicable law relating to the use of such fees.
- (2) Includes personal services, Current Expenses and other non-operating expenses and excludes depreciation, interfund administrative costs and other costs.
- (3) Includes the Principal and Interest Requirements on all Outstanding Bonds, including the Series 2003 Bonds. Except for the Series 2003 Bonds maturing on or prior to March 1, 2013 (which shall remain Outstanding after issuance of the Series 2012 Bonds), all or most of the Principal and Interest Requirements relating to the Series 2003 Bonds will be refunded upon issuance of the Series 2012 Bonds. As a result, actual Principal and Interest Requirements upon issuance of the Series 2012 Bonds will be lower than the amounts reflected herein and, correspondingly, debt service coverage amounts will be higher.
- (4) Although included in the table demonstrating the amount of Net Revenues available to make debt service payments, the State Revolving Fund Loans have a subordinate lien on Net Revenues. The interest rate for the five (5) State Revolving Fund Loans that have been executed by the City in an amount totaling approximately \$104,000,000 is at a weighted average rate of approximately 2.40% per annum. No additional State Revolving Fund Loans for improvements to the Water and Sewer System are currently expected to be executed by the City. See "APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report."

CONCLUSIONS OF THE FEASIBILITY CONSULTANTS

CH2M HILL, Inc. and Burton & Associates have been engaged by the City to serve as feasibility consultants for the Water and Sewer System in connection with the issuance of the Series 2012 Bonds (collectively, the “Feasibility Consultants”) and, in such capacity, have prepared the Feasibility Report. The Feasibility Report provides a summary of the overall condition of the Water and Sewer System to support the issuance of the Series 2012 Bonds. The information contained in the Feasibility Report is a combination of information obtained from recent investigations and discussions with management and operations personnel of the Water and Sewer System and includes a review of, among other sources, the CIP, the Master Plan, the 2007 Master Plan Update, the comprehensive annual financial reports of the City for Fiscal Years ended September 30, 2007 through 2011, the City’s annual operating budgets for Fiscal Years September 30, 2007 through 2012, the City’s SFWMD water use permit, the financial, billing and operating data of the City, the 2009 Rate Study, the 2011 Rate Study, and other files of the City and of the Water and Sewer System maintained by the Feasibility Consultants.

Set forth below are certain conclusions reached by the Feasibility Consultants in the Feasibility Report. Reference is made to the complete Feasibility Report for a more detailed discussion of the information relied upon by the Feasibility Consultants to reach the following conclusions and the assumptions upon which such conclusions are based. See “APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report.” In the opinion of the Feasibility Consultants, the assumptions upon which the following conclusions are based are reasonable.

1. The City’s water treatment and distribution and wastewater collection and treatment system facilities are well maintained, well managed and in good operating condition. Effective planning policies provide for the inspection, repair, improvement and replacement of facilities and have enabled the City to meet state and federal regulations.

2. The Water System has sufficient physical capacity to meet existing and projected demands throughout the study period of the Feasibility Report (Fiscal Years 2012 through 2016) and the Sewer System, including the City’s wastewater treatment facilities, has the capacity to handle projected flows throughout such study period. Regulatory approval of the expansion of the Sewer System treatment facilities’ permitted capacity, up to its physical capacity, was approved by the FDEP on March 16, 2004. Projected wastewater flows presented in the 2007 Wastewater Master Plan Update anticipate wastewater flows reaching the wastewater treatment capacity of the Sewer System in 2016. However, other improvements being made to the Sewer System, together with recent reductions in population projections, are expected to extend the effective permitted capacity of the Lohmeyer WWTP. As a result, construction of an expansion of the Lohmeyer WWTP is not expected to be needed until at least 2020.

3. The City is meeting all regulatory requirements for the Water and Sewer System and is planning for regulatory requirements that the City anticipates may be imposed on the Water and Sewer System. The CIP includes improvements to address anticipated regulatory requirements and the financial plan for improvements to the Water and Sewer System, as described in the Feasibility Report, incorporates plans for funding of such improvements.

4. Key staff are well qualified and capable of managing current responsibilities and planning for implementation of future improvements.

5. The findings set forth in the Feasibility Report assume that the City will continue to adjust the rates charged customers of the Water and Sewer System annually, based on the approved indexing adjustment policy embodied in the City’s rate ordinance and described in the Feasibility Report. Except in

2000, the City has been following a practice of increasing rates for the Water and Sewer System on an annual basis since 1993 to cover operating cost increases, with occasional supplemental increases as needed to cover other financial needs.

6. Revenues under the projected rates presented in the Feasibility Report will be sufficient to meet all operating and other expenses, including debt service payments, bond debt service reserve requirements and coverage requirements during the study period of the Feasibility Report. The projected rates will also provide sufficient funds for planned capital improvement expenditures that are expected to be funded from current revenues. The City's current Water and Sewer System rates are lower than those charged by most of the other municipalities in South Florida.

7. 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 the Feasibility Report are reasonable.

8. Improvements to be made to the Water and Sewer System have been or are expected to be designed in accordance with usual and customary engineering practices and involve proven technology and proven configurations of that technology.

9. In the opinion of the Feasibility Consultants, the City's proposed issuance of the Series 2012 Bonds in the aggregate principal amount set forth in this Official Statement for the purposes described in the Feasibility Report is an advisable undertaking.

CAPITAL IMPROVEMENT PROGRAM

General

The 2007 Master Plan Update contains recommendations for improvements to the Water and Sewer System through Fiscal Year 2027. The proposed Water System capital improvements identified in the 2007 Master Plan Update consist of proposed water pumping, transmission and storage system improvements, including new, large water transmission lines, facilities improvements and large water main replacements. The proposed Sewer System capital improvements identified in the 2007 Master Plan Update include the proposed rehabilitation of numerous pump stations, force main replacements and facilities improvements. Most of the proposed capital improvements scheduled for construction prior to the end of Fiscal Year 2016 that are identified in the 2007 Master Plan Update primarily consist of improvements that are part of the City's existing regional wastewater treatment renewal and replacement program, or water supply or wastewater collection system renewal and replacement program.

Water System Improvements

In addition to the renewal and replacement projects for the Water System contemplated in the 2007 Water Master Plan Update, the permit issued by the SFWMD for operation of the Water System provides for withdrawals of raw water from the Floridan Aquifer via 2 existing and 14 proposed withdrawal facilities, and from the Biscayne Aquifer via 64 existing and 2 proposed withdrawal facilities. The Floridan Aquifer withdrawals will require treatment by a new reverse osmosis system to be constructed at the Peele-Dixie WTP. Previously the new reverse osmosis facility was expected to be needed by 2013. However, because of reductions in population estimates and projections, the City's existing raw water supply and treatment facilities are expected to meet its service area demands until at least 2018.

When constructed, the new reverse osmosis facility is expected to have a finished water capacity of 6 mgd. Currently expenditures for the treatment facility have been deferred until demands on the Water System dictate the need for the additional capacity. To meet future demands, the City is studying the feasibility of several alternative water sources and offset projects, including additional Floridan Aquifer use, stormwater capture projects, reuse, and other alternative water supply projects. See “WATER AND SEWER SYSTEM – The Water System – Regulatory Impacts” herein.

Other planned improvements to the facilities of the Water System include a number of new, large water mains, raw water supply and treatment renewal and replacement projects, and large and small water main replacements. Planned improvements to the Water System during Fiscal Years 2012 through 2016 are expected to total approximately \$59.0 million. Such costs are expected to be paid from revenues of the Water and Sewer System.

Sewer System Improvements

The proposed wastewater system improvements identified in the 2007 Wastewater Master Plan Update include renewal and replacements at the regional treatment facilities of the Sewer System and sewer line replacements. Current projections for ongoing repair and replacement of the Sewer System’s wastewater collection and transmission facilities amount to approximately \$9.7 million during Fiscal Years 2012 through 2016. For the regional treatment facilities of the Sewer System during Fiscal Years 2012 through 2016, repair and replacement costs are estimated to total approximately \$19.2 million. All of such repair and replacement costs are expected to be paid from revenues of the Water and Sewer System.

Current projections of the improvements for repair and replacement of the regional treatment facilities of the Sewer System and the costs of such improvements are determined based on the findings and recommendations contained in the Central Region Wastewater System 2011 Renewal and Replacement Requirement Analysis dated March 2011 (the “Regional R&R Analysis”) prepared by consulting engineers for the City. The rates and funding for the regional treatment facilities of the Sewer System reflect the annual operating expenditures and funding requirements for the 20 year renewal and replacement needs of such regional treatment facilities, as presented in the Regional R&R Analysis. The City’s current CIP provides for annual expenditures for repair and replacement of the regional treatment facilities of the Sewer System of \$1.8 million, totaling \$9.0 million over the 5 year period of the CIP. However, the costs of improvements for repair and replacement of the regional treatment facilities of the Sewer System range from \$5,443,233 for Fiscal Year 2012 to \$3,259,852 for Fiscal Year 2016, as presented in the Regional R&R Analysis. The City is responsible for 80% of such amount.

The City expects to amend its projected annual expenditures for repair and replacement of the regional treatment facilities of the Sewer System in its upcoming update of the CIP to reflect the findings and required expenditure amounts set forth in the Regional R&R Analysis. However, funding for the repair and replacement of the regional treatment facilities of the Sewer System is through rates that are set annually by its member agencies, including the City. Thus, while the City’s current CIP does not properly reflect the projected 5 year capital expenditures for repair and replacement of the regional treatment facilities of the Sewer System, as presented in the Regional R&R Analysis, the rates charged to, and revenue collected from, member agencies that share the costs of operating such facilities, including the City, do reflect the required funding to cover the projected costs of improvements for repair and replacement of such facilities, as presented in the Regional R&R Analysis.

For a more detailed discussion of the improvements to the Water and Sewer System contemplated in the 2007 Master Plan Update or in the CIP and the sources of funds to be used to make such improvements,

see “APPENDIX B – Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report” and, in particular, see Section 5 of the Feasibility Report.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2012 Bonds:

Sources of Funds

Par Amount of Series 2012 Bonds	\$
Net Original Issue Premium/Discount	
Other Legally Available Funds ⁽¹⁾	_____
 Total Estimated Sources of Funds	 \$ <u> </u>

Uses of Funds

Deposit to Escrow Deposit Fund	\$
Deposit to Cost of Issuance Subaccount ⁽²⁾	
Underwriters’ Discount	_____
 Total Estimated Uses of Funds	 \$ <u> </u>

-
- (1) Represents amount held in the Sinking Fund Account to pay principal of and interest coming due on the Refunded Bonds.
- (2) To pay certain costs of issuance of the Series 2012 Bonds, including, without limitation, printing costs, bond counsel fees, disclosure counsel fees, fees of the financial advisor and fees of the Feasibility Consultants.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

DEBT SERVICE SCHEDULE⁽¹⁾

Series 2012 Bonds					Outstanding Bonds			
<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Series 2012 Bonds Debt Service</u>	<u>Series 2012 Bonds Annual Debt Service</u>	<u>Outstanding Bonds Debt Service</u> ⁽²⁾	<u>Outstanding Bonds Annual Debt Service</u> ⁽²⁾	<u>Total Debt Service on Outstanding Bonds and Series 2012 Bonds</u>	<u>Total Annual Debt Service on Outstanding Bonds and Series 2012 Bonds</u>
9/1/12	—	\$	\$	\$	\$ 13,340,746	\$ 13,340,746	\$	\$
3/1/13	\$			—	13,341,721	—		—
9/1/13					13,337,034	26,678,755		
3/1/14					13,340,871	—		
9/1/14					13,343,059	26,683,930		
3/1/15					13,353,596	—		
9/1/15					13,347,721	26,701,318		
3/1/16					13,355,096	—		
9/1/16					13,360,446	26,715,543		
3/1/17					13,363,771	—		
9/1/17					13,349,421	26,713,193		
3/1/18					13,360,712	—		
9/1/18					13,355,624	26,716,336		
3/1/19					13,348,115	—		
9/1/19					13,355,752	26,703,867		
3/1/20					13,350,674	—		
9/1/20					13,344,491	26,695,165		
3/1/21					13,343,256	—		
9/1/21					13,330,556	26,673,813		
3/1/22					13,324,966	—		
9/1/22					13,328,619	26,653,584		
3/1/23					13,328,725	—		
9/1/23					13,328,700	26,657,425		
3/1/24					13,319,988	—		
9/1/24					13,331,044	26,651,031		
3/1/25					13,322,903	—		
9/1/25					13,325,916	26,648,819		
3/1/26					13,324,722	—		
9/1/26					13,331,178	26,655,900		
3/1/27					13,333,013	—		
9/1/27					13,327,150	26,660,163		

Series 2012 Bonds					Outstanding Bonds			
							Total Debt Service on Outstanding Bonds and Series 2012 Bonds	Total Annual Debt Service on Outstanding Bonds and Series 2012 Bonds
<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Series 2012 Bonds Debt Service</u>	<u>Series 2012 Bonds Annual Debt Service</u>	<u>Outstanding Bonds Debt Service</u> ⁽²⁾	<u>Outstanding Bonds Annual Debt Service</u> ⁽²⁾		
3/1/28	\$	\$	\$	—	\$ 13,332,038	—	\$	—
9/1/28				\$	13,333,575	\$ 26,665,613		\$
3/1/29					13,335,106	—		
9/1/29					13,335,047	26,670,153		
3/1/30					13,334,475	—		
9/1/30					13,324,659	26,659,134		
3/1/31					13,319,588	—		
9/1/31					13,317,363	26,636,950		
3/1/32					13,309,125	—		
9/1/32					13,322,475	26,631,600		
3/1/33					13,319,738	—		
9/1/33					13,332,269	26,652,006		
3/1/34					13,337,481	—		
9/1/34					13,334,869	26,672,350		
3/1/35					13,330,669	—		
9/1/35					13,334,756	26,665,425		
3/1/36					7,646,794	—		
9/1/36					7,650,694	15,297,488		
3/1/37					2,596,175	—		
9/1/37					2,597,738	5,193,913		
3/1/38					2,598,063	—		
9/1/38					<u>2,597,150</u>	<u>5,195,213</u>		
TOTAL	\$	\$	\$	\$	\$652,489,430	\$652,489,430	\$	\$

(1) Totals may not add due to rounding.

(2) Includes the Principal and Interest Requirements on all Outstanding Bonds, including the Series 2003 Bonds. Except for the Series 2003 Bonds maturing on or prior to March 1, 2013 (which shall remain Outstanding after issuance of the Series 2012 Bonds), all or most of the Principal and Interest Requirements relating to the Series 2003 Bonds will be refunded upon issuance of the Series 2012 Bonds. As a result, actual Principal and Interest Requirements upon issuance of the Series 2012 Bonds will be lower than the amounts reflected herein.

LITIGATION

There is no litigation or administrative proceeding, other than as is disclosed in this Official Statement, of any nature, now pending or, to the best knowledge of the City, threatened against the City which, in the opinion of the City Attorney, will have any material adverse effect on the Revenues derived by

the City from the Water and Sewer System. At the time of the delivery of the Series 2012 Bonds, the City will deliver a certificate to the effect that no litigation or other proceedings are pending or, to the best knowledge of the City, threatened against the City in any way (1) restraining or enjoining the issuance, sale or delivery of the Series 2012 Bonds or (ii) questioning or affecting the validity of the Series 2012 Bonds or any proceedings of the City taken with respect to the authorization, sale, execution or issuance of the Series 2012 Bonds or of the pledge of any moneys or other security provided for the Series 2012 Bonds.

The City experiences routine litigation and claims incidental to the conduct of municipal affairs. In the opinion of the City, there are no lawsuits presently pending or, to the best of the City's knowledge, threatened, the adverse outcome of which would impair the City's ability to perform its obligations to the owners of the Series 2012 Bonds.

LEGAL MATTERS

Certain legal matters incident to the issuance of the Series 2012 Bonds, including their legality and enforceability and the exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes, are subject to the legal opinions of Squire Sanders (US) LLP, Miami, Florida, Bond Counsel, whose legal services as Bond Counsel have been retained by the City. The signed legal opinions of Bond Counsel, substantially in the form attached hereto as APPENDIX E, dated and premised on law in effect as of the original delivery of the Series 2012 Bonds, will be delivered to the City and the Underwriters on the date of issuance of the Series 2012 Bonds.

The actual legal opinions to be delivered may vary from the form attached hereto to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distribution of the opinions by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinions subsequent to their date of issuance.

Certain legal matters incident to the issuance of the Series 2012 Bonds relating to disclosure will be passed on for the City by the Law Offices of Steve E. Bullock, P.A., Miramar, Florida, whose legal services as Disclosure Counsel have been retained by the City. The signed legal opinion, dated and premised on law in effect as of the date of original delivery of the Series 2012 Bonds, will be delivered to the City and the Underwriters on the date of issuance of the Series 2012 Bonds.

The proposed text of the legal opinion of Disclosure Counsel is set forth as APPENDIX F to this Official Statement. The actual legal opinion to be delivered may vary from the text attached hereto if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Disclosure Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date of issuance.

Certain legal matters will be passed on for the City by Harry A. Stewart, Esquire, Fort Lauderdale, Florida, City Attorney. Bond Counsel and Disclosure Counsel will receive fees for services provided in connection with the issuance of the Series 2012 Bonds, which fees are contingent upon the issuance of the Series 2012 Bonds.

The legal opinions and other letters of counsel to be delivered concurrently with the delivery of the Series 2012 Bonds express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated

by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2012 Bonds upon an event of default under the Resolution 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 Resolution and the Series 2012 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2012 Bonds will be qualified, as to the enforceability of 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 and to general principles of equity (whether sought in a court of law or equity).

TAX MATTERS

General

In the opinion of Squire Sanders (US) LLP, Bond Counsel, under existing law: (i) interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) the Series 2012 Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2012 Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings for the Series 2012 Bonds and that are intended to evidence and assure the foregoing, including that the Series 2012 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the City’s certifications and representations or the continuing compliance with the City’s covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City may cause loss of such status and result in the interest on the Series 2012 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012 Bonds. The City has covenanted to take the actions required of it for the interest on the Series 2012 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2012

Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2012 Bonds or the market value of the Series 2012 Bonds.

A portion of the interest on the Series 2012 Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2012 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2012 Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2012 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2012 Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2012 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2012 Bonds will not have an adverse effect on the tax status of interest on the Series 2012 Bonds or the market value or marketability of the Series 2012 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2012 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, both the American Jobs Act of 2011 proposed by President Obama on September 12, 2011, and introduced into the Senate on September 13, 2011, and the federal budget for fiscal year 2013, as proposed by President Obama on February 13, 2012, contain provisions that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt bonds, including the Series 2012 Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the Series 2012 Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2012 Bonds at other than their original issuance at the respective prices or yields indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the beneficial owners regarding the tax status of interest on the Series 2012 Bonds in the event of an audit

examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2012 Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Series 2012 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value for the Series 2012 Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Series 2012 Bonds (“Discount Bonds”) as indicated on the inside cover page of this Official Statement were offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2012 Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price or yield for that Discount Bond stated on the inside cover page of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2012 Bonds (“Premium Bonds”) as indicated on the inside cover page of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield must be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price or yield for that Premium Bond stated on the inside cover page of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Discount Bonds or Premium Bonds and as to other federal tax consequences and the treatment of OID or bond premium for purposes of state and local taxes on, or based on, income.

CONTINUING DISCLOSURE

For the benefit of the holders and beneficial owners from time to time of the Series 2012 Bonds, the City will covenant, in accordance with and as the only obligated person with respect to the Series 2012 Bonds under Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), to provide or cause to be provided certain financial information and operating data relating to the City and the Net Revenues, not later than 243 days following the end of each Fiscal Year (the “Annual Report”), and notices of material events, in such manner as may be required for purposes of paragraph (b)(5) of the Rule. The Annual Report and notices of material events will be electronically filed by the City with the Municipal Securities Rulemaking Board at <http://emma.msrb.org/>. The specific nature of the information to be contained in the Annual Report and the notices of material events are contained in “APPENDIX G - Form of Continuing Disclosure Commitment.” The covenants of the Continuing Disclosure Commitment have been made in order to assist the Underwriters in complying with clause (b)(5) of the Rule. The City has not failed to comply with any previous undertakings made with respect to the Rule.

In order to provide certain continuing disclosure with respect to the Series 2012 Bonds in accordance with the Rule, the City will retain the services Digital Assurance Certification, L.L.C. (“DAC”) to serve as Dissemination Agent in accordance with the terms of the Continuing Disclosure Commitment. The obligation of DAC to deliver the information at the times, and with the contents described in the Continuing Disclosure Commitment is limited by and in all respects subject to the receipt by DAC of such information from the City in the time periods required for its delivery. The specific obligations and responsibilities of DAC with respect to the continuing disclosure requirements of the Rule and its duties and limitations of liability as Dissemination Agent under the Continuing Disclosure Commitment are described in “APPENDIX G - Form of Continuing Disclosure Commitment.”

PENSION PLANS

Defined Benefit Plans

General Employees Retirement System. The General Employees Retirement System (the “GERS”) is a single-employer defined benefit plan administered by an eight (8) member board of trustees. The GERS covers all City employees, except police and firefighters. Through collective bargaining with the general, supervisory and professional City employees, a new single-employer defined contribution pension plan was established for Teamster Union employees hired on or after October 1, 2007, Supervisory Union employees hired on or after November 7, 2007, and all other non-union employees hired on or after February 20, 2008. The GERS was then closed to new entrants. The City’s payroll for employees covered by the GERS applicable to the September 30, 2010 actuarial valuation was approximately \$71,416,400. The total City payroll at that time was approximately \$163,414,800. As of the valuation date, employee membership data related to the GERS was as follows:

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Retirees and beneficiaries currently receiving benefits	1,212
Terminated employees entitled to benefits but not yet receiving them	117
Fully, partially and non-vested active plan participants	1,227
Participants in DROP (as hereinafter defined)	32

Source: City of Fort Lauderdale, Florida Comprehensive Annual Financial Report
for Fiscal Year Ended September 30, 2011.

Under the vesting provisions of the GERS, employees are entitled to one hundred percent (100%) of normal retirement benefits after five (5) years of service. Employees who are terminated prior to vesting are entitled to a refund of employee contributions, plus interest at three percent (3%) per year. Employees are eligible to retire after thirty (30) years of service, regardless of age, or at age fifty-five (55), with five (5) years of service. Members who continue in employment past normal retirement may either accrue larger pensions or freeze their accrued benefit and enter the Deferred Retirement Option Plan (the "DROP"). Each participant of the GERS in the DROP has an account credited with benefits not received, plus interest. Participation in the DROP must end no later than sixty (60) months after normal retirement. Certain employees hired on or after October 1, 1983 electing reduced benefits are entitled to one hundred (100%) of normal retirement benefits after ten (10) years of service, beginning at age sixty-five (65).

Employees contribute from four to six percent (4% to 6%) of their earnings to the plan. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the plan's actuaries as of September 30 each year. For the 2011 Fiscal Year, the City's contribution rate, as a percentage of annual covered payroll, was 30.0%.

Police and Firefighters Retirement System. The Police and Firefighters Retirement System (the "PFRS") is a single-employer defined benefit plan administered by an eight (8) member board of trustees. The PFRS covers all of the City's police and firefighters. The City's payroll for employees covered by the PFRS applicable to the December 31, 2010 actuarial valuation was approximately \$62,571,400. The total City payroll at that time was approximately \$164,416,800. As of the valuation date, employee membership data related to the PFRS was as follows:

Retirees and beneficiaries currently receiving benefits	865
Terminated employees entitled to benefits but not yet receiving them	16
Fully, partially and non-vested active plan participants	802
Participants in DROP	84

Source: City of Fort Lauderdale, Florida Comprehensive Annual Financial Report
for Fiscal Year Ended September 30, 2011.

Under the vesting provisions of the PFRS, employees are entitled to one hundred percent (100%) of normal retirement benefits after ten (10) years of service. Employees who are terminated prior to vesting are entitled to a refund of employee contributions, plus interest at three percent (3%) per year. Employees are eligible to retire after twenty (20) years of service, regardless of age, or at age fifty-five (55), with ten (10) years of service. Members who continue in employment after completion of twenty (20) years of service may either accrue larger pensions or freeze their accrued benefit and enter the DROP. Each participant of the PFRS in the DROP has an account credited with benefits not received, plus interest. Participation in the DROP must end no later than sixty (60), seventy-two (72), eighty-four (84) or ninety-six (96) months after normal retirement, depending on years of service.

Employees hired on or before April 18, 2010 contribute eight percent (8%) of their earnings to the plan. Employees hired after April 18, 2010 contribute eight and one-half percent (8.5%) of their earnings to the plan. In addition, contributions in the amount of \$4,735,930 were received from the State from fire and casualty insurance premium taxes. These on-behalf payments were also recognized as tax revenues and public safety expenditures in the General Fund. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the plan's actuaries as of December 31 each year. For the 2012 Fiscal Year, the City's and the State's contribution rates, as percentages of annual covered payroll, were 49.4% and 7.7%, respectively.

The benefit provisions and all other requirements of the City's defined benefit plans are established by ordinance enacted by the City Commission.

Annual Pension Cost and Funding Status. Annual pension cost is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. The annual pension cost for the GERS and the PFRS for the last three (3) Fiscal Years are as follows:

City of Fort Lauderdale, Florida				
Annual Pension Fund Costs				
Fiscal Year Ended September 30	<u>General Employees</u>		<u>Police and Firefighters</u>	
	<u>Amount</u>	<u>Percent Contributed</u>	<u>Amount</u>	<u>Percent Contributed</u>
2009	\$18,325,484	100%	\$19,146,573	100%
2010	19,351,946	100	25,752,119	100
2011	21,498,801	100	30,441,767	100

Source: City of Fort Lauderdale, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2011.

Since the City contributed one hundred percent (100%) of the annual pension cost in each of the years indicated, there was no net pension obligation at the end of any year for either plan. The current funding status (in millions) for the GERS and for the PFRS, as of the most recent valuation dates, is as follows:

City of Fort Lauderdale, Florida
Pension Fund Current Funding Status
(in millions)

<u>Pension Plan</u>	<u>Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
General Employees	9/30/10	\$353.5	499.9	146.4	70.7%	\$71.4	205.0%
Police and Fire	12/31/10	482.2	674.2	192.0	71.5	62.6	306.7

Source: City of Fort Lauderdale, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2011.

For detailed information relating to the actuarial methods and assumptions used to determine annual required contributions for the GERS and the PFRS, see “APPENDIX C - Basic Financial Statements of the City for the Fiscal Year ended September 30, 2011” and, in particular, the subsection entitled “Actuarial Methods and Assumptions” in Note 14 of the Notes to the Financial Statements. Also, six-year historical trend information relating to the GERS and the PFRS is presented in supplementary schedules included in the audited financial statements of the City to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. See the section entitled “Required Supplementary Information” in “APPENDIX C - Basic Financial Statements of the City for the Fiscal Year ended September 30, 2011.”

The GERS and the PFRS each issue separate financial statements which can be obtained from the board of trustees for the respective pension plans or from the City. Such financial statements are issued annually.

Defined Contribution Plans

General Employees Defined Contribution Plan. The General Employees Defined Contribution Plan is a single-employer defined contribution plan administered by the City. The plan covers all City employees hired on or after October 1, 2007, except police and firefighters. The City’s 2011 Fiscal Year payroll for employees covered by the plan was approximately \$6,924,900. The total City payroll for the 2011 Fiscal Year was approximately \$163,807,900.

The City contribution requirement of nine percent (9%) on earnings of participants in the General Employees Defined Contribution Plan was paid on a biweekly basis and amounted to \$626,164 for the 2011 Fiscal Year. Employee contributions are neither required nor permitted under the plan. Employees become fully vested in the plan upon entry.

General Employees Special Class Plan. The General Employees Special Class Plan is a single-employer defined contribution plan administered by the City. The plan is available to City employees, except police and firefighters, as an alternative to participation in the GERS. The City’s 2011 Fiscal Year

payroll for employees covered by the plan was approximately \$330,700. The total City payroll for the 2011 Fiscal Year was approximately \$163,807,900.

The City contribution requirement of 30.95% on earnings of participants in the General Employees Special Class Plan was paid on a biweekly basis and amounted to \$102,686 for the 2011 Fiscal Year. Employee contributions are neither required nor permitted under the plan. Employees become fully vested in the plan upon entry.

Non-classified Employees Retirement Plan. The Non-classified Employees Retirement Plan is a single-employer defined contribution plan administered by the City. The plan covers certain non-classified City employees who have elected not to participate in the GERS. The City's 2011 Fiscal Year payroll for employees covered by the plan was approximately \$1,402,900. The total City payroll for the 2011 Fiscal Year was approximately \$163,807,900.

The City contribution requirement of 25.88% on earnings of participants in the Non-classified Employees Retirement Plan was paid on a biweekly basis and amounted to \$380,152 for the 2011 Fiscal Year. Employee contributions are neither required nor permitted under the plan. Employees become fully vested in the plan upon entry.

The benefit provisions and all other requirements of the City's defined contribution plans are established by ordinance enacted by the City Commission.

GASB STATEMENT NO. 45

The Government Accounting Standards Board ("GASB"), which establishes financial reporting and accounting requirements for governmental entities, issued its Statement No. 45 in June 2004 ("GASB 45"). GASB 45 details the financial reporting guidelines that require state and local governmental entities to report their unfunded actuarial accrued liabilities for health care and other non-pension post-employment benefits (collectively referred to as "OPEB") as well as their annual OPEB costs. Historically, governmental entities generally accounted for OPEB on a pay-as-you-go basis, reporting only the cost of OPEB due in the current fiscal year. As a result of GASB 45, governmental entities are required to utilize an actuarial method of accounting that takes into account unfunded liabilities related to OPEB. In order to receive a clean opinion in its annual audit, governmental entities have to comply with the requirements of GASB 45.

The City provides a post-employment health insurance benefit for its general employees, sworn police officers and certified firefighters. Employees entitled to the benefit are paid from \$100 to \$400 per month upon normal retirement for the purchase of health insurance. The benefit continues until age 65 and is currently funded on a pay-as-you-go basis. In addition, retiring general employees and certified firefighters are eligible to continue their participation in one of the City's health and/or dental insurance plans at the same premium applicable to active employees. Since retiree claims are expected to result in higher costs to the plans, on average, than those for active employees on an actuarial basis, there is an implicit subsidy included in the premiums for the retirees. As of September 30, 2011, there were 590 retired employees receiving a monthly benefit, with an additional 2,257 employees eligible for participation in the future. Payments made totaled \$2,841,073 for the year. Retiree implicit subsidies amount to \$490,946 of that total.

Annual OPEB costs is a measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. Set forth below is a description of the City's annual OPEB costs and net OPEB obligation for the Fiscal Year ended September 30, 2011:

**City of Fort Lauderdale, Florida
OPEB Annual Costs and Net Obligation
for Fiscal Year 2011**

Annual Required Contribution	\$ 6,321,000
Interest on Net OPEB Obligation	230,000
Amortization of Net OPEB Obligation	<u>(235,000)</u>
Annual OPEB Cost	6,316,000
Actual Contributions Made	(2,841,073)
Increase in Net OPEB Obligation	3,474,927
Beginning of Year Net OPEB Obligation	<u>6,042,831</u>
End of Year Net OPEB Obligation	<u>\$ 9,517,758</u>

Source: City of Fort Lauderdale, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2011.

Set forth below is a description of the City's annual OPEB costs for the last three (3) Fiscal Years and the amount contributed annually by the City towards such costs.

**City of Fort Lauderdale, Florida
OPEB Annual Costs and Contributions**

<u>Fiscal Year Ended September 30</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$3,905,000	\$2,379,593	60.9%	\$2,547,826
2010	5,951,000	2,455,994	41.3	6,042,832
2011	6,316,000	2,841,073	45.0	9,517,758

Source: City of Fort Lauderdale, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2011.

As of the September 30, 2011 valuation date, the actuarial accrued liability for benefits was \$62,166,000, all of which was unfunded. The payroll for active participating employees for that period was approximately \$141,096,000 and the unfunded accrued liability as a percentage of payroll was 43.8%.

Historically, the City has been able to satisfy its annual OPEB obligation and currently expects that it will continue to have funds available to satisfy such obligation in the foreseeable future. For more detailed information concerning the City's OPEB, see "APPENDIX C - Basic Financial Statements of the City for the Fiscal Year ended September 30, 2011."

FINANCIAL STATEMENTS

The basic financial statements of the City for the Fiscal Year ended September 30, 2011 and the report of Ernst & Young LLP, independent certified public accountants, in connection therewith, dated March 12, 2012, are included in Appendix C as part of the public records of the City. The consent of Ernst & Young LLP was not requested for the reproduction of its audit report in this Official Statement. The auditor has performed no services in connection with the preparation of this Official Statement and is not associated with the offering of the Series 2012 Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned ratings of "Aa1" and "AA+," respectively, to the Series 2012 Bonds. Such ratings reflect the view of such organizations and an explanation of the significance of such ratings may be obtained only from Moody's and S&P, respectively. An explanation of the ratings given by Moody's may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, (212) 553-0300. An explanation of the ratings given by S&P may be obtained from S&P at 55 Water Street, 38th Floor, New York, New York 10041, (212) 438-2124.

There is no assurance that the ratings provided by Moody's and S&P, respectively, will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2012 Bonds.

FINANCIAL ADVISOR

First Southwest Company, Aventura, Florida, is serving as financial advisor to the City with respect to the sale of the Series 2012 Bonds. The financial advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2012 Bonds and provided other advice. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

EXPERTS

The references herein to CH2M HILL, Inc. and Burton & Associates, as the Feasibility Consultants, have been approved by such firms. The Feasibility Report of such firms on the Water and Sewer System has been included as Appendix B to this Official Statement in reliance upon such Feasibility Report and upon such firms as experts, as applicable, in engineering, planning and financial analysis. References to and excerpts herein from the Feasibility Report do not purport to be adequate summaries of such Report or complete in all respects. The Feasibility Report is an integral part of this Official Statement and should be read in its entirety for complete information with respect to the subjects discussed therein.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor relating to the computation of forecasted receipts of principal and interest on the Government Obligations and the forecasted payments of principal and interest to pay or redeem, as applicable, the Refunded Bonds and supporting the conclusion of Bond Counsel that the Series 2012 Bonds do not constitute "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended, was verified by

Robert Thomas CPA, LLC, as the Verification Agent. Such computations were based solely upon assumptions and information supplied by the Financial Advisor. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted results.

UNDERWRITING

The Series 2012 Bonds are being purchased by _____ (the “Underwriters”), subject to certain terms and conditions set forth in the Official Notice of Bond Sale, including the approval of certain legal matters by Bond Counsel, delivery of a certificate from the City regarding information set forth in this Official Statement, and the existence of no material adverse change in the condition of the City from that set forth in this Official Statement.

The net aggregate purchase price payable by the Underwriters for the Series 2012 Bonds is \$ _____ (equal to the principal amount of the Series 2012 Bonds, [plus/minus a net original issue premium/discount] of \$ _____, minus an Underwriters’ discount of \$ _____). The Series 2012 Bonds are offered for sale to the public at the prices or yields set forth on the inside cover page of this Official Statement. The Series 2012 Bonds may be offered and sold to certain dealers at prices lower than or yields higher than such offering prices or yields, and such public offering prices and yields may be changed, from time to time, by the Underwriters.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051, Florida Statutes, and Rule 3E400.003, Florida Administrative Code, requires the City to disclose each and every default as to payment of principal and interest after December 31, 1975 with respect to obligations issued or guaranteed by the City. Rule 3E400.003 further provides, however, that if the City in good faith believes that such disclosure would not be considered material by reasonable investors, such disclosure may be omitted. Certain obligations issued by the City in which the City has acted merely as a conduit for payment do not constitute an actual debt, liability or obligation of the City, but are instead secured by payments to be made from certain users of bond financed property. Because such other obligations are not dependent upon the City for repayment, they do not affect or reflect the strength of the City. Accordingly, any prior default with respect to such obligations issued by the City would not in the City’s judgment be considered material by reasonable investors in the Series 2012 Bonds. Accordingly, the City has not taken affirmative steps to contact the various trustees of conduit bond issues of the City to determine the existence of prior defaults.

Although no affirmative steps have been taken to determine if any defaults occurred with conduit issues of the City, the City has been provided notice of the occurrence of a default with respect to one of its prior conduit issues. The City’s \$3,675,000 Industrial Development Revenue Bonds, Series 1982 (Days Inn of America, Inc. Project) (the “Days Inn Bonds”) went into default as to the payment of principal and interest on September 15, 1991. On November 3, 1997, First Union National Bank, as Indenture Trustee for the Days Inn Bonds, issued a “Notice of Final Distribution” as to the Days Inn Bonds. The Days Inn Bonds were special, limited obligations of the City payable solely from the revenues and other amounts derived by the City from the loan agreement with the borrower of the proceeds of the Days Inn Bonds or otherwise from the project in respect of which the Days Inn Bonds were issued. Neither the faith and credit nor the taxing power of the City was pledged to the payment of the Days Inn Bonds. There was no lien upon any property owned by or situated within the jurisdictional limits of the City, except the project in respect of which the Days Inn

Bonds were issued. For the foregoing reasons, the City has concluded that all disclosures required by the aforementioned Rule pertaining to the Days Inn Bonds are not deemed material to a reasonable investor.

Except as described in the preceding paragraph, to the best knowledge of the Director of Finance of the City, the City has not received actual notice of a default in the payment of principal or interest after December 31, 1975 with respect to any obligations issued or guaranteed by the City.

AUTHORIZATION OF OFFICIAL STATEMENT

The delivery of this Official Statement has been duly authorized by the City Commission. At the time of the delivery of the Series 2012 Bonds, the Mayor and City Manager of the City will furnish a certificate to the effect that nothing has come to their attention which would lead them to believe that this Official Statement (excluding information under the caption “DESCRIPTION OF THE SERIES 2012 BONDS – Book-Entry Only System”), as of its date and as of the date of delivery of the Series 2012 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which this Official Statement is intended to be used, or which is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading.

A limited number of copies of the final Official Statement will be provided, at the City’s expense, on a timely basis.

CONCLUDING STATEMENT

All information included herein has been provided by the City, except where attributed to other sources. 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. The information herein has been compiled from official and other sources and, while not guaranteed by the City, is believed to be correct. To the extent that any statements made in this Official Statement and the appendices attached hereto involve matters of opinion or of 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.

This Official Statement has been duly executed and delivered by the Mayor, the City Manager and the Director of Finance of the City of Fort Lauderdale, Florida.

CITY OF FORT LAUDERDALE, FLORIDA

Mayor

City Manager

Director of Finance

APPENDIX A

General Information regarding the City of

Fort Lauderdale, Florida and Broward County, Florida

[THIS PAGE INTENTIONALLY LEFT BLANK]

GENERAL INFORMATION

Introduction

Founded in 1911, the City of Fort Lauderdale (the “City”) is located in the heart of a robust, diversified growth region on the southeast coast of Florida midway between Miami and West Palm Beach. The City encompasses approximately 36 square miles with a population of approximately 165,500, as of September 30, 2010. Fort Lauderdale ranks as the seventh largest city in Florida and the largest municipality in Broward County, a metropolitan area that includes 31 cities and more than 1.8 million people.

Embraced by the Atlantic Ocean, New River and a myriad of scenic inland waterways, Fort Lauderdale truly lives up to its designation as the *Venice of America*. With an average temperature of 77 degrees, nearly seven miles of beautiful beaches and 3,000 hours of sunshine per year, Fort Lauderdale attracts millions of visitors each year for business, recreation and relaxation.

The City offers an array of cultural, recreational and entertainment amenities, combined with an exceptional economic climate and an outstanding quality of life. Fort Lauderdale features a thriving uptown and downtown business district; a revitalized beachfront; picturesque Riverwalk; vibrant arts, science and historic district; and an array of upscale shopping, dining and entertainment venues.

All of these assets combine to make Fort Lauderdale a year round, world-class family resort and business center.

Vision

The City is committed to improving productivity, streamlining expenses and developing a stronger, more effective organization. The City has embraced a new vision that is based on fiscal responsibility, accountability and quality delivery of services. It is a vision that rewards excellence, not mediocrity, and, above all, places the people of Fort Lauderdale first.

As the City moves forward, it will continue to work in partnership with its most important asset -- its citizens -- to develop the strategies necessary to ensure a safe and secure community; provide quality programs and services; enhance quality of life; protect the environment, promote smart growth; and maintain fiscal responsibility.

By remaining focused on its mission, the City is confident that it can address the challenges that lie ahead, and work to preserve and enhance the unique characteristics that make Fort Lauderdale such a special City.

Administration

The City has been operating under a Commission-Manager form of government since 1925. The City Commission is comprised of the Mayor, who is elected at-large, and four Commissioners, who are elected in non-partisan district races. Elections take place every three years and each elected official is eligible to serve three consecutive three-year terms. The next election will take place in March 2015. As the City’s legislative body, the City Commission sets policy, enacts ordinances, adopts resolutions and makes appointments to advisory boards and committees.

The City Manager is appointed by and reports directly to the City Commission. As Chief Executive Officer, the City Manager is responsible for directing the City’s day-to-day operations and carrying out the

policies set forth by the Commission. Lee R. Feldman, Fort Lauderdale's current City Manager, began his service as City Manager on June 13, 2011.

The City implemented a major administrative restructuring plan on October 1, 2004. The plan, which generated more than \$250,000 in cost savings, is designed to improve employee accountability, communication and efficiency by providing each department head with a clear, manageable set of responsibilities. The City's departmental structure is comprised of the offices of the City Commission, City Manager, City Attorney, City Auditor and City Clerk, along with the following 14 departments that are responsible for the provision and delivery of municipal services: Building, Business Enterprises, Economic Development, Finance, Fire-Rescue, Human Resources, Information Systems, Parking and Fleet Services, Parks and Recreation, Planning and Zoning, Police, Procurement Services, Public Information and Public Works.

As of September 30, 2011, the City employed a work force of nearly 2,485 employees, approximately 1,950 of which are represented by six bargaining units: Fraternal Order of Police (FOP), Fraternal Order of Police - Police Captains, International Association of Fire Fighters (IAFF), International Brotherhood of Teamsters Local 769, Federation of Public Employees - Supervisory and Federation of Public Employees - Professional.

The City's current operating budget is \$632,677,392, through which the City provides a full range of municipal programs and services.

Resumes

Mayor John P. "Jack" Seiler was sworn in as Mayor of the City on March 17, 2009 and reelected in 2012. Prior to his election as Mayor of the City, Mayor Seiler served eight years in the Florida House of Representatives. During his tenure as a State Representative, he chaired the Broward Legislative Delegation in 2007-2008 and was Vice Chair of the Delegation in 2006-2007. Mayor Seiler is a graduate of the University of Notre Dame, where he received his B.B.A. and a graduate of the University of Miami, where he received his Juris Doctorate. Mayor Seiler has been in elected public service since 1993. He has served and continues to serve on numerous boards and organizations and is the recipient of numerous awards and recognitions. Mayor Seiler is a practicing attorney at the firm of Seiler, Sautter, Zaden, Rimes & Weihe. He is married and has four children.

Vice Mayor Charlotte E. Rodstrom was elected to the City Commission in March 2006 and reelected in 2009 and 2012. During her tenure, Vice Mayor Rodstrom has conducted monthly crime prevention meetings to address community concerns, spearheaded the Beach Master Plan to protect the environment and ensure smart, controlled growth and initiated plans to revitalize the Aquatics Complex and International Swimming Hall of Fame. She led the effort to preserve the historic Annie Beck House, established a new Cultural Arts and Tourism Advisory Board for the City and has worked with the Florida Department of Transportation on the Florida Scenic Highways Project. Vice Mayor Rodstrom also serves as the League of Cities' appointee to the Broward Cultural Council and is an appointee to the Broward County Metropolitan Planning Organization. In addition, Vice Mayor Rodstrom has served several other civic causes and organizations, including, among others, serving on the Board of Directors of the Historic Stranahan House and on the City's Planning and Zoning Advisory Board.

Commissioner Bobby B. DuBose was elected to the City Commission on March 10, 2009 and reelected in 2012. Commissioner DuBose received his Bachelors of Arts degree in Economics from the University of Florida. A native of Fort Lauderdale, Commissioner DuBose has devoted his time to serve many civic organizations, including, among other organizations, serving as President of the Fort Lauderdale

NAACP Youth Council, President of the Fort Lauderdale Alumni Chapter of Kappa Alpha Psi, Executive Committee Member and Co-Chair for the NAACP's Friends of the Afro-Academic, Cultural, Technological and Scientific Olympics, and board member of the Broward County Living Wage Advisory Board, the City of Fort Lauderdale Marine Advisory Board and the Florida Ocean Sciences Institute Board. Since his election to the City Commission, Commissioner DuBose was appointed as the City's representative to the Broward League of Cities and to the South Florida Regional Planning Council's State Road 7 Collaborative Steering Committee. Commissioner DeBose is self-employed in the insurance industry and also operates his own company, DuBose Ventures, LLC.

Commissioner Bruce G. Roberts was elected to the City Commission on March 10, 2009 and reelected in 2012. Commissioner Roberts graduated from Cardinal Gibbons High School in Fort Lauderdale, holds a bachelor's degree in Public Administration Criminal Justice from St. Thomas University and is a graduate of the University of Louisville's Southern Police Institute, Command Officers Development Course. He entered the law enforcement profession as a police officer for the City in 1973, was promoted to detective and, thereafter, through the ranks of law enforcement, culminating with his appointment as Chief of Police from October 2001 until May 2008. He has served professional and civic organizations, including the Greater Fort Lauderdale Chamber of Commerce, the Florida and Broward County Police Chiefs Associations, the Advisory Board of the Broward County Crime Commission, the Broward County Commission on Substance Abuse, the Broward Workshop Criminal Justice Committee, the Fort Lauderdale Police Officers Association and the Fraternal Order of Police. Present appointments include the Broward County Metropolitan Planning Organization, the Transportation Management Association and the Florida League of Cities - Urban Administration Committee.

Commissioner Romney Rogers was elected to the City Commission on March 10, 2009 and reelected in 2012. He received a bachelor's degree in business administration from Rutgers University in 1975 and a Juris Doctorate from Mercer University Law School in 1978. He has been a partner in the law firm of Rogers, Morris & Ziegler since 1981. A native of Fort Lauderdale, Commissioner Rogers has been actively involved in the community for more than three decades. His professional and civic affiliations include serving as a President of the Broward County Bar Association, young lawyer section, and as a board member or chair of numerous business and community organizations. He has served as Secretary/Trustee of the City of Fort Lauderdale's Police and Fire Pension Board, overseeing a \$500 million pension fund. He is a founding member of the Board of Directors for the Broward Housing Partnership, Co-Chair of the Fort Lauderdale Mayor's Prayer Breakfast Committee and a member of the Board of Directors of SunTrust Bank/South Florida. As President of Stranahan House, Commissioner Rogers initiated an endowment to ensure its continued maintenance and support. During his tenure as President of the Fort Lauderdale Rotary Club, he established a partnership with the City and neighborhood residents to create Virginia Young Park. He has served on the City's Historic Preservation Board and coached youth soccer, football and baseball in the City for 12 years. Professionally, Commissioner Rogers has served as the City Attorney for two separate cities. He is an active member of First Baptist Church of Fort Lauderdale, where he has served as Chairman of the Deacons and as a trustee.

Lee R. Feldman, ICMA-CM - City Manager for the City of Fort Lauderdale (June 2011 – Present), served as City Manager since October 2002 for the City of Palm Bay, Florida prior to accepting the position of City Manager for the City of Fort Lauderdale. Prior to his appointment as the Palm Bay City Manager, Mr. Feldman was employed by the City of North Miami, Florida, where he served as the City Manager from May 1996 to October 2002 and as the Deputy City Manager beginning in 1989. Mr. Feldman also served as an Assistant to the City Manager and as Assistant City Manager to the City of North Miami Beach. He is a graduate of Washington and Lee University, where he received a Bachelor of Arts in Liberal Arts, and he earned a Master's Degree in Governmental Administration from the Fels Center of Government at the

University of Pennsylvania. Additionally, he has completed the Senior Executive in State and Local Government Program at Harvard's Kennedy School of Government.

Mr. Feldman currently serves as a Vice President (Southeast Region) of the International City and County Management Association, has served as the President of the Florida City and County Management Association and was named the Florida League of Cities' "City Manager of the Year" in 2006. Mr. Feldman is a member of the United States Federal Emergency Management Agency National Advisory Council, served as Chair, and is currently a member, of the National League of Cities' City Futures Panel on Public Finance and serves as a member of the National League of Cities Steering Committee on Public Safety and Crime Prevention and Advocacy. He chaired the International City and County Management Association's Governmental Affairs and Policy Committee, currently serves on the Association's Sustainability Advisory Group and has served on the Association's Task Force on Community Tools for Ending Racism. Additionally, he teaches newly elected municipal officials the principles of finance and taxation in Florida and is frequently called upon to speak to professional groups on a variety of municipal issues.

Harry A. Stewart, Esquire - City Attorney for the City of Fort Lauderdale (August 2002 – Present), is an AV-rated attorney with over 35 years of legal experience in counseling and representing government and private-sector clients in the areas of land use, real estate development, eminent domain/condemnation, public finance and government affairs. He has been admitted to practice in all Florida courts and was admitted to practice in the United States District Court, Middle District of Florida and the United States Court of Appeals, 5th Circuit in 1974, the United States District Court, Southern District of Florida in 1976, the United States Supreme Court in 1980 and the U.S. Court of Appeals, 11th Circuit in 1981. He holds B.S. and J.D. degrees from the University of Florida.

John C. Herbst, C.P.A., CGFO - City Auditor for the City of Fort Lauderdale (August 2006 – Present), is the first individual to hold the position of independent City Auditor created through a charter revision in 2004. Mr. Herbst has over 20 years of diversified audit, accounting and finance experience in both the public and private sectors. Prior to coming to the City of Fort Lauderdale, he held several positions with the City of Jacksonville, Florida, including Chief Financial Officer for the Jacksonville Housing Commission, Director of Finance for the Jacksonville Children's Commission and Principal Budget Analyst for the City of Jacksonville. Mr. Herbst holds a Bachelors of Business Administration in Accounting from Bernard M. Baruch College – City University of New York and a Masters of Business Administration from the University of North Florida. In addition to being a Florida licensed Certified Public Accountant, he also holds the designation of Certified Government Finance Officer from the Florida Government Finance Officers Association.

Douglas R. Wood, CGFM - Director of Finance (February 2011 – Present), City of Fort Lauderdale, has over 40 years of experience in finance and budget in the public sector. Prior to joining the City, Mr. Wood was the Finance Director for the City of Lufkin, Texas. He has held financial and management positions with the City of Houston, Texas, the City of Roanoke, Virginia and the County of Chesterfield, Virginia. Mr. Wood holds a Bachelors of Business Administration from National Business College and the designation of Certified Governmental Finance Manager with the Association of Governmental Accountants.

Lynda C. Flynn, CGFO - Treasurer (August 2008 – Present), City of Fort Lauderdale, has over 20 years of experience in budget and finance in the public sector. In addition to her position as Treasurer, she held the position of Interim Finance Director for the City from December 2009 through January 31, 2011. Prior to joining the City, Ms. Flynn was the Asset and Debt Manager for Osceola County, Florida and held various positions in the Fiscal Services Department with Oakland County, Michigan. She holds a Bachelor of Science degree from Russell Sage College in Troy, New York and a Masters of Business Administration

from Lamar University in Beaumont, Texas, and the designation of Certified Government Finance Officer from the Florida Government Finance Officers Association.

Gloria J. LeClaire, C.P.A., CGFM - Controller, City of Fort Lauderdale (January 2010 – Present), compiled over 24 years of governmental accounting experience with the City of Plantation, Florida. She graduated from Florida International University with a Bachelors of Business Administration and is an active Certified Public Accountant in the State of Florida. Ms. LeClaire is also a Certified Governmental Financial Manager with the Association of Governmental Accountants.

Jonda K. Joseph - City Clerk for the City of Fort Lauderdale (May 2004 – Present), is a 32-year veteran in the public sector. She was hired by the City Commission from the Town of Lauderdale-By-The-Sea, where she served as Town Clerk. Ms. Joseph also served as City Clerk of Coral Springs for nearly 21 years and is a member of the International Institute of Municipal Clerks and the Florida Association of City Clerks. She has a Bachelor of Arts degree in Public Management from Florida Atlantic University.

Economy and Business

An advantageous economic climate coupled with an exceptional quality of life is helping the City establish itself as a world-class center for international commerce and one of the most desirable locations for new, expanding or relocating businesses. Once known strictly as a tourism-based economy, Fort Lauderdale now supports a diverse range of industries, including marine, manufacturing, finance, healthcare, insurance, real estate, high technology, avionics/aerospace, film and television production.

Marine Industry. The marine industry is the largest industry in the Greater Fort Lauderdale area, accounting for more than 134,000 jobs, gross wages and earnings of approximately \$3.7 billion and \$13.6 billion of total economic impact in South Florida. The City hosts the Fort Lauderdale International Boat Show which, each year, has a regional economic impact of approximately \$500 million.

With more than 300 miles of waterways, marinas and marine manufacturing and repair facilities, Greater Fort Lauderdale is a world-renowned port of call for the yachting industry.

Tourism. Tourism is the second largest industry for the Greater Fort Lauderdale area, employing more than 114,000 individuals in the area. New hotels and related venues are consistently being constructed and renovated in South Florida to accommodate the area's extensive tourism industry. Broward County's first Ritz-Carlton Hotel opened in Fort Lauderdale in 2008 and the W Hotel opened in 2009. In addition, the former Yankee Trader Hotel recently reopened as a new Westin Hotel. The Greater Fort Lauderdale Convention and Visitors Bureau reports that the area hosted more than 10.6 million visitors in 2010 and such visitors spent an estimated \$8.7 billion.

Trade and Business Development. Fort Lauderdale has emerged as one of the fastest growing markets for global trade, with more than 40% of local businesses engaged in or supporting international commerce. The City also remains at the forefront of South Florida's emerging *InternetCoast*, a region that is home to more than 6,000 high technology firms. In addition, a growing list of nationally-recognized corporations have established business operations in Fort Lauderdale with corporate or Latin American headquarters, including: AT&T, AutoNation, BankAtlantic, Citicorp, Citrix Systems, Galaxy Latin America, Hewlett-Packard, Microsoft Latin American, Motorola Latin America, Republic Industries, South African Airways, Spherion Corporation, SportsLine.com, and Voicestream Wireless.

Including Fort Lauderdale in its July 2, 2008 article entitled "100 Best Places to Live and Launch," CNN/Money reported:

“...Fort Lauderdale has felt less impact (from the real estate market) than the regions in and around Miami. The hottest businesses here are a reflection of the subtropical climate and locale. Pleasure boat construction and services are a major sector, while the tourism industry, in general, stays strong, thanks in large part to the Canadians and Europeans attracted to the weak dollar. What’s more, a 600,000 square foot convention center plays host to trade shows that bring a variety of industrial leaders from all over the country in contact with local businesses. Besides the usual pleasure to be expected from a city by the sea (sun, surf, sailing and swimming), Fort Lauderdale offers a lively downtown, with museums, galleries, live music, theater and fine restaurants. And for sports-crazed fans, there are no less than seven pro teams to root for in the surrounding area.”

Growth and Development

During the last several years, Fort Lauderdale experienced growth and development at a pace that rivaled any other period in its history. Such growth has slowed, however, in the last two years. Projections for population growth in the City were recently revised to reflect slightly slower growth for the next decade than was projected previously. Thereafter, population in the City is projected to increase at or above the higher rates previously contemplated.

In the coming years, the City will be challenged to maintain consistent growth and development in the face of change and continued competition. The City plans to concentrate on strengthening the assets that diversify the City’s economy, while focusing on quality of life issues, such as improving the City’s infrastructure and neighborhoods and expanding transit, cultural and recreational opportunities. The success of such concentration and focus will play an integral role in helping the City continue the successful growth and development it has experienced historically. Many of these efforts are identified by existing studies and plans that have been implemented or are expected to be implemented in the near future. The results of the implementation of certain of these efforts are visible through various public and private investments in public spaces, parks, streets, waterways, transit and other urban amenities and infrastructure improvements that have occurred throughout the City in recent years.

Property Values and Housing. Fort Lauderdale has benefitted from a steady increase in assessed property values. According to the Broward County Property Appraiser’s Office, the assessed value for operations of taxable property in the City increased from a record \$23.7 billion in 2006 to a record \$31.3 billion in 2008. Although total taxable assessed values have decreased since Fiscal Year 2008, moderate growth is expected to resume in the future as new construction is added to the tax rolls.

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (hereinafter referred to as “Amendment 1”) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000) , except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten

percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 became effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which became effective on January 1, 2009. Based on information received from the Broward County Property Appraiser's Office, the estimated annual loss of property tax revenues for the City from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$4.1 million.

Downtown. Although not as rapid as in prior years, development has continued to occur in downtown Fort Lauderdale. Currently, approximately 30 commercial, residential and mixed-use projects have been completed or are in various stages of development, including several that have recently obtained extensions on their development plans. These projects have increased and are expected to continue to increase the tax base of the downtown area of the City and will help to create a vibrant urban lifestyle for residents and visitors in South Florida.

Beach Area. Approximately 10 significant residential/hotel projects are either under construction or have been approved for construction on the barrier island. Additionally, a large scale development project at the existing Bahia Mar site is currently under consideration.

Fort Lauderdale Community Redevelopment Agency ("CRA"). The CRA consist of two redevelopment areas, the Central Beach Community Redevelopment Area and the Northwest-Progresso-Flagler Heights Community Redevelopment Area. The central beach area of the City has experienced a revitalization resulting from the investment by the CRA in improvements to inspire commercial and residential development in that area. In addition, several large improvement projects are currently planned or underway in the Northwest-Progresso-Flagler Heights Community Redevelopment Area of the CRA. Within the two redevelopment areas of the CRA, an estimated \$200 million worth of projects are currently planned or have commenced. Recent activity in the Northwest-Progresso-Flagler Heights Community Redevelopment Area includes the \$15 million Sistrunk Boulevard Infrastructure Project, which is designed to stimulate public and private investment and create a family-oriented, vibrant retail destination. Other projects in the Northwest-Progresso-Flagler Heights Community Redevelopment Area of the CRA include construction of new, single-family homes in the Sweeting's Landing and Sweeting Estates neighborhoods; opening of "Avenue Lofts" and "Sole Condominiums" mixed-use projects; development of a new Office Park at I-95 and Broward Boulevard; and construction of the City's new Building Services Center.

WaterWorks 2011. *WaterWorks* 2011, the City's comprehensive, originally estimated \$500 million (in Fiscal Year 2001 dollars) water and sewer infrastructure modernization project, completed design and/or construction work for 330 water system projects, valued at \$178.8 million, and 367 sewer system projects, valued at \$321.3 million, by the end of Fiscal Year 2010. Improvements to the City's water and sewer system under *WaterWorks* 2011 have resulted in (i) a significant upgrade of the City's Peele-Dixie Water Treatment Plant, which upgrade was designed to improve the quality and reliability of drinking water for all of the City's water customers, and (ii) the extension of the sanitary sewer system to the vast majority of the areas of the City that did not receive sanitary sewer system service prior to the implementation of *WaterWorks* 2011.

Transportation

The City offers an extensive transportation network that includes Fort Lauderdale/Hollywood International Airport, Port Everglades, Fort Lauderdale Executive Airport, a Water Taxi system, two major railways and an extensive highway and mass transit system.

Surface Transportation. The City is served by three bus lines, two railroads (Florida East Coast Railway and CSX) and major freight carriers. The road system in Broward County totals approximately 4,800 miles and includes more than 140 miles of interstate and other expressways (I-95, I-75, I-595, Florida Turnpike and Sawgrass Expressway) and approximately 375 miles of divided highways. The County operated bus system includes an active fleet of 275 transit vehicles that serve approximately 40 million passengers annually.

Tri-Rail, a commuter rail system, provides service along a 72-mile corridor from Miami-Dade County to Palm Beach County. Tri-Rail recently completed the expansion of its system to double tracks along the entire corridor, enabling an expanded schedule and increased ridership. Connecting buses are available at all stations, with designated shuttles at Fort Lauderdale/Hollywood Airport and other regional airports. The Amtrak Silver Service links Fort Lauderdale to the rest of the nation, including daily trips to New York.

The Fort Lauderdale Downtown Development Authority is currently working to develop and implement a light rail system that would provide an additional public transportation option in the City. The light rail system would help to alleviate traffic congestion in the downtown areas of the City as more people relocate to the City's urban center in the coming years.

Fort Lauderdale/Hollywood International Airport. Fort Lauderdale/Hollywood International Airport ranks as one of the fastest growing airports in the United States, with over 22.4 million travelers passing through the airport in 2010, which constituted a 6.4% increase from 2009. The airport recorded its busiest year ever for international travel in 2010, serving 3.4 million international passengers, an increase of nearly 12% over 2009. The airport serves as a major economic force for greater Ft. Lauderdale, contributing over \$2.6 billion to the local economy and generating 44,000 jobs. The airport is located three miles from downtown Fort Lauderdale with easy access to I-95, I-595 and Port Everglades.

Fort Lauderdale Executive Airport. Owned and operated by the City, Fort Lauderdale Executive Airport ranks as one of the nation's busiest general aviation airports. Executive Airport generates more than \$7 million in annual revenue, with an estimated economic impact of \$330 million. The facility operates an Industrial Airpark, with 1.5 million square feet of office and warehouse space, and the Downtown Fort Lauderdale John Fuhrer Heliport. Executive Airport is home to 6 full service, fixed-base operators, 700 aircraft and 40 helicopters. The facility handles approximately 150,000 takeoffs and landings per year.

Executive Airport also serves as the hub site for the City's Foreign-Trade Zone #241. The Foreign-Trade Zone, which includes five sites and encompasses nearly 915 acres, offers businesses significant cost savings and economic incentives, while promoting job retention and growth for the City and surrounding communities.

Port Everglades. Port Everglades, the deepest commercial port in the United States south of Norfolk, Virginia and one of the world's leading international cruise ports, is located in Broward County and administered by a separate governing body with separate taxing authority. The port generates approximately \$14 billion annually into the region's economy and, through its cruise travel and international trade activity, provides approximately 143,000 jobs statewide annually.

Port Everglades is home to Florida's first Foreign-Trade Zone (FTZ), where foreign components can be assembled, packaged and shipped without usual customs duties. The FTZ now includes five sites within and outside the boundaries of Port Everglades and encompasses a total of 250 acres.

Water Taxi. Fort Lauderdale features a unique Water Taxi system, which transports passengers to and from the downtown area via the City's New River and network of inland waterways.

Education

The Broward County Public School system is an operating and taxing entity that is separate from the City and the County. The Broward County School District ranks as the sixth largest in the United States, second largest in Florida and the largest fully accredited school district in the nation. For the 2011-2012 School Year, Broward County Public Schools educated approximately 258,000 students with an operating budget of approximately \$1.90 billion. Currently, the Broward County School District is home to 141 elementary schools, 42 middle schools and 33 high schools. In addition, the Broward County Public School system has 68 charter schools and 16 other facilities for adult community and vocational training and community learning centers.

Three four-year colleges and universities and six two-year colleges are located in Broward County. There are also seven educational institutions in the County that offer a degree or certificate program in vocational and/or technical education. The campuses of Florida Atlantic University and Florida International University, both four-year, public universities, are located in downtown Fort Lauderdale, as is the campus of Broward College (formerly Broward Community College), a two-year public college.

Quality of Life

Fort Lauderdale offers an outstanding quality of life, highlighted by a semi-tropical climate, rich natural beauty and array of cultural, entertainment and educational amenities. World famous Fort Lauderdale Beach offers premier opportunities for recreation, relaxation and enjoyment. The picturesque Riverwalk serves as the cornerstone of the City's arts, science, cultural and historic district which features the Broward Center for the Performing Arts, Museum of Discovery and Science, Museum of Art and Old Fort Lauderdale Village and Museum. Las Olas Boulevard has gained international acclaim as Fort Lauderdale's centerpiece of fashion, fine dining and entertainment. In addition, the City's downtown area is home to Broward College, Florida Atlantic University, Florida International University, the award-winning Broward County Main Library, and to federal, county and Broward County School District offices.

Through the cooperative efforts of residents, businesses and local government, Fort Lauderdale has evolved into a City that offers the best of both worlds – an attractive business environment and an outstanding quality of life. Fort Lauderdale looks forward to continuing to build upon its success to meet the challenges of the 21st Century and beyond.

For more information about the City of Fort Lauderdale, visit the City's website at www.fortlauderdale.gov.

Population

From its origination in 1911 with a population of 300 people, Fort Lauderdale has grown to an estimated 165,500 people and is currently ranked seventh among cities within the State of Florida.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

City of Fort Lauderdale, Florida
Population, Personal Income and Unemployment⁽¹⁾

<u>Fiscal Year Ended September 30</u>	<u>Fort Lauderdale Population</u>	<u>Broward County Population</u>	<u>Broward County Personal Income⁽²⁾</u>	<u>County Per Capita Personal Income</u>	<u>Unemploy- ment Rate</u>
2002	167,800	1,703,998	\$54,850,632	\$32,189	5.6%
2003	167,600	1,728,336	55,790,306	32,280	5.4
2004	169,000	1,753,000	59,615,576	34,008	4.4
2005	170,300	1,753,000	65,213,329	37,201	3.5
2006	175,300	1,751,100	65,213,329	37,241	3.1
2007	175,500	1,751,100	65,213,329	37,241	4.2
2008	179,700	1,763,600	70,454,147	39,743	6.4
2009	180,100	1,756,500	71,994,871	41,169	10.9
2010	180,400	1,742,900	73,590,969	41,974	12.1
2011 ⁽³⁾	165,500	1,740,100	72,752,112	41,618	10.7

Source: City of Fort Lauderdale, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2011.

- (1) Fort Lauderdale population obtained from the Bureau of Economic and Business Research, University of Florida. Broward County population and personal income obtained from the Bureau of Economic Analysis, United States Department of Commerce (as of 2009). Unemployment rates obtained from the Bureau of Labor Statistics, United States Department of Labor.
- (2) Personal income in thousands of dollars.
- (3) Reduction in population for Fiscal Year 2011 is the result of lower population estimates provided from the United States census conducted for 2010.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

City of Fort Lauderdale, Florida
General Revenues by Source⁽¹⁾

<u>Fiscal Year Ended Sept. 30</u>	<u>Property Taxes</u>	<u>Utility Taxes</u>	<u>Franchise Taxes</u>	<u>Insurance Premium Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Inter- Govern- mental</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Total ⁽²⁾</u>
2002	\$ 73,911	\$35,195	\$11,250	\$3,344	\$ 9,476	\$3,553	\$34,214	\$14,962	\$29,997	\$215,904
2003	81,122	34,912	12,395	3,695	10,839	3,662	41,365	15,552	30,420	233,963
2004	89,592	33,622	13,434	4,105	10,675	5,212	42,170	17,545	35,647	252,001
2005	111,804	33,468	14,419	3,950	11,274	3,353	50,218	17,477	41,632	287,595
2006 ⁽³⁾	124,356	33,546	17,250	4,216	12,884	3,336	101,391	17,877	48,971	363,829
2007	138,104	33,344	18,247	5,873	13,351	3,630	50,650	19,013	51,638	333,849
2008	127,981	33,936	18,192	5,262	10,994	6,643	42,315	17,792	50,606	313,721
2009	124,597	35,441	18,059	4,410	8,374	2,518	49,339	16,746	53,414	312,899
2010	112,812	34,754	18,225	4,817	8,032	2,534	50,969	17,859	52,772	302,774
2011	101,788	34,726	16,439	4,736	13,734	3,769	50,170	19,639	51,915	296,916

Source: City of Fort Lauderdale, Florida Comprehensive Annual Financial Report, September 30, 2011.

- (1) Includes all governmental fund types. Amounts reflected are in thousands of dollars.
- (2) Totals may not add due to rounding.
- (3) In Fiscal Year 2006 intergovernmental revenues show a significant increase due to cleanup and repair costs resulting from Hurricanes Katrina and Wilma and related reimbursements from federal and state sources.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

**City of Fort Lauderdale, Florida
Property Tax Millage Rate⁽¹⁾
Direct and Overlapping Governments**

OVERLAPPING RATES ⁽²⁾														
FORT LAUDERDALE					OTHER TAXING DISTRICTS					SPECIAL DISTRICTS ⁽³⁾				
FISCAL YEAR ENDED SEPTEMBER 30	TAX ROLL YEAR	OPERATING	DEBT SERVICE	TOTAL CITY	BROWARD COUNTY	BROWARD COUNTY SCHOOLS	SO. FLORIDA WATER MANAGEMENT DISTRICT	FLORIDA INLAND NAVIGATION DISTRICT	BROWARD CHILDREN'S SERVICES COUNCIL	TOTAL CITY-WIDE	DOWNTOWN DEVELOPMENT AUTHORITY			
											OPERATING	DEBT SERVICE	NORTH BROWARD HOSPITAL DISTRICT	HILLSBORO INLET
2002	2001	4.8762	0.4968	5.3730	7.4005	9.0596	0.6970	0.0385	0.0000	22.5686	0.6444	0.6000	2.4803	0.0951
2003	2002	4.8472	0.4213	5.2685	7.3650	9.2141	0.6970	0.0385	0.3055	22.8886	0.6444	0.6000	2.4803	0.1170
2004	2003	4.8288	0.3682	5.1970	7.1880	8.8096	0.6970	0.0385	0.3316	22.2617	0.6279	0.6000	2.5000	0.2490
2005	2004	5.4066	0.3632	5.7698	7.0230	8.2695	0.6970	0.0385	0.3920	22.1898	0.6279	0.6000	2.4803	0.1845
2006	2005	5.0924	0.3389	5.4313	6.7830	8.0623	0.6970	0.0385	0.4231	21.4352	0.6750	0.4200	2.1746	0.1845
2007	2006	4.8066	0.2760	5.0826	6.0661	7.8687	0.6970	0.0385	0.4073	20.1602	0.6150	0.4800	1.8317	0.1170
2008	2007	4.1193	0.1289	4.2482	5.2868	7.6484	0.6240	0.0345	0.3572	18.1991	0.4933	0.6089	1.6255	0.0860
2009	2008	4.1193	0.1302	4.2495	5.3145	7.4170	0.6240	0.0345	0.3754	18.0149	0.4802	0.4289	1.7059	0.0860
2010	2009	4.1193	0.1343	4.2536	5.3889	7.4310	0.6240	0.0345	0.4243	18.1563	0.4970	0.4313	1.7059	0.0860
2011	2010	4.1193	0.2173	4.3366	5.5530	7.6310	0.6240	0.0345	0.4696	18.6487	0.4970	0.4313	1.8750	0.0860

Source: Broward County Property Appraiser.

- (1) State law requires all counties to assess at 100% valuation and limits millage for operating purposes to ten mills.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners (e.g., the rates for special districts apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the special district).
- (3) Special Districts are taxing entities that levy taxes on limited areas within the City of Fort Lauderdale city limits.

**City of Fort Lauderdale, Florida
Building Permit Activity**

<u>Fiscal Year Ended</u>	<u>Building Permits Issued</u>	<u>Estimated Building Permit Value</u>
9/30/02	22,250	\$1,112,534,325 ⁽¹⁾
9/30/03	25,113	1,139,181,315 ⁽¹⁾
9/30/04	26,046	1,774,323,254 ⁽¹⁾
9/30/05	28,809	909,684,623
9/30/06	31,870	1,446,456,647
9/30/07	27,831	1,104,690,206
9/30/08	22,246	626,995,334 ⁽²⁾
9/30/09	21,748	408,859,952 ⁽²⁾
9/30/10	21,543	421,617,819 ⁽²⁾
9/30/11	23,166	783,220,377 ⁽²⁾

Source: City of Fort Lauderdale, Florida Construction Services Division, Building Services Department.

- (1) Increase in Fiscal Year 2002 is due to large residential and commercial projects pursuant to development plans concentrated in the central beach and downtown areas of the City. Increase in Fiscal Years 2003 and 2004 is due to such development plans as well and to the annexation into the City of an approximately three mile area in September 2002.
- (2) Decrease in Fiscal Years 2008 through 2011 is due to delayed construction completions and extensions granted for development plans for large residential and commercial projects and the effects of the national downturn in the economy.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

Series 2012 Water and Sewer Revenue

Refunding Bonds Feasibility Report

[THIS PAGE INTENTIONALLY LEFT BLANK]

Final Draft

Series 2012 Water and Sewer Revenue Refunding Bonds Feasibility Report

Prepared for
City of Fort Lauderdale

April 19, 2012

Prepared by

CH2MHILL®

Burton and Associates, Inc.

Contents

Section	Page
1 Introduction.....	1-1
1.1 Authorization and Purpose.....	1-1
1.2 Study Assumptions.....	1-1
2 Public Works Department	2-1
2.1 History	2-1
2.1.1 Water System	2-1
2.1.2 Sewer System	2-2
2.2 Organizational Structure	2-3
2.3 Service Area Population Projections.....	2-6
2.4 Training Programs and Certifications	2-7
3 Water System.....	3-1
3.1 General Description	3-1
3.1.1 Service Area and Customer Base	3-1
3.2 Water Production and Demands.....	3-3
3.3 Raw Water Supply	3-4
3.3.1 Dixie Wellfield	3-4
3.3.2 Prospect Wellfield	3-5
3.3.3 Saltwater Intrusion.....	3-5
3.3.4 Water Use Permit	3-5
3.3.5 Raw Water Supply Capacities	3-6
3.4 Water Treatment Facilities	3-6
3.4.1 Peele-Dixie Water Treatment Plant.....	3-6
3.4.2 Fiveash Water Treatment Plant.....	3-7
3.5 Water Transmission, Distribution, and Storage.....	3-7
3.6 Billing and Collection.....	3-8
3.7 Regulatory Impacts	3-8
4 Sewer System	4-1
4.1 General Description	4-1
4.1.1 Service Area and Customer Base	4-1
4.2 Wastewater Flows	4-4
4.3 Wastewater Collection and Transmission	4-6
4.4 Wastewater Treatment Facility.....	4-7
4.5 Regulatory Impacts	4-8
5 Capital Improvements.....	5-1
5.1 Water and Wastewater Master Plan Update Improvements	5-1
5.1.1 Proposed Capital Improvements	5-1
5.1.2 Renewal and Replacements	5-2

5.2	Other Improvements.....	5-2
5.3	Total Proposed Capital Improvements	5-3
5.4	Total Planned and Proposed Capital Improvement Program	5-3
6	Financial Analysis	6-1
6.1	Financial Evaluation of the System.....	6-1
6.2	Customer/Usage Growth	6-1
6.3	Ten Largest Water Customers	6-4
6.4	Historical and Projected Costs and Revenues	6-4
6.5	Projected Debt Issues and Coverage.....	6-8
6.6	Water and Sewer Rates	6-13
6.7	Comparison to Bills in Other Communities	6-18
7	Works Cited.....	7-1

Exhibit		Page
2-1	Wholesale Water User Contracts.....	2-2
2-2	City of Fort Lauderdale Public Works Department Organizational Chart.....	2-5
2-3	Population Projections for Fort Lauderdale Water Service Area (2010–2030).....	2-6
2-4	Population Projections for Fort Lauderdale Wastewater Service Area 2010–2030	2-7
3-1	City of Fort Lauderdale Water Service Area Map (Including Wholesale Customers).....	3-2
3-2	Total Average Accounts and Annual Water Usage - FY 2011	3-3
3-3	Historical and Projected Finished Water Demands from Water Master Plan Update.....	3-4
4-1	Current Boundaries of the Sewer Service Area.....	4-2
4-2	Wastewater Master Plan Update Historical and Forecast Population for the Wastewater Planning Area Sewer Service Area Population by City/County	4-3
4-3	Historical and Forecast Population for the Wastewater Planning Area.....	4-4
4-4	Historical Wastewater Flow Rates	4-5
4-5	Systemwide Forecast of Total Wastewater Flows (Annual Average Daily Flows) ...	4-6
4-6	Projected Flows for the G.T. Lohmeyer WWTP (with 2009 Revised I&I Projections).....	4-9
5-1	Master Plan Updates, Alternative Water Supply FY 2012 – FY 2016.....	5-3
5-2	Proposed Water and Wastewater Capital Improvements Projects Scheduled for FY 2012–FY 2016	5-4
6-1	Water and Sewer Services (as of December 31).....	6-2
6-2	Service Forecasts for Water and Wastewater Systems (as of December 31)	6-3
6-3	City of Fort Lauderdale Top Ten Water Users for FY 2011	6-4
6-4	Statement of Revenues, Expenses, and Changes in Net Assets.....	6-5
6-5	Historical and Projected Revenue Bond and State Revolving Fund Loan Coverage FYs 2005 through 2016	6-9

Exhibit	Page
6-6	Revenue Bonds - Projected Debt Service.....6-10
6-7	State of Florida Revolving Fund Loan Program - Projected Debt Service6-11
6-8	Total Projected Debt Service6-12
6-9	City of Fort Lauderdale, Florida, Projected Sources and Uses of Funds.....6-15
6-10	Monthly Water and Sewer Service Rates - Effective Oct. 1, 20116-16
6-11	Historical and Indicated Future Rate Adjustments.....6-17
6-12	City of Fort Lauderdale Water and Sewer System Monthly Residential Bill Comparison with other Communities.....6-18



CH2M HILL

Hillsboro Executive Center North
800 Fairway Drive
Suite 350
Deerfield Beach, FL
33441
TEL 954.426.4008
FAX 954.698.6010

April 19, 2012

Mr. Douglas R. Wood
Finance Director
City of Fort Lauderdale
100 North Andrews Avenue
Fort Lauderdale, FL 33301

Dear Mr. Wood:

Subject: City of Fort Lauderdale, Florida, Water and Sewer Revenue Refunding
Bonds, Series 2012 Feasibility Report

CH2M HILL and Burton and Associates (Burton) are pleased to submit this Feasibility Report to be included in the official statement (the "Official Statement") prepared by the City of Fort Lauderdale (City) in connection with the issuance of its not-to-exceed \$75 million aggregate principal amount of Water and Sewer Revenue Refunding Bonds, Series 2012 (Series 2012 Bonds). The purpose of this report is to present the findings of an evaluation of the City's existing Water and Sewer System and to present financial factors associated with the sale of the Series 2012 Bonds. This report is based on an analysis of the City's records, reports, and capital improvement program, as well as discussions with City personnel. Unless otherwise noted, or unless the context provides otherwise, capitalized terms used in this report shall have the meaning assigned to such terms in the Official Statement.

The evaluation of the City's Water and Sewer System includes a discussion of the System's history and organization, service area, water treatment and distribution system, wastewater collection and transmission system, regional wastewater treatment facilities (RWWTF or Regional Facilities), and capital improvement program. This report also includes a review of historical operating results and presents projected operating results for Fiscal Year 2011-2012 (FY 2012) through FY 2016, with the projected debt service. Projected debt service includes all of the Outstanding Bonds, showing worst-case scenario, as the Series 2012 Bonds will refund (and create lower debt service for) one Series of the Outstanding Bonds.

The City's Water and Sewer Capital Improvement Program (CIP) consists of improvements that have been identified in a number of plans that have been developed for the City. These plans include: the 2007 Water Master Plan Update, the 2007 Wastewater Master Plan Update, the Regional Wastewater Treatment Facilities Renewal and Replacement Program, and the Peele-Dixie Alternative Water Supply Project.

CH2M HILL has been engaged by the City on numerous wastewater engineering studies and improvements as well as economics-related studies during the past 20 years, and served as the City's program manager for the *WaterWorks* 2011 Program. The *WaterWorks* 2011 Program implemented the 2000 Water and Wastewater Master Plan CIP (CH2M HILL and Hazen and Sawyer, 2001) that was scheduled for construction completion by 2011, using a program management approach. As a result of these earlier studies and program management responsibilities, CH2M HILL has detailed knowledge of and experience with the City's wastewater collection and treatment system (Sewer System), the City's water treatment and distribution system (Water System), and collectively the Water System and Sewer System (Water and Sewer System, or the System), System operations, and the City's operating procedures. Burton and Associates has also been engaged by the City since 2009 in preparing rate and financial analyses for the City's Water and Sewer System, and is familiar with the funding and financing of the City's System.

Based on CH2M HILL's and Burton and Associates' evaluation and analysis and the assumptions stated in the attached report, the following findings are noted:

1. The City's water treatment and distribution and wastewater collection and treatment system facilities are well maintained, well managed, and in good operating condition. Effective planning policies provide for the inspection, repair, improvement, and replacement of facilities and have enabled the City to meet state and federal regulations.
2. The water demand and wastewater flow projections presented herein were based on the projections that were presented in the 2007 Water Master Plan Update (Hazen and Sawyer, 2008) (Water Master Plan Update), and 2007 Wastewater Master Plan Update (CDM, 2007) (Wastewater Master Plan Update). Collectively, the Water Master Plan Update and the Wastewater Master Plan Update are referred to as the ("Master Plan Update"). While both the water and wastewater demand projections are based on the Master Plan Update, reductions in current population estimates and projections and anticipated impacts of the reduced growth in population on water and wastewater volumes have been taken into account with regard to the need for and timing of major facility expansions. These revised population and water and wastewater demand and flow projections have also been considered in the System revenue projections.
3. The financial model presented in this Feasibility Report uses water and wastewater sales based on the City's 2011 Rate Study (Burton and Associates, 2011). The Rate Study uses historical water and wastewater sales results as the basis for its demand and revenue projections, adjusted for assumed rate increases, growth, and elasticity of demand impacts due to assumed rate increases.
4. The Water System has sufficient physical capacity to meet existing and projected demands throughout the study period of this analysis (FY 2012-FY 2016) (the Study Period). The Sewer System, including the City's wastewater treatment facilities, has the capacity to handle projected flows throughout the Study Period. Regulatory approval of

the expansion of the wastewater treatment facilities' permitted capacity, up to its physical capacity, was approved by the Florida Department of Environmental Protection (FDEP) on March 16, 2004. The projected wastewater flows presented in the Wastewater Master Plan Update anticipated wastewater flows reaching the wastewater treatment plant (WWTP) capacity in 2016.

Measures to reduce inflow and infiltration (I&I) levels may extend the effective permitted capacity of the Regional Facilities, and therefore delay the need to expand the Regional Facilities. The City has and continues to conduct a significant amount of sewer rehabilitation to reduce I&I into the Sewer System. During the past several years as additional customers have connected to the Sewer System, these flow increases have been offset by reductions in I&I and the flow to the treatment plant has not increased proportionately with the increase in customers. In addition, the population of the water and wastewater service areas has declined during the last several years. Therefore, because of the I&I program, the decline in population of the wastewater service area, and potential implementation of reuse activities, it is anticipated that construction of a WWTP capacity upgrade can be postponed for several years. For planning purposes, it is assumed that construction of the WWTP upgrade can be delayed until at least 2020.

5. The South Florida Water Management District (SFWMD) issued a new Water Use Permit (No. 06-00123-W) to the City on September 11, 2008. This is a 20-year permit that expires on September 11, 2028. The permit provides for withdrawals from the Floridan Aquifer system by way of 2 existing and 14 proposed withdrawal facilities, and from the Biscayne Aquifer by way of 64 existing and 2 proposed withdrawal facilities. Biscayne Aquifer withdrawals from the Peele-Dixie Wellfield are treated using nanofiltration; Floridan Aquifer withdrawals will be treated using reverse osmosis (RO). Biscayne Aquifer water withdrawn from the Prospect Wellfield will continue to be treated using lime softening.

The permit specifies that the annual water withdrawal shall not exceed 22,334 million gallons (MG), with the maximum monthly allocation not to exceed 2,157.6 MG. In addition, the permit stipulates limitations to annual withdrawals from specific sources, limiting Biscayne Aquifer withdrawals to 19,181 MG annually (52.55 million gallons per day [mgd]), with a maximum month withdrawal of 1,857 MG. Biscayne Aquifer withdrawals are limited to 5,475 million gallons per year (15 mgd) from the Peele-Dixie Wellfield and 15,853 million gallons per year (43.43 mgd) from the Prospect Wellfield. These are the maximum limits per wellfield with the total Biscayne Aquifer withdrawals not to exceed the previously specified maximum of 19,181 MG (not the sum of the individual wellfield maximum withdrawals of 21,328 MG). The remaining water supply will be withdrawn from the Floridan Aquifer.

Previously, it was projected that the Water System would meet its demands until at least 2013 with its base condition water use of 52.55 mgd from the Biscayne Aquifer.

However, because of reductions in population projections, the City is expected to meet its demands from the Biscayne Aquifer until at least 2018. To meet future demands in excess of the Biscayne Aquifer withdrawal limits, the City will utilize Floridan Aquifer water at the planned Peele-Dixie RO water treatment facility. The new facility will have a finished water capacity of 6 mgd. Because of reductions in population and water demand projections, the Peele-Dixie RO water treatment facility is now not anticipated to be needed until at least 2018. To meet future demands, the City is studying the feasibility of several alternative water sources and offset projects including additional Floridan Aquifer use, stormwater capture projects, reuse, and other alternative water supply projects.

6. The City is meeting regulatory requirements for its Water and Sewer System and is planning for regulatory requirements that the City anticipates may be imposed on the System. The City's CIP includes improvements to address these anticipated requirements, and the financial plan presented herein incorporates plans for funding of these improvements.
7. Key staff are well qualified and capable of managing current responsibilities and are planning for implementation of future improvements.
8. The findings herein assumed that the City will continue to adjust its rates annually based on the approved indexing adjustment policy embodied in its rate ordinance and described in this report. The City, except in 2000, has been following a practice of increasing its water and wastewater rates annually since 1993 to meet operating cost increases, with occasional supplemental increases, as needed, to meet other financial needs.
9. Under the assumptions described in this report, revenues under the projected rates presented herein will be sufficient to meet operating and other expenses, including debt service payments, bond debt service reserve requirements, 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 current revenues. The City's current Water and Sewer System rates are lower than those charged by other municipalities in South Florida.
10. 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 Feasibility Report are reasonable.

Mr. Douglas R. Wood
April 19, 2012

11. The improvements to be made to the Water and Sewer System have been or are expected to be designed in accordance with usual and customary engineering practices and involve proven technology and proven configurations of that technology.
12. In the opinion of the firms preparing this Feasibility Report, the City's proposed issuance of the Series 2012 Bonds in the aggregate principal amount of \$75 million for the purposes described in this Feasibility Report on the Water and Sewer System, dated the date hereof, is an advisable undertaking.

Sincerely,



Matthew Alvarez, P.E.
Vice President and South
Florida Area Manager
CH2M HILL, Inc.



Andrew Burnham
Vice President
Burton & Associates

Introduction

1.1 Authorization and Purpose

The City of Fort Lauderdale, Florida (City) authorized CH2M HILL, along with Burton & Associates (Burton) to prepare this Feasibility Report to analyze the feasibility of the City issuing approximately \$75 million in Water and Sewer Revenue Refunding Bonds, Series 2012 (Series 2012 Bonds). The City is proposing to issue the Series 2012 Bonds to provide funds for refunding a portion of the City's outstanding Water and Sewer Revenue Bonds, Series 2003. The purpose of this report is to provide information pertinent to the issuance of the Series 2012 Bonds for inclusion in the Official Statement for the Series 2012 Bonds.

This report describes the organization and management of the City's Public Works Department and the Water and Sewer System's respective service areas, facilities, operations, capital improvement program (CIP), and historical and projected financial performance. The City's fiscal year (FY) is from October 1 to September 30 of the following calendar year. Historical operating results are presented for FY 2007 through FY 2011, and projected operating results are presented for FY 2012 through FY 2016 (Study Period). Descriptions of the principal assumptions and limitations of the analysis are also included.

CH2M HILL served as program manager for the City's *WaterWorks* 2011 Program (*WaterWorks* 2011 Program) from 2002 until its completion in 2010. As the *WaterWorks* 2011 program manager, CH2M HILL was responsible for directing a major element of the City's CIP that was intended to modernize the City's Water and Sewer System and extended sewer service to the entire City.¹ From 1991 until the start of the *WaterWorks* 2011 Program in 2002, CH2M HILL served as the Engineer of Record for the City's wastewater collection and transmission system and the regional wastewater treatment facilities (Sewer System). In that role, CH2M HILL performed reviews and reported on various aspects of facilities engineering, management, operations, maintenance, and finances of the Sewer System, as detailed herein, for which the Public Works Department is responsible. CH2M HILL is also familiar with the City's water treatment and distribution system (Water System), as described herein, and its facilities and operations.

Burton was retained by the City in 2008 to prepare comprehensive Water and Wastewater Rate Studies in 2009 and 2011. In addition, Burton has also provided other rate and financial planning consulting services to the City relative to its Water and Sewer System in the areas of customer class cost allocation studies and drought surcharge analysis.

1.2 Study Assumptions

In preparing this report, CH2M HILL and Burton relied on information provided by the City and others. While offering no assurances with respect to this information, which has

¹There are several small areas in the City near the Executive Airport, and approximately half of the Rock Island area that the City annexed in late 2005, that will continue to receive water service from Broward County. In addition, the Riverland Village and Melrose Park areas of the City receive wastewater service from Broward County.

not been independently verified, CH2M HILL and Burton believe that this information is valid for the purposes of this report. The following sources of information were used to prepare this report:

- Comprehensive annual financial reports for the City for FY 2007 through FY 2011;
- Financial reports and workpapers for FY 2007 through FY 2011;
- City's annual operating budgets for FY 2007 through FY 2012;
- City's 2007 Water Master Plan Update (Hazen and Sawyer, 2008);
- City's 2007 Wastewater Master Plan Update (CDM, 2007);
- City's 2000 Water and Wastewater Master Plan (Master Plan or 2000 Master Plan) (CH2M HILL and Hazen and Sawyer, 2001);
- City's FY 2009 Utility Rate Study (Burton and Associates, 2009);
- City's FY 2011 Utility Rate Study (Burton and Associates, 2011);
- Regional Wastewater System 2011 Renewal and Replacement Requirement Analysis, (CDM, 2011)
- Draft 2012 Lower East Coast Water Supply Plan (South Florida Water Management District)
- *WaterWorks* 2011 Program Delivery Plan Update (CH2M HILL et al., 2002 and 2004) and associated CIP;
- South Florida Water Management District (SFWMD) Water Use Permit No. 06-00123-W
- Financial, billing and operating data; and
- Discussions with City staff, consultants, and advisers.

This report is based on the following assumptions and information:

- The 2012 Draft Lower East Coast Water Supply Plan population projections for Fort Lauderdale's Water System service area, which in turn are based on the Bureau of Business and Economic Research 2011 Mid-Range population projections for Broward County and the 2010 Census of Population and Housing, are reasonable for purposes of projecting the financial results of operations.
- CH2M HILL's adjustment to the Wastewater Master Plan Update population projections for the City's wastewater service area, based on the adjustments to the Water System's service area population projections, are reasonable for purposes of projecting the financial results of operations (CH2M HILL, 2012).
- FY 2011 water and sewer billing data and corresponding revenues provided by City staff are consistent with the values within the FY 2011 Rate Study (Burton) and reasonable for purposes of projecting water and sewer revenues.

- Projected debt service information provided to the City by its financial advisor for the proposed Series 2012 Bonds is a reasonable approximation for the purposes of this report. Existing debt service is shown for coverage purposes.
- Historical financial and operating results are reasonable for purposes of projecting future financial and operating results.

In preparing this report, CH2M HILL and Burton also made assumptions about future conditions; however, actual conditions may differ from those assumed. To the extent that future conditions differ from those assumed, results will vary from those forecasted. The principal assumptions regarding future conditions are as follows:

- The local economy will remain relatively stable, growing moderately in accordance with the projected rate of population growth (approximately 0.5 percent annually) through FY 2016. Impact fees from new development and interest income have been reduced to reflect current economic conditions and recent updates to population projections.
- The forecasted annual escalation in the System's cash operating expenses over the 5-year forecast period reflects anticipated system growth, inflation, and the anticipated increase in depreciable capital assets requiring maintenance and repair. The average annual escalation in system cash operating expenses is projected to be 3.0 percent during the Study Period.
- Capital outlays will occur in general accordance with the schedules and cost estimates outlined in the capital improvements section of this report.
- Any future changes in management and/or administration within the City or the Public Works Department will provide managerial skills comparable to those of the present City staff.
- Any future changes in management and/or administration of the construction program will provide managerial skills comparable to those of the present City staff.
- Unaccounted for water will remain at or below the current levels as a percentage of total Water System water production.²
- The City is making an investment of approximately \$9.65 million during the 5-year study period to rehabilitate portions of the City's wastewater collection system. In addition, the City is planning for an additional \$400,000 annually for distribution and collection renewal and replacement projects. It is expected that these rehabilitation projects will reduce infiltration and inflow (I&I) levels in the City's Sewer System. I&I levels have declined as a result of the ambitious sewer rehabilitation program that the City has undertaken in past periods, and I&I levels are expected to remain at or below these reduced levels.
- The water demands and wastewater discharge characteristics of future customers will be comparable to those of existing customers. Water and sewer volume sales will be comparable to those observed in FY 2011.

²Unaccounted for water has fluctuated significantly during the last 6 years, but on average has amounted to 7.3 percent of total annual water production during this period.

- Uncollected service billings as a percent of total Water and Sewer System service revenue billed will remain at or below historical levels.³
- The projected sources of funding for the City's CIP will be available in the approximate amounts and terms assumed herein throughout the Study Period.
- Based on current market conditions, interest earnings on the City's investments will be 1.0 percent in FY 2012 and FY 2013, 1.25 percent in FY 2014, 1.5 percent in FY 2015, and 2.0 percent in FY 2016.
- The City will adopt the water and wastewater rate increases presented herein, and will comply with its ordinance requiring that on October 1, 2013, and October 1 of each year thereafter, charges shall be adjusted by multiplying the prior year's charge by the percentage listed in the U.S. Consumer Price Index Water and Sewerage Maintenance Index as determined in May of the calendar year of the adjustment or by 5 percent, whichever is greater, as established and adopted by resolution.
- The City will connect new customers to the Water and Sewer Systems in general accordance with the projected system growth forecast herein and connecting any remaining customers that have not yet transitioned from septic tanks to the Sewer System, though they are being charged for sewer service.
- The City will comply with its debt covenants, as set forth in the Resolutions of the City authorizing the issuance of the City's Water and Sewer Revenue Bonds, Series 2003, Series 2006, Series 2008, Series 2010, and Series 2012, and the State of Florida Revolving Fund Loans.

³Uncollected service billings were reported to have been approximately 3.9 percent of total utility billings in FY 2011. The City, however, has not written off its unpaid accounts for a number of years, which has caused this amount to increase relative to past years. This is being addressed through the development of a City-wide write-off policy that is currently in draft form.

SECTION 2

Public Works Department

The Public Works Department is responsible for the operation of the City's Water System, Sewer System, stormwater collection system (Stormwater System), solid waste collection system (Solid Waste System), and fleet services (Fleet Services). The Water and Sewer Enterprise Fund accounts for the Water and Sewer Systems' expenses and revenues, while the Stormwater System's and Solid Waste System's expenses and revenues are accounted for in the Stormwater Enterprise Fund and Sanitation Enterprise Fund, respectively. The expenses and revenues of Fleet Services are accounted for in an internal service fund (Vehicle Rental Fund). The City's expenditures for fleet services are recovered through internal charges to City departments that use the City's fleet of vehicles and equipment.

2.1 History

2.1.1 Water System

In 1911, the City was incorporated with a population of 143 people. The following year, the City's Water System began operating, serving less than 100 people. This initial Water System was replaced with a larger well, pumping station and treatment plant in 1919. The construction of the Peele-Dixie Water Treatment Plant (Peele-Dixie WTP) (now known as the Walter E. Peele-Dixie WTP) began in 1926. The Peele-Dixie WTP was enlarged in 1939 to 14 million gallons per day (mgd). The number of customers (accounts) served nearly doubled between 1935 and 1945 and again by 1950, growing from 2,365 in 1935, to 5,721 in 1945, and 11,577 by 1950.

In 1950, the City purchased the Fiveash Water Treatment Plant (Fiveash WTP) from the Twin Lake Heights Water Company. The capacity of the Fiveash WTP was increased from 8 to 16 mgd in 1958. By the early 1970s, the capacity of the Peele-Dixie WTP was increased to 20 mgd and the Fiveash WTP to 40 mgd. Together these Water Treatment Plants (WTPs) provided service to approximately 35,700 customers. The Fiveash WTP was expanded by an additional 24 mgd of design capacity for a total of 64 mgd in the early 1980s as the Water System neared capacity. The City serves most of the area within its corporate limits, except for several areas near the Fort Lauderdale Executive Airport (the Executive Airport) and approximately half of the area that the City annexed in the Rock Island area in late 2005 that is served by Broward County, Florida (Broward County).

The City began providing water service to other nearby communities in 1953, when it signed a contract with the Town of Lauderdale-by-the-Sea. Until 2008, the Town of Lauderdale-by-the-Sea owned the water lines within its boundaries, and the City maintained those lines and otherwise provided retail water service to the residents of that community. In 2008, the City purchased the water lines it previously leased from the Town of Lauderdale-by-the-Sea. The City continues to provide retail water service to the residents of the Town of Lauderdale-by-the-Sea.

Other entities also purchase water from the City under similar terms as the Town of Lauderdale-by-the-Sea, including the Village of Sea Ranch Lakes and parts of unincorporated Broward County. Together, the Town of Lauderdale-by-the-Sea and the Village of

Sea Ranch Lakes comprise less than 4 percent of the total population served by the City's Water System. The number of retail customers that the City serves in unincorporated Broward County is small.

Several other entities purchase water from the City on a wholesale or bulk user basis through a master meter or have emergency interconnects.

These entities include:

- City of Wilton Manors
- City of Oakland Park
- Broward County's Port Everglades⁴
- City of Tamarac
- Town of Davie
- Portions of Unincorporated Broward County

In total, the City's Water System served an estimated population of approximately 212,688 at the end of calendar year 2010.⁵ The agreements for water supply between these wholesale customers and the City all have 30-year terms, except for Wilton Manors, which has a 25-year term. Exhibit 2-1 shows the dates when each of these contracts are scheduled to expire. The City does not anticipate these wholesale customers seeking alternative sources of water supply when these contracts expire.

EXHIBIT 2-1

Wholesale Water User Contracts

Large Users	Effective Dates of Agreement	Percent of Total Fort Lauderdale Consumption ¹
Broward County	1994 to 2024	1.17 percent
Town of Davie	1987 to 2017	0.29 percent
City of Oakland Park	1994 to 2024	9.14 percent
Broward County's Port Everglades	2002 to 2032	1.34 percent
City of Tamarac	1994 to 2024	0.44 percent
City of Wilton Manors	2005 to 2030	3.85 percent
Total		16.23 percent

Note:

¹Total metered consumption in FY 2011 amounted to approximately 13.175 billion gallons.

2.1.2 Sewer System

Prior to the construction of the G.T. Lohmeyer Regional Wastewater Treatment Facilities (RWWTF or Regional Facilities), in accordance with the Broward County 201 Facilities Plan in the 1970's, the Sewer System was comprised of numerous small sewer treatment facilities housed at various locations around the City. Although the construction of the Sewer System began in 1927, it was not completed until 1937 due to the impacts of a hurricane and local economic downturn. Expansion of the collection system was limited until 1957, when the City began expanding the Sewer System into areas that were not serviced, beginning from

⁴Since 2004, the City has been providing retail water service to some Port tenants, but continues to provide wholesale water service to the Port.

⁵Source: 2012 Lower East Coast Water Supply Plan, South Florida Water Management District.

the beach area and extending west. As part of the *WaterWorks* 2011 Program, the City pursued the expansion of the Sewer System into the remaining areas not previously serviced by the Sewer System. Almost all of the City's residents now have been connected or at least have access to the Sewer System.⁶

In the mid-1970s, the City began to construct the Regional Facilities. The Regional Facilities were designed to serve the entire City and the following surrounding communities and entities:

- Portions of the Town of Davie
- City of Oakland Park
- City of Wilton Manors
- Broward County's Port Everglades
- Portions of the City of Tamarac

The City has negotiated contractual agreements with each of these large regional Sewer System users.⁷ These contracts were amended in 2001 and are now scheduled to expire in 2021. The City expects these agreements to be renewed when they expire in 2021.

After constructing the Regional Facilities, the City subsequently closed the smaller treatment facilities in the City. The Regional Facilities have a permitted capacity of 43 mgd, which was increased to 56.6 mgd upon completion of various improvements and a re-rating process, which was completed in March 2004.

2.2 Organizational Structure

The Water and Sewer System is part of the City's Public Works Department (the Department). The Department, which manages the operation of the Water and Sewer System, the Stormwater System, and the City's Solid Waste Collection System, currently employs approximately 416 full-time equivalent staff. The Department was recently reorganized, with many staff transferred from the Public Works Department to Parks and Recreation or other City Departments. These changes did not impact any of the divisions responsible for operation and management of the City's water and wastewater system. The Department is composed of eight divisions:^{8,9}

- Customer Service
- Distribution and Collection
- Water and Wastewater Treatment
- Environmental Services
- Utilities Engineering
- Solid Waste

⁶The Riverland Village and Melrose Park portions of the City currently receive and are expected to continue to receive wastewater service from Broward County. While wastewater service will be available throughout the remainder of the City, and customers in these areas will be billed for service, some customers may choose not to connect to the City's Sewer System.

⁷Since 2004, the City has provided retail wastewater service to some Port tenants, but continues to provide wholesale wastewater service to the Port.

⁸The Facilities Maintenance Division, which provides grounds maintenance and security at City Hall and for other City Departments and employs approximately 5 staff, was moved from the Public Works Department to the Parks and Recreation Department.

⁹The City, as part of its reorganization of the Public Works Department, is currently reviewing in which Division to place six employees, not included in the Division counts presented herein.

- Engineering
- Administration and Finance

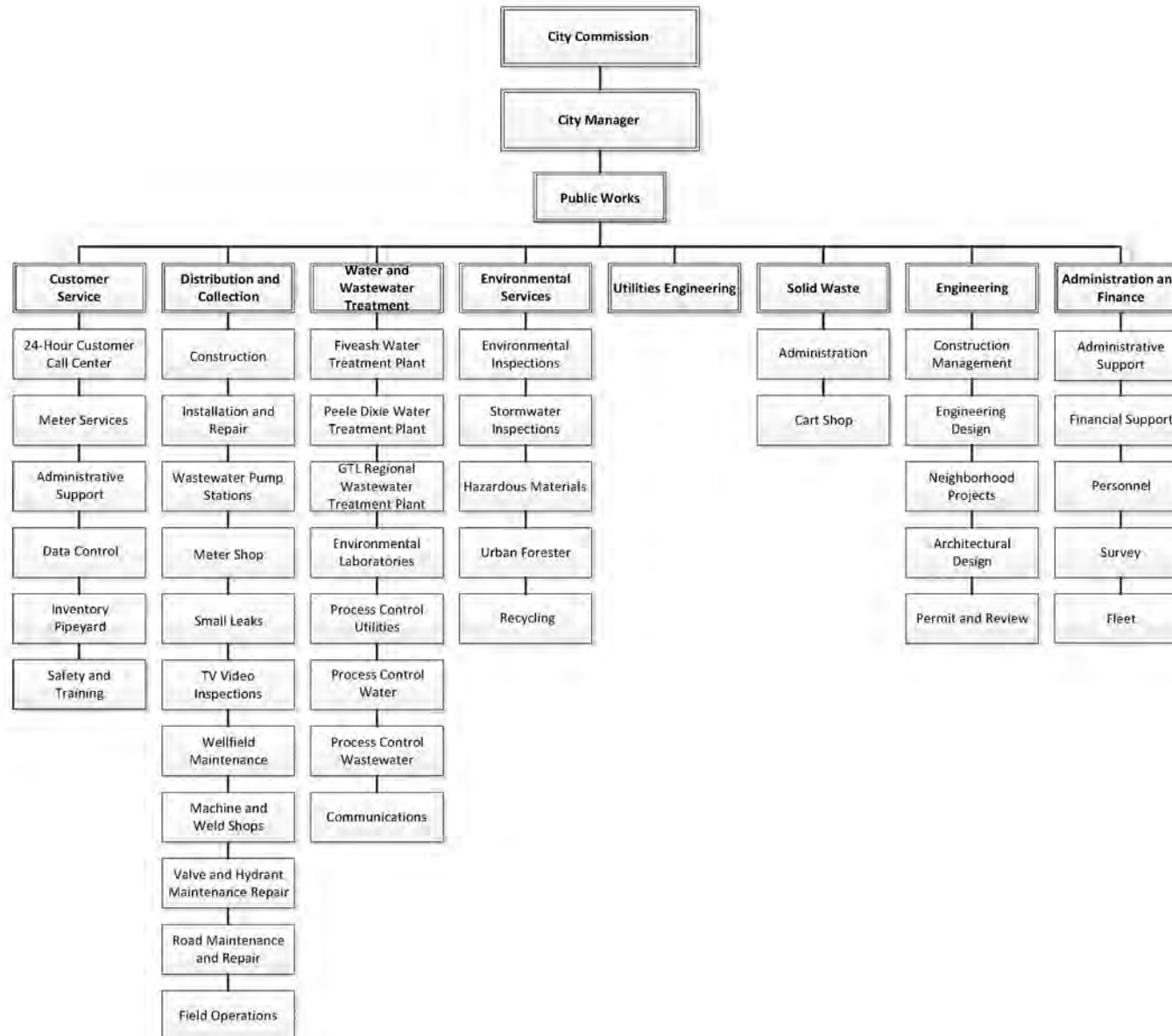
Exhibit 2-2 provides an overview of the organization of the Department. The divisions and subdivisions composing the Department are also shown on the chart.

The Director of the Department is Mr. Albert Carbon. Mr. Carbon has been Director of the Department since October 2004. Prior to directing the Department, Mr. Carbon was Public Works Director for the City of South Pasadena, California. The Department's eight divisions are described as follows:

- The Customer Service Division is responsible for customer contact and meter reading services. This division operates a 24-hour customer call center. This division consists of approximately 28 staff.
- Operation and maintenance of the Water System's potable water distribution facilities and the Sewer System and Stormwater System collection facilities is the responsibility of the Distribution and Collection Division. This division employs approximately 182 personnel.
- The City's two WTPs and the Regional Facilities are operated by the Water and Wastewater Treatment Division. The laboratories section of this division provides inspection and monitoring services as well as chemical and microbiological analysis for the Water and Sewer System and the Stormwater System. The Process Control Subdivision is responsible for technology-related responsibilities of the Department, including Office Automation (personal computers, servers, and networking), Process Control (computer automation in the treatment facilities and wellfields), GIS, and telephony services. This division's staff totals approximately 90 personnel.
- The Environmental Services Division coordinates environmental resources, sustainability, and related compliance programs for the Public Works Department and the City. This division implements environmental programs; coordinates utilities environmental matters with regulatory agencies, other municipalities, and the general public; enforces various environmental codes and ordinances; and advises, consults, and coordinates with other City departments regarding regulatory permitting, mitigation projects, and related environmental issues. This division is also responsible for stormwater management, which includes enforcement of the Florida Department of Environmental Protection's (FDEP's) National Pollutant Discharge Elimination System (NPDES) requirements through inspections of construction projects, performing proactive inspections, and responding to customer complaints. This division has 8 staff.
- The Utilities Engineering Division employs 19 City staff and is responsible for planning, design, and construction management/inspection of the Water and Sewer System's CIP.

EXHIBIT 2-2

City of Fort Lauderdale Public Works Department Organizational Chart



- The Solid Waste Division manages provision of solid waste services. This division has approximately 8 full-time equivalent staff in addition to 5 full time equivalent fleet staff.
- The Engineering Division is involved in the planning, design, and construction of City capital projects, other than water and sewer projects. There are approximately 54 full-time equivalent employees in this division.
- The Administration and Finance Division provides clerical, recordkeeping, personnel, training, safety, finance, inventory, and other managerial and administrative services to other Department divisions, as well as computer operations support services. This division has approximately 21 full-time equivalent staff.

The City is anticipating a significant reduction in staffing in 2012, as many Public Works staff are expected to retire or to exercise buy-outs during the year. The City is making plans for dealing with these staffing changes. Current plans are to hire replacements for approximately 50 percent of the staff that retire or accept buyouts, and realign the remaining staff as needed.

2.3 Service Area Population Projections

The population projections for the Water and Sewer Systems service areas used in the 2007 Master Plan Update, which were in part based on population projections by Transportation Analysis Zone (TAZs) prepared by the Broward County Environmental Protection and Growth Management Department's, Planning and Redevelopment Division (the Planning Division), that were prepared in 2005, anticipated that the population of the water service area to be approximately 248,000 permanent residents in 2010. The population of the service area was projected to grow to approximately 310,000 by 2030, or by an average annual rate of approximately 1.0 percent. Similarly, the population of the area served by the City's Sewer System was projected to amount to approximately 234,000 in 2010 and 283,000 in 2030.

Since the Master Plan Updates were prepared, the 2010 Census of Population and Housing provided current estimates of population for the region. In addition, the Bureau of Business and Economic Research developed projections for the region that reflect the revised Census population estimates. Based on these revised estimates and projections, the 2012 Lower East Coast Water Supply Plan (LECWSP) (SFWMD, 2012) includes estimates and projections through 2030 of the population served by each of the water utilities in the region, including the City of Fort Lauderdale. Exhibit 2-3 compares the population projections from the Water Master Plan Update and the LECWSP for the Fort Lauderdale water service area.

EXHIBIT 2-3

Population Projections for Fort Lauderdale Water Service Area (2010–2030)

	2010	2015	2020	2025	2030
Water Master Plan Update	248,337	260,049	274,528	293,318	309,750
2012 Lower East Coast Water Supply Plan	212,688	217,998	223,204	228,120	233,145

The Census population estimate for the Water System service area is approximately 14 percent less than the Water Master Plan projection for 2010. In addition, the forecast rate of growth in the Water System service area population declines from 1.0 percent annually from 2010–2020 in the Master Plan Update to 0.5 percent in the LECWSP. Similarly, the forecast rate of growth in population from 2020–2030 declines from 1.2 percent in the Master Plan Update to 0.4 percent in the LECWSP.

While similar projections have not been prepared for the City's Sewer System service area, the Sewer System service area is similar to the Water System service area, and can be expected to be influenced by the same factors that are influencing the Water System service area population. Exhibit 2-4 presents the revised projected population of the Sewer System service area (CH2M HILL, 2012).

EXHIBIT 2-4

Population Projections for Fort Lauderdale Wastewater Service Area 2010–2030

	2010	2015	2020	2025	2030
Wastewater Master Plan Update	234,408	243,354	256,284	270,631	283,024
Wastewater Service Adjusted Projection	200,759	203,600	208,371	210,781	213,029
Unsewered Population	1,870	1,905	1,941	1,963	1,984
Wastewater Sewered Population	198,889	201,695	206,430	208,819	211,044

The City has recognized the reduction in current population estimates and projections for the City's Water and Sewer System service areas. Associated with the reduction in population projections are reduced water and wastewater demands. Thus, while the City continues to rely on the Master Plan Update population projections presented herein, it has adjusted its plans for expansion of its major water and wastewater treatment facilities to reflect current conditions and the revised forecast population levels and water and wastewater demands and flows.

The revised population forecasts for the Water and Sewer System

service areas were also incorporated into the forecast of System revenues. The forecast of System revenues is based on the actual revenue collected in FY 2011. As such, the reduction in the estimate of the current population of the Water and Sewer System service areas does not impact the revenue forecast. However, the change in the forecast rate of growth in these service areas does impact the revenue forecast.

2.4 Training Programs and Certifications

The City has an active training program for its field crews and operation and maintenance staff, including monthly safety meetings and quarterly courses on various safety related subjects. All of the City's water plant and wastewater plant operators are certified under Florida Administrative Code (FAC) 602, while distribution and collection field crew leaders are required to be certified under FAC 699. The City's distribution and collection field crew leaders and staff wishing to be eligible for promotion to these roles are training to meet these certification requirements. Currently, the City is rotating staff to ensure that a licensed crew member is assigned to each job or project. The City is also requiring that vacancies be filled by licensed operators to provide a more permanent solution to this requirement.

The City's environmental laboratories are certified by the FDEP and Florida Department of Health for collecting environmental water samples and conducting water quality analyses.

SECTION 3

Water System

The Water System operated by the City consists of groundwater withdrawal, treatment, transmission, pumping, storage, and distribution facilities. This section describes the Water System and identifies capital improvements that are in various stages of planning, design, and construction. This section also discusses the potential impact of the existing regulatory framework and drinking water regulations on future Water System capital improvement projects. The projects described in this section are included in the CIP presented in Section 5 of this report.

3.1 General Description

3.1.1 Service Area and Customer Base

The City provides water across several governmental jurisdictions in central Broward County. In some areas the City owns and maintains the water distribution system. In others, the City sells bulk water for redistribution by another agency. Exhibit 3-1 generally depicts the City's water service area. The City's Water System includes two WTPs with associated wellfields, a distribution system consisting of approximately 768 miles of pipe, and water storage facilities.

The City provides retail water service to most of the area within its corporate limits (except for several areas north, east, and west of the Executive Airport and approximately half of the Rock Island area that was annexed by the City in November 2005, which is served by Broward County). The City also provides direct retail water service to the Town of Lauderdale-by-the-Sea, the Village of Sea Ranch Lakes, some tenants in Port Everglades, and parts of unincorporated Broward County.

Exhibit 3-2 presents a summary of the number of water accounts by customer class and their annual water usage. Single-family residential customers account for 72 percent of all accounts, but only 30 percent of all metered water usage. Master metered customers account for 17 percent of all metered water usage. Historically, residential units and commercial activities accounted for most of the water demand. No large, heavy manufacturing facilities are located in the service area.

The City provides water on a wholesale basis to the Cities of Oakland Park, Wilton Manors, Broward County's Port Everglades, and parts of Tamarac, the Town of Davie, and unincorporated Broward County.



EXHIBIT 3-1
City of Fort Lauderdale Water Service Area Map (Including Wholesale Customers)

EXHIBIT 3-2

Total Average Accounts and Annual Water Usage - FY 2011

Total annual use by account type from 2011 Billing Analysis

Account Type	Average Annual Active Accounts¹	Total Annual Use (1,000 gals.)	Total Use (mgd)
Residential (SF)	41,434	3,958,147	10.84
Commercial	7,296	3,439,765	9.42
Government (Exempt)	1,454	763,689	2.09
Master Meter	28	2,298,407	6.30
Multi Family (MF)	7,177	2,713,952	7.44
Unimproved	2	1,135	0.00
Total Average Active Accounts	57,391	13,175,095	36.10

Notes:

¹In 2010 the City implemented a new billing system. Associated with this new billing system, the City modified its count of the number of accounts served by the Water System. Previously, a customer that had multiple water services (potable, irrigation, etc.) would be counted as if each of the services was a separate account. Under the new billing system, these multiple service accounts are considered as a single account with multiple services.

SF=Single Family

MF=Multi-Family

Source: City of Fort Lauderdale

The population projections for the Water System service area used in the Water Master Plan Update anticipated the population of the Water System service area to be approximately 248,000 permanent residents in 2010. The population of the service area was projected to grow to approximately 310,000 by 2030, or by an average annual rate of 1.0 percent. Because of current conditions and development patterns, these population projections are now perceived by the City as overstating the current and projected population of the Water System service area. Recent updates to the current population estimates for the Water System service area, based on the 2010 Census of Population and Housing, estimate the 2010 population of the Water System service area at approximately 213,000, with a forecast population of approximately 233,000 in 2030 (see Exhibit 2-3).

3.2 Water Production and Demands

Exhibit 3-3 summarizes historical and projected average daily water production of the Water System from the City's Master Plan Update. The Master Plan Update projected moderate increases in water demand (1.2 percent annual rate of growth through 2025), reflecting the moderate population growth expected in the Water System service area, and water conservation efforts. The 2010 actuals are approximately 11.1 mgd (or 21.4 percent) less than projected in the Master Plan Update because of the reductions in population. The effects of the revised population estimates and projections, while not reflected in the above referenced Master Plan Update projections, were recognized in the schedules for construction of major capital improvements.

3.3 Raw Water Supply

The City currently obtains all of its raw water supply from two wellfields that draw water from the Biscayne Aquifer system. Water is withdrawn from the Dixie Wellfield to provide raw water to the Peele-Dixie WTP and from the Prospect Wellfield to supply raw water to the Fiveash WTP. Both wellfields are permitted by the SFWMD under CUP No. 06-00123-W.

The City has constructed two test/production wells, and has completed preliminary design on an alternative water supply project at the Peele-Dixie WTP. This project will provide approximately 6 mgd of additional finished water capacity from the Floridan Aquifer, which will be treated by a reverse osmosis (RO) treatment process that will be constructed at the Peele-Dixie WTP. The production wells and treatment facility were originally scheduled to be completed in FY 2013. However, because of the reductions in current population estimates and projections, future investment in withdrawal, transmission, and treatment of raw water from the Floridan Aquifer has been deferred until water demands dictate the need. Based on current revised population projections, it is currently estimated that this facility will not be needed until 2018 or later.

EXHIBIT 3-3

Historical and Projected Finished Water Demands from Water Master Plan Update

Fiscal Year	Actuals		Water Master Plan Update
	Average Daily Flow (mgd)	Maximum Day Flow (mgd)	Average Daily Flow (mgd)
1998	47.2	61.1	NA
1999	47.5	62.2	NA
2000	49.6	63.3	NA
2001 ¹	44.8	52.0	NA
2002	47.8	63.7	NA
2005	50.1	78.2	49.1
2010 ²	40.7	49.1	51.8
2015 ²			54.9
2020 ²			58.2
2025 ²			62.4

Notes:

mgd=million gallons per day

¹Water production was relatively low in 2001, due to water use restrictions that were imposed by the SFWMD in response to drought conditions in 2001.

²Projections assume 8.1% annual distribution losses.

3.3.1 Dixie Wellfield

The Dixie Wellfield is located west of the City between Florida's Turnpike and State Road 7 (U.S. Highway 441) in the vicinity of Peters Road. With the exception of 8 recently constructed wells, most of the 25 wells on this site were constructed between 1926 and 1952. Of these 25 wells, only 8 are active production wells serving the Peele-Dixie WTP.

The City completed upgrades to the Dixie Wellfield in 2009. These upgrades did not increase the capacity of the wellfield, but rather allowed the older wells to be taken out of service. As part of the Peele-Dixie WTP nanofiltration facility construction program, eight

new wells were constructed. Construction of the Peele-Dixie WTP nanofiltration facility was completed in 2008. The existing Peele-Dixie WTP was phased out of service, and the existing wells that were no longer in use were plugged and abandoned in 2010. The capacity of the wellfield is now approximately 20 mgd.

3.3.2 Prospect Wellfield

The wellfield supplying the Fiveash WTP contains 29 active production wells that are located west of the airport (referred to as the Prospect Wellfield). Another 24 wells are located on the Executive Airport property in the northwestern corner of the City (referred to as the Executive Airport Wellfield). These wells are not being used because of volatile organic compound contamination. The abandoned wells at the Executive Airport are located near the Prospect Wellfield. For a number of years (up to 2008), the City injected raw water from uncontaminated production wells into the westernmost wells of the Executive Airport Wellfield to maintain a hydraulic barrier between the contaminant plume and the production wells in the Prospect Wellfield. The City has drilled five new wells in the Prospect Wellfield to replace six wells that have been abandoned. These new wells have a capacity of 15.1 mgd. The City is monitoring the wellfield periodically for migration of the contaminant plume. The City has an on-going sampling program for the wells, and the results show that the contaminant levels are declining.

3.3.3 Saltwater Intrusion

Both the Dixie Wellfield and Prospect Wellfield are located near salinity control structures. The City has constructed new wells at the Dixie Wellfield that are located to minimize impacts from saltwater intrusion. The City's saltwater intrusion monitoring program is part of Broward County's monitoring network, which provides regional information but limited site-specific information. A network of new saltwater monitoring wells has been installed around the Dixie Wellfield. These wellfields are monitored monthly with the results being sent to the SFWMD. These wells to date have shown no indication of saltwater intrusion.

3.3.4 Water Use Permit

The SFWMD issued a Water Use Permit (No. 06-00123-W) to the City on September 11, 2008. This is a 20-year permit that expires on September 11, 2028. The permit provides for withdrawals from the Floridan Aquifer system via 2 existing and 14 proposed withdrawal facilities, and from the Biscayne Aquifer via 64 existing and 2 proposed withdrawal facilities. Biscayne Aquifer withdrawals from the Peele-Dixie Wellfield are treated by nanofiltration; and the Floridan Aquifer withdrawals will be treated by RO. Biscayne Aquifer water withdrawn from the Prospect Wellfield will continue to be treated by lime-softening.

The permit specifies that the annual water withdrawal shall not exceed 22,334 million gallons (MG), with the maximum monthly withdrawal not to exceed 2,157.6 MG. In addition, the permit stipulates limitations to annual withdrawals from specific sources limiting Biscayne Aquifer withdrawals to 19,181 MG annually (52.55 mgd), with a maximum month withdrawal of 1,857 MG. Biscayne Aquifer withdrawals are limited to 5,475 million gallons per year (15.00 mgd) from the Peele-Dixie Wellfield and 15,853 million gallons per year (43.43 mgd) from the Prospect Wellfield. These are the maximum limits per

wellfield, with the total Biscayne Aquifer withdrawals not to exceed the previously specified maximum of 19,181 MG (not the sum of the individual wellfield maximum withdrawals of 21,328 MG). The remaining water supply will be withdrawn from the Floridan Aquifer.

Previously, it was projected that the City would be able to meet its demands until at least 2013 with its base condition water use of 52.55 mgd from the Biscayne Aquifer. However, because of the reductions in population projections, the City is now expected to meet its demands until at least 2018. To meet future demands in excess of the Biscayne Aquifer withdrawal limits, the City will utilize Floridan Aquifer water at the planned Peele-Dixie WTP reverse-osmosis facility. The new facility will have a finished water capacity of 6 mgd. Expenditures for the treatment facility have been deferred until forecast demands dictate the need for additional capacity, which is now predicted to be in the 2018 time frame. To meet future demands the City is studying the feasibility of several alternative water sources and offset projects including additional Floridan Aquifer use, stormwater capture projects, reuse, and other alternative water supply projects.

3.3.5 Raw Water Supply Capacities

The new wells in the Dixie Wellfield have the capacity to provide up to 20 mgd of raw water to service the new Peele-Dixie WTP 12-mgd nanofiltration facility and the proposed 6-mgd Floridan Aquifer RO treatment facility. The Prospect Wellfield has a total pumping capacity of 87 mgd for the Fiveash WTP.

Withdrawals will be from the Floridan Aquifer system via 2 existing and 14 proposed withdrawal facilities and from the Biscayne Aquifer via 64 existing and 2 proposed withdrawal facilities.

3.4 Water Treatment Facilities

The City operates two regional WTPs: the Peele-Dixie WTP and the Fiveash WTP.

3.4.1 Peele-Dixie Water Treatment Plant

In 2008, the 12-mgd Peele-Dixie WTP membrane facility was completed and placed in service, and the existing lime-softening equipment was decommissioned. The project also included a deep injection well for concentrate disposal and two 4-MG finished water storage tanks. The capacity of the Peele-Dixie WTP is 12 mgd with all membrane units in service.

The City has studied the addition of 6 mgd of finished water RO treatment capacity at the Peele-Dixie WTP. This additional capacity would draw raw water from the Floridan Aquifer, and would be used during peak demand periods, usually during the dry season. The City has drilled two Floridan Aquifer test wells in the Dixie Wellfield, and constructed a section of raw water main from the new wellfield to the Peele-Dixie WTP. Wellfield modeling, facility planning, and a basis of design report was completed in 2010. The construction of additional wells and treatment facilities has been postponed. Because of reductions in population projections, future investment in the withdrawal, transmission, and treatment of raw water from the Floridan Aquifer has been deferred until revised water demands dictate the need (currently projected in the 2018 timeframe).

3.4.2 Fiveash Water Treatment Plant

The Fiveash WTP is the primary water treatment facility for the City's Water System service area. Its designed capacity is 70 mgd; however, hydraulic restrictions limit its actual capacity to 60 mgd on a maximum day basis. Actual treated flow averaged approximately 34.9 mgd in FY 2011, with a maximum day flow of 44.4 mgd. The treatment of raw water consists of aeration, followed by lime and polymer addition in a hydrotreater. The Fiveash WTP has two 12.5 mgd hydrotreaters and two 22.5 mgd hydrotreaters that provide coagulation, flocculation, and clarification in one unit. After softening, the water is filtered, chlorinated, and fluoridated. Lime sludge is pumped directly to the Prospect Wellfield storage lagoon for disposal.

The Fiveash WTP was originally purchased from the Twin Lake Heights Water Company in 1950 and has undergone several expansions since then. The *WaterWorks* 2011 Program included a number of improvements that increased the reliability but not the capacity of the Fiveash WTP.

The City has decided to continue lime-softening treatment at the Fiveash WTP. Enhancements to improve removal of color and to extend the life of the existing facility are currently in various stages of design and permitting and are scheduled for completion in 2014 or 2015.

3.5 Water Transmission, Distribution, and Storage

The City's water transmission and distribution system consists of approximately 768 miles of water mains within the City's direct service area, an elevated tank at Northwest 2nd Avenue, and a new ground level tank at Poinciana Park with a combined storage capacity of 3.5 MG. Two 4-MG tanks were placed in service at the Peele-Dixie WTP site in 2008. Also in 2008, a 4-MG storage tank at the Fiveash WTP was demolished; there are two 5-MG and one 7-MG storage tanks remaining at the Fiveash WTP. In total, the storage capacity combined from both WTPs is 25 MG. The Northwest 2nd Avenue tank rehabilitation is scheduled for completion in 2012. High-service pumps at the WTPs also supply the transmission and distribution system, and maintain system pressures.

The water transmission system was defined in the Master Plan to include 10 inches or larger diameter lines that primarily deliver water to major areas of the City. The City's transmission lines include lined and unlined cast and ductile iron pipe ranging in size from 10 to 54 inches in diameter. The main transmission line from the Fiveash WTP was installed in 1986 and is the predominant supply to the downtown area and other areas north, south, and east of the Fiveash WTP. The predominant transmission mains from the Peele-Dixie WTP are unlined cast iron pipelines that were constructed in the 1920s and 1930s. The Master Plan indicated that the water transmission pipelines emanating from the Peele-Dixie WTP were nearing the end of their useful lives. However, the City completed a project in 1999 to replace a portion of the main transmission lines along US 441 between Broward Boulevard and Davie Road, and is beginning construction on replacement of the remaining portions of this line. In addition, the City's CIP includes \$47.2 million in funding for water main improvements and replacements.

The 2000 Master Plan recommended that the Water System have a finished water storage capacity equal to 30 percent of its maximum day demand, plus an allowance for fire flow demands. The City's storage, at that time, was insufficient to meet this recommendation,

and the existing elevated tank at Northwest 2nd Avenue and the standpipe at Poinciana Park were both recommended for replacement in the Master Plan. In addition, a 4-MG storage tank at the Fiveash WTP was in need of rehabilitation and was removed from service. A new Poinciana Park tank and pump station was completed in mid-2007. Because of public concerns and zoning issues, the City has decided to rehabilitate the Northwest 2nd Avenue tank (rather than replace it); this project is scheduled for completion in 2012. In addition, two 4.0-MG storage tanks were placed in service in 2008 at the Peele-Dixie WTP. When these storage tank improvements are completed, the City's storage capacity will meet the 2000 Master Plan's storage recommendation.

High service pumps at the Fiveash and Peele-Dixie WTPs are used to supply water to the transmission and distribution system. Two interconnected high service pump systems at the Fiveash WTP supply the majority of the water demand throughout the Water System's service area. A new high service pump system was constructed at the Peele Dixie WTP as part of the new membrane treatment project in 2008. These new pumps provide 26 mgd of pumping capacity. With these improvements, the high service pumps provide sufficient capacity at desired pressures to meet the City's needs through 2020.

The City has an ongoing project to upgrade and rehabilitate the water distribution and wastewater collection system. The recently completed *WaterWorks* 2011 program replaced more than 42 miles of small water mains, installed 112 miles of gravity sewers, and rehabilitated 60 miles of sewer lines to reduce I&I. The City's CIP includes \$400,000 per year in funding to renew and replace water distribution and sewer collection lines.

Overall, the water distribution system is in good condition. The current CIP continues the practice of replacing aging water mains. In addition, the City has been following a pattern of examining the Water System for leaks every 3 to 5 years, which has been effective at maintaining a relatively low percentage of unaccounted water during the last 6 fiscal years (7.3 percent).

3.6 Billing and Collection

The City bills customers for water, sewer, garbage, and stormwater service on a single monthly bill. Unpaid billings amounted to approximately 2.53 percent of total billings as of March 15, 2012. The City replaced its current billing system in mid-2010.

3.7 Regulatory Impacts

With the increasing urbanization of South Florida and the recognition of accelerating negative impacts upon the natural environment, state (SFWMD) and federal (U.S. Army Corps of Engineers) government entities have begun implementing major regulatory (Lower East Coast Regional Water Supply Plan [LECRWSP]) and construction programs (Comprehensive Everglades Restoration Plan [CERP]), which are intended to balance the demands for regional water supplies and to restore and protect the Everglades National Park ecosystem.

These programs have impacted the City's Water Use Permit and allowable withdrawals from the Biscayne and Floridan Aquifers. In September 2003, the SFWMD implemented new permitting criteria that defined the Biscayne Aquifer as a Minimum Flow and Levels Water Body Subject to a Recovery Strategy. The intent of this rule was to ensure that requested

allocations would not directly or indirectly (through induced seepage) withdraw water from Everglades System Water Bodies (Regional System). Applications for increased withdrawals could only be granted if the applicant quantified the amount of water induced from these water bodies and counterbalanced that amount by implementing alternative water sources so that no net loss from Everglades System Water Bodies occurs from the proposed increased withdrawals. The City and the SFWMD worked extensively to resolve these issues and in 2005 the City agreed to limit their requested Biscayne Aquifer allocation to an average withdrawal rate of 59 mgd, and obtain any additional water required to meet their demands from the Floridan Aquifer system, which is considered an alternative water source. The City also committed to provide a schedule of projected alternative water supply and reclaimed water projects to compensate for potential impacts to the Regional System because of the additional requested Biscayne Aquifer withdrawals.

In April 2007, additional rule criteria were incorporated into the Water Use Basis of Review that further defined and codified the criteria under which additional withdrawals from the Regional System could be allowed (Regional Water Availability Rule). The intent of the Regional Water Availability Rule is that requested increases in allocation cannot cause a net increase in the volume or cause a change in the timing on a monthly basis of the surface water and groundwater withdrawn from the Lower East Coast Waterbodies (freshwater portions of Everglades National Park and Water conservation Areas) over the base condition water use. The implementation of the Regional Water Availability Rule serves as an initial reservation of water for environmental water supply. As additional Comprehensive Everglades Restoration Plan (CERP) projects are constructed, additional water will be reserved by the SFWMD and these reservations will build on the Regional Water Availability Rule. Water not reserved for the environment under the Regional Water Availability Rule, or a CERP Plan project reservation, can be available for permitted consumptive use as long as all consumptive use permitting criteria are met. For public water supplies, the base condition water use is that withdrawn over any consecutive 12-month period during the 5 years preceding April 1, 2006, provided these withdrawals do not exceed the permitted allocation. Subsequently, the City requested that their permit be structured in such a manner that their Biscayne Aquifer allocation conforms to the Regional Water Availability Rule, with their additional demands obtained from alternative water sources, such as the Floridan Aquifer.

Until the Water Use Permit was finalized, the City was proceeding with plans to address anticipated shortfalls in the Biscayne Aquifer supply. With the issuance of the Water Use Permit, the City's plans are still valid and include:

- Continuing to use lime softening at the Fiveash WTP with additional enhancements to improve removal of color
- Supplementing the water supply with an additional 6 mgd in RO treatment of Floridan Aquifer water at the Peele-Dixie WTP
- Investigating other alternative water supply options

The City is addressing color concerns relating to water quality by adopting membrane water treatment technology for treatment of water withdrawn from the Biscayne Aquifer at the Peele-Dixie WTP. Membrane Treatment produces a higher quality of finished water and is less sensitive to raw water quality than the current lime softening treatment technology. An

added benefit of this approach is that membrane treatment systems can readily be designed to meet the increasingly stringent requirements of the Safe Drinking Water Act. A short-coming of membrane treatment is that as much as 20 percent of the raw water is wasted as concentrate from the process, thus increasing raw water demands and further stressing the limits of the Water Use Permit.

While the City had previously planned to replace the Fiveash WTP treatment process with a membrane treatment system, concerns relating to the availability of Biscayne Aquifer water supplies led the City to decide to retain the current lime softening process. The City intends to construct improvements that will extend the life of the existing facility and to construct enhancements that will improve the removal of color from the finished water.

The City is pursuing multiple avenues of alternative supply, including reclaimed water offsets, regional water supply solutions that would capture stormwater in the C-51 Canal, and developing alternative sources of potable water supplies such as brackish water from the Floridan Aquifer. In 2007, the City completed two Floridan Aquifer test wells at the Dixie Wellfield. Wellfield modeling, facility planning, and a basis of design study and report to construct a 6-mgd finished Floridan Aquifer brackish water RO treatment facility was completed in 2010. Construction of the Floridan Aquifer wells and treatment facilities at the Dixie Wellfield and Peele-Dixie WTP were scheduled for completion in FY 2014. Because of reductions in population projections, future investment in the withdrawal, transmission, and treatment of raw water from the Floridan Aquifer was revisited and has been deferred until revised water demands dictate the need (currently anticipated in the 2018 timeframe).

The City has met with other South Florida utilities to discuss the possibility of collaborative sub-regional, multi-jurisdictional solutions to affect more cost-effective and environmentally sound methods of obtaining water supplies. A potential project has been identified as the C-51 Reservoir Project. Under this option, stormwater that currently causes environmental concerns in the Lake Worth Lagoon and certain estuarine environments would be captured and stored in the C-51 Reservoir for subsequent re-introduction into the regional water supply system. This water would be available for Biscayne Aquifer transfer, and potentially available to recharge those portions of the Biscayne Aquifer benefiting multiple utilities in Palm Beach, Miami-Dade and Broward Counties, including the City. Studies have indicated that the project has the potential to be economically advantageous to public water supply utilities compared with other alternative water supply options for environmental, economic, and sustainability reasons, and the City continues to participate in studies related to developing this option.

The primary means of disposal of concentrate from the membrane treatment facility at the Peele-Dixie WTP is through an injection well that was constructed in 2006. A back-up means of disposal is through a force main that runs from the Peele-Dixie WTP to the D-54 pump station. This force main was completed in 2006. The injection well discharges into the Boulder Zone, which is approximately 3,000 to 5,000 feet underground. This disposal is regulated under FDEP's Underground Injection Control (UIC) Program. FDEP issues operating permits for the injection wells on a 5-year cycle. The permit will require that the City conduct mechanical integrity testing of the well at the end of the 5-year period and that the City monitor for upward movement of effluent out of the injection zone via dedicated monitoring wells in overlying transmissive intervals. The City is currently operating the injection well under permit 071616-002-UO, which was issued on June 24, 2011, with an expiration date of June 23, 2016.

SECTION 4

Sewer System

The Sewer System operated by the City consists of wastewater collection and transmission to the G.T. Lohmeyer Regional Wastewater Treatment Facilities (Regional Facilities), treatment, disposal of treated wastewater, and disposal of residuals from the treatment process. This section describes the Sewer System and identifies capital improvements that are either under construction or being planned. This section also discusses the potential impact of the existing regulatory framework and possible future regulations that may impact the Sewer System's capital improvement projects. The capital improvement projects described in this section are included in the CIP presented in Section 5 of this report.

4.1 General Description

4.1.1 Service Area and Customer Base

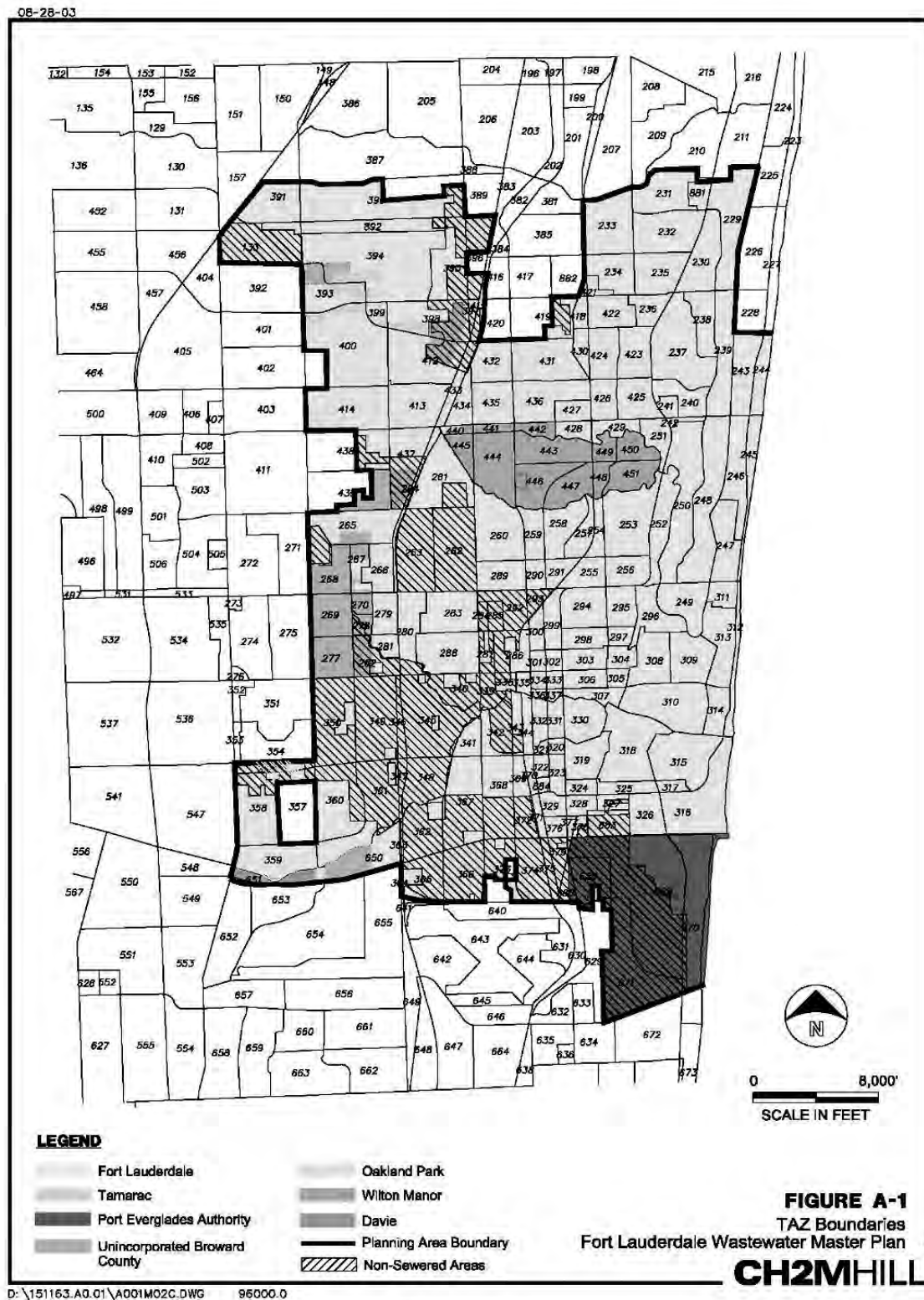
Sewer System service areas in Broward County have been developed through regional planning studies carried out under Section 201 of Public Law 92-500. The Sewer System service areas were initially delineated in 1978 (Montgomery, 1978) and have been modified somewhat in various 201 wastewater facilities plan amendments, most notably in 1982 and 1984 (Russell and Axon, 1982, 1984).

These regional planning studies designated the City as the lead agency for wastewater transmission and treatment in the central wastewater region of Broward County. This region includes most of the City, the City of Wilton Manors, and Broward County's Port Everglades; most of the City of Oakland Park; portions of the City of Tamarac, the Town of Davie, and portions of unincorporated Broward County. The current boundaries of the central region, which delineate the planning area for this study, are shown in Exhibit 4-1. Also shown in Exhibit 4-1 is the location of the Regional Facilities, which treats wastewater from within the planning area.

Each municipality and entity in the planning area, except the unincorporated areas, owns and operates the sewer collection facilities within its boundaries and performs its own customer billing. The transmission and RWWTF, which serve a regional function through "large user" agreements, are owned and operated by the City. The City has large user wastewater agreements with the Cities of Oakland Park, Wilton Manors, and Tamarac, the Town of Davie, and Broward County's Port Everglades. The large users are treated as wholesale customers and each issued a single bill for sewer services provided by the City.

The Wastewater Master Plan Update forecast that the City would provide sewer treatment and disposal services to approximately 231,000 people in central Broward County by the end of 2010. However, recent updates to the population projections place the current population served by the Sewer System at approximately 198,000. Approximately 75 percent of the service population resides within the City, with the remainder located in adjacent governmental jurisdictions.

EXHIBIT 4-1
Current Boundaries of the Sewer Service Area



By 2011, the vast majority (99 percent) of the population of the City is provided sewer service, leaving only approximately 1,870 residents that have not yet transitioned from septic tanks to the Sewer System, despite being charged for this service.¹⁰

In the 1940s and 1950s, the population of the City grew more rapidly than the Sewer System. New development was often served by septic systems. By the late 1950s, the City began to expand its Sewer System to serve all areas. Most new development since the late 1950s was required to install sanitary sewers. However, expansion of the gravity Sewer System slowed considerably in the late 1970s and 1980s as available capital funds were used to consolidate and upgrade the wastewater treatment plants that were in existence at that time.

Population forecasts for the sewer planning area from the Wastewater Master Plan Update are summarized in Exhibit 4-2. The forecasts in Exhibit 4-2 show the declining non-sewered City population resulting from construction of sewers in non-sewered areas. All new construction in the City is required to connect to the Sewer System.

EXHIBIT 4-2

Wastewater Master Plan Update Historical and Forecast Population for the Wastewater Planning Area Sewer Service Area Population by City/County

	Historical Year		Forecast Year			
	2005	2010	2015	2020	2025	2030
Total Population						
Fort Lauderdale	162,709	172,622	177,495	185,215	194,992	203,088
Oakland Park	28,435	29,691	32,076	35,442	38,421	41,155
Port Everglades Authority	0	0	0	0	0	0
Tamarac	394	397	400	676	955	1,236
Wilton Manors	12,230	12,287	13,196	13,747	14,088	14,379
Davie	36	52	71	93	93	93
Unincorporated	19,130	19,358	20,116	21,112	22,082	23,072
Totals	222,934	234,407	243,354	256,285	270,631	283,023
Non-Sewered Population						
Fort Lauderdale	31,469	0	0	0	0	0
Oakland Park	68	72	81	83	85	87
Port Everglades Authority ¹	0	0	0	0	0	0
Tamarac	0	0	0	0	0	0
Wilton Manors ²	0	0	0	0	0	0
Davie	0	0	0	0	0	0
Unincorporated	3,051	3,155	3,230	3,316	3,405	3,494
Totals	34,588	3,227	3,311	3,399	3,490	3,581
Sewered Population						
Fort Lauderdale	131,240	172,622	177,495	185,215	194,992	203,088
Oakland Park	28,366	29,619	31,995	35,359	38,336	41,068
Port Everglades Authority ¹	0	0	0	0	0	0
Tamarac	394	397	400	676	955	1,236
Wilton Manors ²	12,230	12,287	13,196	13,747	14,088	14,379
Davie	36	52	71	93	93	93

¹⁰The Riverland Village and Melrose Park areas of the City receive wastewater service from Broward County.

EXHIBIT 4-2

Wastewater Master Plan Update Historical and Forecast Population for the Wastewater Planning Area Sewer Service Area Population by City/County

	Historical Year		Forecast Year			
	2005	2010	2015	2020	2025	2030
Unincorporated	16,079	16,203	16,886	17,796	18,678	19,579
Totals	188,345	231,180	240,043	252,886	267,142	279,443

Notes:

¹Population of Port Everglades Authority is assumed to be zero.

²Lazy Lake included in Wilton Manors

The Wastewater Master Plan forecasts show the combined sewer and non-sewered population increasing from 222,934 in 2005 to 283,023 in 2030. The growth in the sewer population is much more substantial, from 188,345 in 2005 to 279,443 in 2030. This forecast assumed that the non-sewered areas in the City will be provided with sewers by 2011. While the population projections presented in the Wastewater Master Plan Update for the Sewer System service area are now considered by the City to be high, the connection of unsewered population to the sewer system is proceeding as planned.

Exhibit 4-3 presents an update to the 2005 Wastewater Service Area population projections, reflecting the 2010 Census of Population and Housing, and Bureau of Business and Economic Research 2011 projections for the region. The wastewater service area population estimate for 2010 was adjusted by the same percentage as the population of the City's water service area population. Under these revised projections, the Wastewater Service Area sewer population projections amount to 198,889 for 2010 and 211,044 for 2030.

EXHIBIT 4-3

Historical and Forecast Population for the Wastewater Planning Area

	Forecast Year				
	2010	2015	2020	2025	2030
Wastewater Service Adjusted Projection	200,759	203,600	208,371	210,781	213,029
Unsewered Population	1,870	1,905	1,941	1,963	1,984
Wastewater Sewered Population	198,889	201,695	206,430	208,819	211,044

4.2 Wastewater Flows

As shown in Exhibit 4-4, the average daily wastewater flows have ranged from 35.1 mgd to 38.1 mgd over the period from 2001 to 2011. Average flow rates during seasonal wet weather periods have ranged from 40 to 46 mgd. These annual and seasonal variations are attributable to system growth and seasonal and long-term differences in rainfall and groundwater levels, which affect the amount of extraneous water that enters the system. Annual average and peak seasonal flow rates were projected in the Master Plan Update to potentially reach 48 mgd and 55 mgd, respectively, by the year 2020.

EXHIBIT 4-4
Historical Wastewater Flow Rates

Calendar Year	Annual Average Daily Flow (mgd)
2001	36.0
2002	37.5
2003	36.2
2004	35.1
2005	37.5
2006	36.2
2007	38.1
2008	36.8
2009	37.2
2010	37.4
2011	37.9

Exhibit 4-5 shows the Sewer System's projected wastewater flows as presented in the 2007 Wastewater Master Plan Update (CDM, 2007). The Wastewater Master Plan Update projections assume that the currently unsewered areas are sewerred in accordance with the schedule outlined in (Exhibit 4-2). The projected flows assume near normal precipitation rates, an increasing percentage of sewerred population to total population, and sewer service area population growth as presented in Exhibit 4-2. Exhibit 4-5 summarizes the individual flow forecasts and the forecast of total wastewater flows. All values are expressed in annual averages.

I&I levels were projected to remain near current levels, but decline as a percent of total system wastewater flows. This decline in the projected percentage of wastewater flows from I&I is a result of an ambitious sewer rehabilitation program that the City is undertaking, and the expansion of the wastewater collection system into new areas that was undertaken as part of the *WaterWorks* 2011 Program.

While project-specific flow monitoring has not been conducted with the I&I projects, flow reductions have been observed at the WWTP. Flow monitoring projects are scheduled for the next wet season this spring. The annual average daily flow (AADF), based on a 12-month rolling average (which takes out the peaks) prior to beginning the I&I program was approximately 41.6 mgd. As of February 2012, the 12-month AADF had decreased to 38.5 mgd, a 3.1-mgd reduction overall, while at the same time, additional sewer connections were coming on-line. Based on the 12-month rolling average, the flow reduction has been steady and consistent since the gravity sewer lining projects were completed. Given the 3.1-mgd reduction observed to date, and the fact that the I&I program is projected to continue, the I&I projection can be reduced. In addition, the population projections and thereby the associated wastewater flows in the Wastewater Master Plan Update are now considered high. While a 19.8-mgd projection for I&I could be justified, a 21-mgd projection is recommended as a conservative estimate. With this revised projection, the WWTP capacity will not be exceeded until after 2020. The City will continue to observe WWTP flow rates to confirm the I&I reduction projections.

EXHIBIT 4-5

Systemwide Forecast of Total Wastewater Flows (Annual Average Daily Flows)

2007 Wastewater Master Plan Update and Adjusted Population Projections

Year	Residential	Nonresidential	I&I Allowance	Total
2007 Wastewater Master Plan Update				
2005	13.2	5.7	22.0	40.8
2010	16.2	7.5	23.0	46.7
2015	16.8	8.4	23.0	48.2
2020	17.7	9.5	23.0	50.2
2025	18.7	10.7	23.0	52.4
Adjusted Population Flow Projections¹				
2010	13.9	6.4	21.0	41.4
2015	14.1	7.1	21.0	42.2
2020	14.5	7.7	21.0	43.2
2025	14.6	8.4	21.0	44.0

Note:

All flows are annual average daily flow (AADF) values in mgd.

¹The City issued a Capacity Analysis Report in 2011 (CDM, 2011) that forecast wastewater service area flows for a 10-year period (2011–2020). These projections amounted to 43.7 mgd in 2015, and 44.6 mgd in 2020. These wastewater flow projections were based on population projections for the City's wastewater service area that were prepared by CH2M HILL in 2009. The population projections prepared by CH2M HILL were in turn based on population projections issued by Broward County in 2009. CH2M HILL's population projections for the wastewater service area were 210,467 in 2015, and 214,839 in 2020, which compares to the population projections of 201,695 for 2015, and 206,430 for 2020 presented in Exhibit 4-3 that are the basis for the Adjusted Population Flow Projections.

4.3 Wastewater Collection and Transmission

The City owns and operates the wastewater collection and transmission system located within the City boundaries and within the sewer unincorporated areas of the wastewater planning area. As the lead agency for wastewater transmission and treatment in the central wastewater region of Broward County, the City also owns and operates some regional transmission facilities located outside of the City. The City's large user customers, including the Cities of Oakland Park, Tamarac, and Wilton Manors, the Town of Davie, and Broward County's Port Everglades, own and operate their own local wastewater collection and transmission systems.¹¹

The gravity collection system contains approximately 475 miles of pipeline, of which nearly 270 miles was constructed prior to 1970. Most of the Sewer System constructed prior to 1970 was built in the 15-year period between 1955 and 1970. Construction during this period used vitrified clay pipe with compression type joint gaskets, although cast iron pipe was also used in conditions where problems of differential settlement were thought to be severe. Recent and current construction generally uses polyvinyl chloride (PVC) pipe with rubber gasket joints.

¹¹Since 2004, the City provides retail wastewater service to some of Port Everglades's tenants, but continues to provide wholesale wastewater service to the Port.

The City maintains its collection system by a variety of means. The City has three video inspection crews, one wet-well cleaning crew with a vacuum truck, and three wastewater cleaning crews with vacuum trucks.

The City's force main network is comprised of approximately 119 miles of pipeline, ranging from 4 inches to 54 inches in diameter. Most of the force mains are constructed of cast iron or ductile iron pipe, but some are high-density polyethylene (HDPE) or C-900 PVC pipe. The major force mains have been constructed within the last 25 years and are believed to be in good physical condition.

The force main system consists of about 204 City-owned pump stations and a number of small privately owned pump stations. The City-owned pump stations are electronically monitored. Several isolated developments and individual businesses in the areas that were not originally serviced by the City's Sewer System (septic areas) have constructed their own private lift stations that pump either to the force main system or to the gravity system of one of the City's existing pump stations. Private lift stations have also been constructed in areas where the existing City pump station in the area could not accommodate additional flow. As previously discussed and summarized in Exhibit 4-2, by 2011, the City was able to provide sewer service to most of the septic areas.

4.4 Wastewater Treatment Facility

Wastewater generated in the City's direct service area and wastewater received from large users is treated at the Regional Facilities. The Regional Facilities, located in the southern section of the City, just north of Broward County's Port Everglades, were upgraded to the present configuration in 1999. The original design capacity on a 3-month average daily flow basis was 38 mgd. As a result of improvements to the effluent pumping station, deep injection wells, clarifiers and solids handling processes, the Regional Facilities were re-rated to a 3-month average daily flow capacity of 56.6 mgd in March 2004. Major liquid treatment processes include screening, grit removal, pure-oxygen activated sludge, clarification, and chlorination. Sludge is dewatered on belt filter presses and then hauled to the Broward County landfill. Treated effluent from the Regional Facilities is discharged to five deep injection wells at a nearby site.

Beginning in 1990, residuals produced by the Regional Facilities were dewatered by belt filter presses and mixed with lime to meet regulatory requirements for Class B pathogen and vector attraction reduction. The treated residuals (biosolids) were then hauled by a private contractor for application to agricultural lands. During the summer of 2000, the City participated in a trial program where raw, dewatered biosolids were treated with lime to Class A standards by a contractor at the contractor's remote site. In part, based on the results of this trial program, the City entered into a long-term contract with a private company, Synagro, who hauled the residuals to the Broward County landfill. In December 2009, a new disposal contract with another private contractor went into effect. Under the terms of this new contract, the contractor, H&H, will treat the biosolids, at a residuals management facility near Clewiston, to Class AA standards and then use it beneficially for land application or as a biofuel. The new contract allows for the contractor to dispose of the dewatered sludge at the Broward County landfill, if for some reason it is unable to process or dispose of all of the biosolids through its residuals management facility. Since the contract went into effect in 2009, the contractor has been sending the "pressed" biosolids to the Broward County landfill, as they secured their facility permit and completed and tested

their biosolids processing facility. The contractor started regularly processing biosolids at their Clewiston facility in early April 2012.

With the re-rating of the Regional Facilities to a capacity of 56.6 mgd and the successful removal of sufficient I&I, the plant should have adequate capacity for continued growth, even with the addition of the new flow from the newly sewered areas, during the Study Period (through FY 2016). The need to add additional plant capacity will depend on the type and success of continued residential growth and the continued success of I&I control efforts. No expansion of treatment or effluent disposal capacity is planned during the Study Period, but a number of renewal and replacement (R&R) projects are proposed. Overall, the Regional Facilities are in good physical condition. Most of these renewal and replacement projects are relatively small equipment replacements and repairs throughout the Regional Facilities, most notably upgrades and repairs to the influent screening, reactor basin, oxygen system, and belt filter presses.

As a condition of the City's agreement with its large users, the City is required to have an annual study prepared that inspects the condition of the Regional Facilities and that projects R&R needs for a 20-year forecast period. The analysis then estimates the amount of funds that should be set aside in a renewal and replacement account for the Regional Facilities on an annual basis to provide sufficient funding for these anticipated expenditures. The City maintains a separate account for the renewal and replacement of the Regional Facilities per the requirements of its large user agreements. In general, most of the Regional Facilities plant and equipment is in good or better condition, and those components that were considered to be in fair or poor condition are scheduled for repair or replacement in the next few years.

The Regional Facilities are permitted based on the 3-month maximum average daily flow. These facilities have a current permitted capacity of 56.6 mgd. The projected 3-month maximum average daily flow is presented in Exhibit 4-6. The exhibit shows that with the revised population projections and the effects of the City's aggressive I&I program, the current capacity of the Regional Facilities is expected to be reached sometime after 2020.

FDEP requires in Chapter 62-600.405(8) that plant expansion activities be conducted following a schedule that requires that if the permitted capacity will be reached in 5 years, that planning and preliminary design be initiated. Design must be initiated if the capacity is to be reached in 4 years, permitting must be initiated if the capacity will be reached within 3 years, and construction and operation permitting completed, if capacity is to be reached within 6 months.

Following this schedule, the planning and preliminary design of the Regional Facilities expansion is not expected to be needed in the study period. Construction of the expansion of the RWWTF is expected to require approximately 2 years, and construction would not need to begin until after 2020.

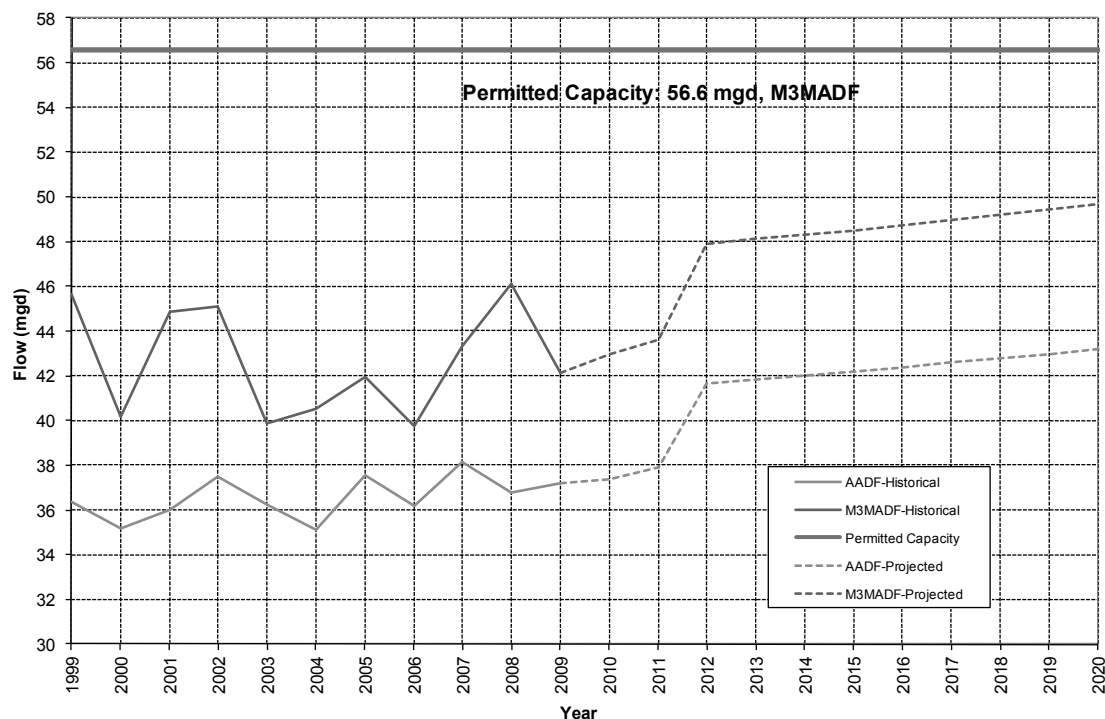
4.5 Regulatory Impacts

FDEP has given consideration to requiring Class A or AA lime stabilization before land application of solids or immediate incorporation of the solids into the soil. Timing for promulgation of any new rule is unknown, however it is anticipated that a lengthy implementation schedule of 7 to 10 years will be allowed. Provision II.43 in the Regional Facilities permit provides for reopening the permit "at any time to require additional

monitoring or reduced phosphorus loading rates for the land application sites.” The City contracted with a private company for land disposal of its biosolids. Under the terms of this contract, the Contractor will treat the biosolids at a residuals management facility near Clewiston to Class AA standards and then use it beneficially for land application or as a biofuel. The new contract allows for the contractor to dispose of the dewatered sludge at the Broward County landfill, if for some reason it is unable to process or dispose of all of the biosolids through its residuals management facility.

EXHIBIT 4-6

Projected Flows for the G.T. Lohmeyer WWTP



The Regional Facilities have consistently met all federal, state, and local requirements for residuals and effluent quality. Pretreatment permits are in place with all significant industrial dischargers, who are meeting the terms of those permits.

The City's Sewer System service area is located in a critical water supply area, as designated by the SFWMD. As such, FAC Section 62-40.416 requires a reasonable amount of reuse of reclaimed water unless it is not economically, environmentally, or technically feasible. Section 403.064 of the Florida Statutes also requires domestic wastewater treatment plant permit applicants in a critical water supply problem area to submit a reuse feasibility study as part of their permit applications.

A wastewater reuse feasibility study was performed by the City in 1994 (CH2M HILL, 1994) (1994 Study). The study evaluated a wide range of alternatives for the beneficial reuse of wastewater in the City's Sewer System service area. The 1994 Study concluded that wastewater reuse was not economically feasible in the City. However, conditions have changed in recent years, increasing the urgency of implementing a wastewater reuse system. The City initiated an Alternative Water Supply Feasibility Study in 2007 (CDM, 2007) that considered five potential project alternatives for a reclaimed water system that

would treat sufficient flow to postpone or eliminate projected upgrades to the treatment plant (up to 12 mgd) and provide high-quality reclaimed water for recharge purposes and potentially provide offsets or credits to the City's raw water withdrawal limitations. The 2007 Alternative Water Supply Study identified the use of membrane bioreactor (MBR) treatment process to be sited at the City's former composting facility site as the most beneficial reclaimed water alternative. This location offers the potential to recharge the Peele-Dixie Wellfield, the North New River Canal, and Pond Apple Slough, as well as provide water to Florida Power and Light (FPL) for industrial uses. The proposed facility could provide for treatment of 12 mgd of potential reuse water. The study concluded that while this alternative is the most beneficial, the economic practicality of the proposed project must be compared to the costs associated with the projects it is intended to offset: such as the expansion of the Regional Facilities and those projects required for the infrastructure to meet the City's future water demand. Based on the preliminary cost estimate (opinion of probable cost), the reuse treatment facility would cost \$53 million more than conventional water capacity and wastewater treatment capital improvements. However, there is implicit value in the implementation of reclaimed water projects, both in the goodwill of permitting agencies and regulators, and in the consciousness of the public. As part of its Water Use Permit, the City will be required to implement a Water Conservation Plan that will include ongoing evaluation and implementation of alternatives including reuse.

The City currently disposes of treated wastewater via five existing deep injection wells that discharge into the Boulder Zone, which is located between 3,000 and 5,000 feet underground. This disposal is regulated under FDEP's Underground Injection Control (UIC) Program.

FDEP issues operating permits for the injection wells on a 5-year cycle, which require that the City conduct mechanical integrity testing of each well at the end of the 5-year period and that the City monitor for upward movement of effluent out of the injection zone via dedicated monitoring wells in overlying transmissive intervals. The operational permit was issued for the five Class I underground injection wells on January 23, 2012, with the permit scheduled for expiration on January 22, 2017.

In 1991 a monitoring well at the disposal site gave evidence that secondary effluent was appearing in an interval in the Floridan Aquifer above the injection zone. While this did not represent a threat to underground sources of drinking water, it did constitute a violation of the conditions of the UIC operating permits for the four then-existing injection wells. The City entered into a consent agreement with FDEP that established the conditions under which the wells would continue to operate and laid out the protocol for the investigation and remediation of the permit violation. The subsequent investigation showed that the cause of migration was not confinement of the injection zone but rather the failure of the mechanical integrity of the monitoring well. The City remediated the failed monitoring well, identified a new monitoring interval below the impacted zone, constructed two new monitoring wells, and conducted mechanical integrity testing on the four existing injection wells. This work demonstrated the integrity of the disposal system. In December 1995, FDEP issued new operating permits for the injection wells and issued a construction permit for the fifth, final deep injection well to be constructed at the site. In January 2000, the City completed the successful mechanical integrity testing of the four existing deep injection wells and submitted operating permit applications to FDEP. In order that all five injection wells might be subject

to future testing and permitting on the same time cycle, FDEP agreed to delay the start of the 5-year operating permit period until the fifth deep injection well was completed and entered into operation status. In March 2001, the City completed the operational testing of the fifth deep injection well and submitted the operating permit application. FDEP completed the review process for the UIC operating permit applications that included site-specific conditions that will govern operation of the wells. The City's injection wells are currently listed on the 2nd tier level of concern. The City is pursuing being removed from this tier, as this listing was made in error due to the erroneous reading from the monitoring well.

In December 2005, EPA issued a new Underground Injection Control Rule (UICR). FDEP has been delegated responsibility for implementation of this rule for Florida. Under this rule, if it is determined that there has been an upward migration of wastewater effluent from a deep injection well into the lower Floridan Aquifer, the wastewater utility is required to implement filtration, treatment, and high level disinfection of its effluent (including a 15-minute contact time). In addition, the wastewater utility is required to reuse at least 40 percent of its total wastewater flows. Implementation of these measures within 5 years of determining that there is upward migration of the effluent will allow the utility to continue to operate their disposal well. While the City has not identified any upward migration of its wastewater that would require it to implement the remedies required by the new rule, the City is currently reviewing these rules and evaluating its options for addressing its requirements, should it become subject to them in the future. The City monitors migration of its effluent on a daily basis. The new UICR will require the implementation of high level disinfection of the City's wastewater effluent for any new disposal well that the City may need in the future.

SECTION 5

Capital Improvements

This section discusses the planned and proposed capital improvements for the City's Water and Sewer System that have been identified in the Water Master Plan Update and in the Wastewater Master Plan Update and adopted by the City Commission. In addition, the CIP presented herein includes additional improvements that have not been included in the Master Plan Updates, including renewal and replacement projects at the Regional Wastewater Treatment facilities. Together, the CIP for the Water and Sewer System includes all of the improvements described herein.

Most of the proposed capital improvements scheduled for construction prior to the end of FY 2016 that are identified in the Master Plan Updates primarily consist of improvements that are part of the City's existing regional wastewater treatment renewal and replacement program, or water supply or wastewater collection system renewal and replacement program.

The financial plan presented herein includes funding for the proposed capital improvements identified in the Master Plan Updates, and the identified other improvements included in the CIP.

5.1 Water and Wastewater Master Plan Update Improvements

The Master Plan Updates include proposed capital improvements and System renewal and replacements through 2027. The near-term improvements (through FY 2016) as identified in the Master Plan Updates are discussed herein.

5.1.1 Proposed Capital Improvements

The Water Master Plan Update includes proposed water pumping, transmission, and storage system improvements. The Water Master Plan Update did not include new raw water supply or treatment system projects, as the SFWMD had not yet issued the City's water use permit. Subsequently, the SFWMD issued Water Use Permit (No. 06-00123-W) to the City on September 11, 2008. This 20-year permit expires on September 11, 2028, and provides for withdrawals from the Floridan Aquifer system via 2 existing and 14 proposed withdrawal facilities, and from the Biscayne Aquifer via 64 existing and 2 proposed withdrawal facilities. Biscayne Aquifer withdrawals from the Peele-Dixie Wellfield are treated via nanofiltration and the Floridan Aquifer withdrawals will be treated via RO. Biscayne Aquifer water withdrawn from the Prospect Wellfield will continue to be treated via lime softening.

Previously it was projected that the City would meet its demands until at least 2013 with its base condition water use of 52.55 mgd from the Biscayne Aquifer. However, because of reductions in population estimates and projections, the City's existing raw water supply and treatment facilities are expected to meet its service area demands until at least 2018. To meet future demands in excess of the Biscayne Aquifer withdrawal limits, the City will utilize Floridan Aquifer water at the planned Peele-Dixie WTP RO facility. The new facility will have a finished water capacity of 6 mgd. Currently expenditures for the treatment facility

have been deferred until demands dictate the need for this additional capacity. To meet future demands, the City is studying the feasibility of several alternative water sources and offset projects including additional Floridan Aquifer use, stormwater capture projects, reuse, and other alternative water supply projects.

Other planned water improvements include a number of new, large water mains, raw water supply and treatment renewal and replacement projects, and large and small water main replacements.

The proposed wastewater system improvements identified in the Wastewater Master Plan Update include renewal and replacements at the regional treatment facilities and sewer line replacements.

5.1.2 Renewal and Replacements

Both the Water and Wastewater Master Plan Updates proposed creation of new renewal and replacement (R&R) accounts. Planned Water System improvements included in the CIP total to \$59.0 million for FY 2012–FY 2016 including projects at the Dixie and Prospect Wellfields, the Peele-Dixie and Fiveash WTPs, large and small water mains, and information systems.

The Regional Facilities have an ongoing R&R program that annually evaluates the condition of the Regional Facilities and estimates the amount of funding required to provide for the projected R&R needs over a forecast 20-year period. The R&R expenditures forecast for the Regional Facilities amount to \$19.2 million for FY 2012–FY 2016.

The Wastewater Master Plan Update also proposes creation of a renewal and replacement account for the City's wastewater collection and transmission system. Current projections for ongoing R&R of the wastewater collection and transmission system are expected to amount to \$9.7 million during the Study Period.

5.2 Other Improvements

In addition to the improvements identified in the Master Plan Updates, one other project had been considered for inclusion in the financial plan presented herein. This project is in response to requirements from the SFWMD that any increases in water supplies will need to be obtained from alternative water supplies, such as the Floridan Aquifer, as opposed to the Biscayne Aquifer, from which the City obtains its existing water supplies. The City is planning to add 6 mgd of reverse osmosis finished water treatment capacity to the Peele-Dixie WTP. This capacity will be in addition to the existing 12 mgd nanofiltration capacity of this facility. This added capacity will draw its raw water supply from the Floridan Aquifer. The City has drilled two test wells into the Floridan Aquifer, with wellfield modeling, facility planning, and basis of design report subsequently prepared. A grant of \$1.2 million was received from the SFWMD for construction of the Floridan Aquifer wells. Because of recent reductions in population projections, future investment in the withdrawal, transmission, and treatment of raw water from the Floridan Aquifer has been deferred until revised water demands dictate the need (which is expected to be in 2018 or later).

5.3 Total Proposed Capital Improvements

Exhibit 5-1 presents the total proposed capital outlays for projects identified in the Master Plan Updates and Regional Renewal and Replacement Plan. The exhibit shows total expenditures (without allowance) between FY 2012–FY 2016 of \$87.9 million.

EXHIBIT 5-1
Master Plan Updates, Alternative Water Supply FY 2012 – FY 2016

	5 Year					5 Year Total
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	
Regional¹						
Regional R & R	\$5,443,233	\$3,383,776	\$3,848,324	\$3,275,839	\$3,259,852 ^{FF}	\$19,211,024
Total Regional	\$5,443,233	\$3,383,776	\$3,848,324	\$3,275,839	\$3,259,852	\$19,211,024
Water And Sewer¹						
Annual Sanitary Sewer Rehabilitation	\$350,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,350,000
Annual Water Services Replacement	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,250,000
Broward Blvd - Large Water Main Improvements			\$6,700,000			\$6,700,000
Distribution & Collection R&R	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Dixie Wellfield	\$50,000	\$50,000	\$50,000	\$50,000	\$365,000	\$565,000
Dixie Wellfield Raw Water Main Replacement	\$4,000,000					\$4,000,000
Flagler Heights - Small Watermain Improvements		\$1,988,000				\$1,988,000
Imperial Point Package 2 - Large Watermain Improvements		\$3,000,000				\$3,000,000
IT Special Projects/R&R	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,000,000
Las Olas Blvd Large Watermain Improvements	\$3,300,000					\$3,300,000
NE 16 Ave Large Water Main Improvements			\$3,300,000			\$3,300,000
NE 4th St - Large Water Main Improvements		\$3,530,000				\$3,530,000
Oakland Park Blvd Water Main	\$2,000,000					\$2,000,000
Peele Dixie Renewal and Replacement Projects	\$130,000	\$80,000	\$80,000	\$1,713,000	\$1,270,000	\$3,273,000
Peele-Dixie additional Water Supply Construction	\$1,000,000					\$1,000,000
Poinciana Park (North) - Large Water Main			\$2,400,000			\$2,400,000
Sanitary Sewer Collection System Rehab Basin B-13		\$1,350,000				\$1,350,000
Sanitary Sewer Collection System Rehab Basin B-2			\$1,350,000			\$1,350,000
Sanitary Sewer Collection System Rehab-Basin A-18	\$1,250,000					\$1,250,000
Sanitary Sewer Collection System Rehab-Basin A-7	\$2,000,000					\$2,000,000
Sanitary Sewer Collection System Rehab-Basin B-6	\$1,350,000					\$1,350,000
Seabreeze Blvd - Large Water Main Replacement			\$4,100,000			\$4,100,000
Shady Banks Small Water Main Improvements	\$1,240,000					\$1,240,000
Victoria Park Lg Wtr Main/NE 6th St & NE 7 Ave Lg Water Main			\$6,600,000			\$6,600,000
Small Water Main Replacement	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000
SW 31st Ave - Large Water Main Improvement			\$3,300,000			\$3,300,000
Water Treatment Plant Repair and Replacement	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Total Water And Sewer	\$18,420,000	\$12,248,000	\$30,130,000	\$4,013,000	\$3,885,000	\$68,696,000
Total CIP	\$23,863,233	\$15,631,776	\$33,978,324	\$7,288,839	\$7,144,852	\$87,907,024

1. Regional wastewater CIP includes assumed inflation. Water and Sewer CIP is in 2012 dollars.

The amounts shown for Regional R&R in Exhibit 5-1 differ from the City's adopted CIP. The City's adopted CIP shows annual Regional R&R expenditures of \$1.8 million, totaling \$9.0 million for the 5-year period. The Regional R&R expenditures shown in Exhibit 5-1 are based on the Central Region Wastewater System 2011 Renewal and Replacement Requirement Analysis ("Regional R&R Analysis") (CDM, 2011). The City expects to amend its projected Regional R&R expenditures to reflect the findings of the Regional R&R Analysis in its upcoming update of its 5-year CIP. Funding for the Central Region Wastewater System is through rates that are set annually by its member agencies. The rates and funding for the Central Region Wastewater System reflect the Regional System's annual operating expenditures and annual funding requirements for the 20-Year Renewal and Replacement needs as presented in the Regional R&R Analysis. Thus, while the City's adopted CIP does not properly reflect the projected 5-year capital expenditures for the

Central Region Wastewater System, the rates collected by the Central Region Wastewater System, including the rates collected from the City, do reflect the required R&R funding as presented in the Regional R&R Analysis.

5.4 Total Planned and Proposed Capital Improvement Program

Total capital improvement funding for the Water and Sewer System from FY 2012 through FY 2016 amounts to \$87.9 million. Exhibit 5-2 summarizes these projected expenditures.

EXHIBIT 5-2

Proposed Water and Wastewater Capital Improvements Projects Scheduled for FY 2012–FY 2016

Capital Improvements and Renewal and Replacements	Amount
Water	
Water main	\$47,208,000
Raw Water Supply and Treatment Plant	\$11,838,000
Total Water	\$59,046,000
Sewer	
Regional R & R ¹	\$19,211,024
Sewer Lines	\$9,650,000
Total Sewer	\$28,861,024
Total CIP	\$87,907,024

Note:

¹Regional Renewal and Replacement expenditures include anticipated inflation, water and sewer improvements are in 2012 dollars

SECTION 6

Financial Analysis

This section provides an overview of the financial results of the Water and Sewer System from FY 2009 through 2011 and projections for FY 2012 through FY 2016. The financial analysis includes an evaluation of the historical and future operations of the Water and Sewer System. The financial information contained in this section was derived from the Department's records, Comprehensive Annual Financial Reports for the City, the FY 2009 (July 30, 2009) and FY 2011 (October 20, 2011) Utility Rate Studies, as well as the City's most current 5-year capital improvement program (FY 2012–FY 2016), FY 2012 operating budget, and financial results for FY 2009 through February 2012. Discussions were held with individuals familiar with various aspects of the City's water and sewer operations, including City employees from public works and finance departments and certain outside consultants.

6.1 Financial Evaluation of the System

The expenses and revenues associated with operation of the City's Water and Sewer System are accounted for in the Water and Sewer Enterprise Fund for operations (Fund 450), Central Regional Sewer System (Fund 451), and Utilities Capital Improvements (Fund 454). Various other funds associated with the funding program have also been established. The water and sewer enterprise funds do not include the cost of operating the Stormwater System that was created in FY 1993. The cost of operating and maintaining the Stormwater System is accounted for in a separate enterprise fund.

6.2 Customer/Usage Growth

The Water and Sewer Systems currently classify customers into two residential¹² (single-family and multi-family) and six non-residential classes (commercial, government/exempt, master meter, sprinkler/irrigation meters, fire protection, and unimproved). The total population served is projected as of December 31, 2011, at approximately 214,000 in the City's Water System service area and approximately 201,000 in the Sewer System service area. Exhibit 6-1 shows the historical number of active and inactive Water and Sewer System customer accounts as of December 31 for 2009 through 2011, and projected accounts as of December 31, 2012 through 2016. Exhibit 6-2 shows the forecasted population and active customer accounts by billing classification for both the Water and the Sewer System service areas. Also shown are the projected total inactive accounts for water and sewer service. For the projected period of December 31, 2012 through December 31, 2016, the number of total water and sewer accounts is projected to increase at an average annual growth rate of slightly less than 0.5 percent.

¹²In light of the rate structure changes identified in the 2009 Rate Study (July 30, 2009), single-family customers have been redefined to include all individually metered residential accounts (i.e. single-family homes and condominiums) and exclude all residential accounts with more than one dwelling unit served by a single meter (such as duplexes, triplexes, etc.).

Exhibit 6-1

Water and Sewer Services (as of December 31)

Accounts		Actual (1)			Projected (2)				
		2009	2010	2011	2012	2013	2014	2015	2016
Water	Active	57,843	57,249	58,911	59,202	59,495	59,789	60,085	60,382
	Inactive (3)	6,349	5,047	3,526	3,543	3,561	3,579	3,596	3,614
	Total	64,192	62,296	62,437	62,746	63,056	63,368	63,681	63,996
	% Increase - Prior Yr								
	Active	1.4%	-1.0%	2.9%	0.5%	0.5%	0.5%	0.5%	0.5%
Wastewater	Inactive	-8.0%	-20.5%	-30.1%	0.5%	0.5%	0.5%	0.5%	0.5%
	Total	0.4%	-3.0%	0.2%	0.5%	0.5%	0.5%	0.5%	0.5%
	Active	41,702	43,098	45,727	45,953	46,180	46,409	46,638	46,869
	Inactive (3)	4,183	5,875	4,404	4,426	4,448	4,470	4,492	4,514
	Total	45,885	48,973	50,131	50,379	50,628	50,878	51,130	51,383
	% Increase - Prior Yr								
	Active	13.3%	3.3%	6.1%	0.5%	0.5%	0.5%	0.5%	0.5%
	Inactive	-9.8%	40.4%	-25.0%	0.5%	0.5%	0.5%	0.5%	0.5%
	Total	10.7%	6.7%	2.4%	0.5%	0.5%	0.5%	0.5%	0.5%

Notes:

1. Source: City Records of active and inactive services.
2. Projected increases in customers are based upon the population growth in Broward County, revised as of February 10, 2012.
3. Historical changes in accounts reflect account clean-up efforts and other changes associated with implementation of the City's new billing system.

Exhibit 6-2

Service Forecasts for Water and Sewer Systems (as of December 31)

Based Upon Broward County Population Forecast as of February 10, 2012

	2012	2013	2014	2015	2016
Water System					
Total Water Service Area Population	214,796	215,858	216,925	217,998	219,076
Services					
Residential Customers	37,587	37,773	37,960	38,147	38,336
Commercial	5,664	5,692	5,720	5,748	5,777
Government (Exempt)	491	494	496	499	501
Master Meter	29	29	29	30	30
Sprinkler/Irrigation Meter	7,952	7,991	8,031	8,071	8,111
Multi-Family Customers	6,258	6,289	6,320	6,351	6,382
Unimproved	2	2	2	2	2
Fire Protection	1,219	1,225	1,231	1,237	1,243
Total Water Services					
Active	59,202	59,495	59,789	60,085	60,382
Inactive	3,543	3,561	3,579	3,596	3,614
Total	62,746	63,056	63,368	63,681	63,996
Percent Increase in Total Services	0.5%	0.5%	0.5%	0.5%	0.5%
Sewer System					
Total Sewer Service Area Population					
Sewered	199,164	200,149	201,139	202,133	203,132
Non Sewered	1,889	1,898	1,907	1,916	1,925
Total	201,052	202,047	203,046	204,049	205,057
Services					
Residential Customers	34,232	34,402	34,572	34,743	34,914
Commercial	5,225	5,251	5,276	5,303	5,329
Government (Exempt)	444	446	449	451	453
Master Meter	1	1	1	1	1
Multi-Family Customers	6,049	6,079	6,109	6,139	6,169
Unimproved	2	2	2	2	2
Total Sewer Services					
Active	45,953	46,180	46,409	46,638	46,869
Inactive	4,426	4,448	4,470	4,492	4,514
Total	50,379	50,628	50,878	51,130	51,383

6.3 Ten Largest Water Customers

The top 10 users for the Water System are shown in Exhibit 6-3. The exhibit presents each of these customers annual water usage in thousands of gallons for FY 2011. Four of the top 10 users are wholesale (master meter) customers: City of Oakland Park, City of Wilton Manors, Port Everglades Authority, and City of Tamarac. The other large users are local governments, school board, an electric utility, hospitals, and a resort hotel. The percentage of the Water System's total annual water usage consumed by each of these customers is also shown in the exhibit. Combined, these ten largest customers account for approximately 22 percent of the System's total annual water consumption.

EXHIBIT 6-3

City of Fort Lauderdale Top Ten Water Users for FY 2011

Rank		FY 2011 Consumption	Percentage of Total
1	City of Oakland Park	1,204,621	9.1%
2	City of Wilton Manors	507,256	3.9%
3	City of Fort Lauderdale	418,382	3.2%
4	Port Everglades Authority	176,983	1.3%
5	Broward County	154,173	1.2%
6	School Board of Broward County	130,815	1.0%
7	Florida Power and Light	78,355	0.6%
8	Broward General Hospital	73,376	0.6%
9	Marriott Beach Resort	65,779	0.5%
10	City of Tamarac	58,456	0.4%
Total Large Users		2,868,196	21.8%
System Total		13,175,095	100.0%

6.4 Historical and Projected Costs and Revenues

The Water and Sewer System's actual and projected revenues, expenses, capital improvements, debt service, and other transfers for FY 2009 through FY 2016 are shown in Exhibit 6-4. The table shows the primary sources of funds to be operating revenues from charges for services. The primary uses of funds include operating expenses and interest expense on long-term debt.

The revenue forecast for the projected period (FY 2012–FY 2016) was developed using audited financial data and fund balances for FY 2011, the FY 2012 operating budget, the FY 2012–FY 2016 multi-year capital improvement program, and data from the City's 2011 Rate Study. Revenue projections were developed based on unaudited actual revenue for FY 2011, adjusted annually to reflect the assumed growth identified herein and the level of annual rate increases identified in the FY 2011 Rate Study.

Exhibit 6-4**Statement of Revenues, Expenses, and Changes in Net Assets**

Water and Sewer Enterprise Fund	Actual FY 2008 (1)	Actual FY 2009 (1)	Actual FY 2010 (1)	Actual FY 2011 (1)	Projected FY 2012	Projected FY 2013	Projected FY 2014	Projected FY 2015	Projected FY 2016
Operating Revenues									
Charges for Services	\$ 84,358,889	\$ 93,632,084	\$ 104,959,075	\$ 104,495,309	\$ 110,418,857	\$ 115,963,688	\$ 121,448,369	\$ 127,233,429	\$ 133,184,099
Other	\$ 479,348	\$ 922,820	\$ 1,000,054	\$ 899,968	\$ 1,595,240	\$ 1,595,062	\$ 1,596,775	\$ 1,598,739	\$ 1,601,055
Total Operating Revenues	\$ 84,838,237	\$ 94,554,904	\$ 105,959,129	\$ 105,395,277	\$ 112,014,097	\$ 117,558,750	\$ 123,045,143	\$ 128,832,169	\$ 134,785,154
Operating Expenses									
Personal Services	\$ 20,903,271	\$ 22,633,350	\$ 24,485,262	\$ 25,293,928	\$ 24,880,809	\$ 25,259,153	\$ 25,881,545	\$ 26,760,265	\$ 27,915,092
Current Expenses (2)	\$ 36,460,995	\$ 37,523,093	\$ 37,952,759	\$ 33,291,495	\$ 50,405,384	\$ 49,429,933	\$ 50,907,188	\$ 52,464,855	\$ 54,108,380
Depreciation	\$ 11,196,615	\$ 15,735,328	\$ 17,096,062	\$ 20,029,435	\$ 21,168,625	\$ 23,243,109	\$ 23,774,375	\$ 24,958,206	\$ 25,211,468
Total Operating Expenses	\$ 68,560,881	\$ 75,891,771	\$ 79,534,083	\$ 78,614,858	\$ 96,454,818	\$ 97,932,194	\$ 100,563,108	\$ 104,183,326	\$ 107,234,939
Operating Income (Loss)	\$ 16,277,356	\$ 18,663,133	\$ 26,425,046	\$ 26,780,419	\$ 15,559,279	\$ 19,626,556	\$ 22,482,036	\$ 24,648,842	\$ 27,550,215
Nonoperating Revenue & Expenses									
Revenues									
Interest	\$ 3,309,423	\$ 1,788,135	\$ 1,528,387	\$ 1,007,616	\$ 1,248,587	\$ 1,032,620	\$ 1,091,210	\$ 1,181,474	\$ 1,749,895
Other	\$ 9,667	\$ 125,000	\$ 16,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 3,319,090	\$ 1,913,135	\$ 1,545,027	\$ 1,007,616	\$ 1,248,587	\$ 1,032,620	\$ 1,091,210	\$ 1,181,474	\$ 1,749,895
Expenses									
Interest & Fiscal Charges	\$ 416,181	\$ 143,207	\$ 171,811	\$ 30,204	\$ 19,606,761	\$ 19,183,426	\$ 18,726,160	\$ 18,248,342	\$ 17,739,528
Less Interest Capitalized	\$ -	\$ -	\$ -	\$ -	\$ (19,606,761)	\$ (19,183,426)	\$ (18,726,160)	\$ (18,248,342)	\$ (17,739,528)
Loss on Disposal of Capital Assets	\$ -	\$ 11,246,559	\$ 1,151,604	\$ 1,357,218	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 416,181	\$ 11,389,766	\$ 1,323,415	\$ 1,387,422	\$ -	\$ -	\$ -	\$ -	\$ -
Net Nonoperating Revenues	\$ 2,902,909	\$ (9,476,631)	\$ 221,612	\$ (379,806)	\$ 1,248,587	\$ 1,032,620	\$ 1,091,210	\$ 1,181,474	\$ 1,749,895
Income (Loss) Before Operating Transfers	\$ 19,180,265	\$ 9,186,502	\$ 26,646,658	\$ 26,400,613	\$ 16,807,867	\$ 20,659,176	\$ 23,573,246	\$ 25,830,316	\$ 29,300,110
Operating Transfers In (Out) Capital Contributions, Net	\$ 2,085,942	\$ 928,325	\$ 348,588	\$ 612,339	\$ 603,635	\$ 606,690	\$ 609,420	\$ 612,843	\$ 615,899
Transfer In	\$ -	\$ 176,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer Out	\$ -	\$ (12,650)	\$ (28,700)	\$ (283,359)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Transfers In (Out)	\$ 2,085,942	\$ 1,092,287	\$ 319,888	\$ 328,980	\$ 603,635	\$ 606,690	\$ 609,420	\$ 612,843	\$ 615,899
Change in Net Assets	\$ 21,266,207	\$ 10,278,789	\$ 26,966,546	\$ 26,729,593	\$ 17,411,501	\$ 21,265,866	\$ 24,182,666	\$ 26,443,159	\$ 29,916,008
Increase (Decrease) in Retained Earnings	\$ 21,266,207	\$ 10,278,789	\$ 26,966,546	\$ 26,729,593	\$ 17,411,501	\$ 21,265,866	\$ 24,182,666	\$ 26,443,159	\$ 29,916,008
Net Assets - Beginning of Period	\$ 437,165,790	\$ 458,431,997	\$ 468,710,786	\$ 495,677,332	\$ 522,406,925	\$ 539,818,426	\$ 561,084,292	\$ 585,266,958	\$ 611,710,117
Net Assets - End of Period	\$ 458,431,997	\$ 468,710,786	\$ 495,677,332	\$ 522,406,925	\$ 539,818,426	\$ 561,084,292	\$ 585,266,958	\$ 611,710,117	\$ 641,626,125

Notes:

1. Reflects Comprehensive Annual Financial Reports.
2. Includes annual return on investment requirements starting in FY 2012.

FY 2007 was subject to water use restrictions imposed by the SFWMD, with drought rates in place for several months. Water usage billed in FY 2007 was 13 percent less than FY 2005, the most recent period considered as normal consumption at the time. The drought rates are implemented on a temporary basis during declared water use restrictions, and are intended to help encourage water conservation and to offset the reduction in revenues resulting from the reduced water usage during drought periods. In FY 2007, the drought rates offset most of the revenue impact of reduced water usage.

On December 13, 2007, the SFWMD declared an extreme District-wide water shortage. SFWMD regulatory jurisdiction generally extends across South Florida below the Orlando area. The Modified Phase III drought condition became effective January 15, 2008, and had a target volume reduction of approximately 45 percent. On April 18, 2008, the SFWMD revised the water use restrictions to modified Phase II restrictions with a target volume reduction of 30 percent. As a result of these and other water resource concerns, the SFWMD implemented permanent watering restrictions. The City's FY 2009 Rate Study addressed these issues.

The City proceeded with the FY 2009 Rate Study (2009 Rate Study) in early 2008 using fiscal year 2007 water use and billing records as the test year. The scope of the 2009 Rate Study included the review of the adequacy of the rates generating operating revenues in the Water and Sewer fund and did not include any revenues from the Regional Fund in its review or forecast of revenues under the proposed rates¹³. The 2009 Rate Study was undertaken to reflect the changing environment of the community's water resources and the increasing level of fixed and semi-variable costs incurred in providing utility services to the community. Rates were based on FY 2007 consumption patterns and future expected consumption patterns. The 2009 Rate Study included consumption provisions for year-round water use restrictions (SFWMD modified Phase II) and an additional system-wide reduction in water use of 3 percent for the effects of price elasticity.

The 2009 Rate Study recommended a plan of rate adjustments and rate structure modifications to provide for:

- Revenues generated that were adequate enough to cover operating costs, capital equipment, and improvement needs and debt service for the next 5 to 10 years.
- Increased stability of future revenue streams by increasing the fixed cost recovery and establishing service availability fees for vacationing/inactive accounts.
- Rates that, to the extent possible, apportioned the cost of providing service fairly among customers.
- Consideration for low-income customers.
- Continuation of the City's commitment toward water conservation through providing stronger price incentives for irrigation uses.

The 2009 Rate Study resulted in a new water and sewer rate structure that was adopted by the City effective in August 2009 (that was designed to provide a 20-percent increase in total revenue), and a 5.0 percent water and sewer rate increase in August 2010. Moreover, the

¹³ The Regional Fund revenues are a component of Revenues included in the Rate Covenant calculation for the Revenue Bonds and are included in the forecast of revenues in this Feasibility Study.

2009 Rate Study identified subsequent future annual changes in water and sewer rates (effective at the beginning of each fiscal year) of 5.0 percent from FY 2012 through FY 2014 to satisfy projected annual operating expenses, capital funding requirements, debt service coverage targets, as well as operating and capital reserve targets. However, the future annual increases were not presented to the City Commission for approval at the time the 2009 Rate Study was completed, as it was expected that a subsequent rate study would be conducted in FY 2011 to determine an updated plan of annual rate increases requirements for the Water & Sewer System.

As such, the City recently completed a FY 2011 Rate Study (2011 Rate Study) to develop an updated financial management plan including a plan of annual rate increase requirements necessary to meet its projected operating, capital, debt service (including coverage), and reserve requirements from FY 2012 through FY 2016. As a result of the 2011 Rate Study, the City Commission adopted an annual rate indexing policy of adjusting its water and sewer rates using the greater of the annual change (measured in May of each year) in the U. S. Consumer Price Index (CPI) Water & Sewerage Maintenance Series, or 5 percent. However, because of the increased expenses associated with the City's new return on investment policy and increasing R&R requirements, an additional 1.0 percent and 1.75 percent rate increase was recommended for FY 2012 and FY 2013, respectively, which was also adopted by the City Commission. As such, the forecast in this report includes a 6.75 percent water and sewer rate increase for FY 2012 (5.75 percent actual change in CPI Water & Sewerage Maintenance Series for May 2011, plus an additional 1.0 percent), a 6.75 percent increase for FY 2013, and 5 percent annual water and sewer rate increases in FY 2014 and each year thereafter.

Moreover, the forecast includes the continuation of two charges applicable to the new sewer areas: a 10 percent surcharge for monthly sewer service and a one-time connection fee of \$1,000 per equivalent residential connection (ERC) for customers connecting in the new sewer areas. It also includes the continuation of service availability charges (established as a result of the 2009 Rate Study) to all inactive customers charged at the base rate within each class. The service availability charge was designed to recover a portion of the costs the City incurs to maintain a readiness to serve condition for properties that have previously been an active account. The forecast also reflects the current level of water and sewer impact fees, which were last increased in August 2009 by a combined 66 percent. Miscellaneous charges include recovery of write-offs and liens, fuel sales, service charges for reconnects, other income and penalties, and water service installations that are classified as Charges for Service in the City's annual financial statements. Miscellaneous revenues include collision repair, certain interfund charges, and other items. Moreover, the forecast also includes revenues for the Regional Fund based on the approved FY 2012 rate and budgeted volumes, adjusted annually by the assumed increases identified in the 2011 Rate Study.

The forecast of operating expenses was developed from the City's detailed water and wastewater expenses incurred by line item for the fiscal year ended September 30, 2011, and the budget for FY 2012. These results were then adjusted for expected changes in costs because of inflation or changes in operations developed for each line-item expense category. The overall result was an average annual rate of increase in operating expenses (excluding depreciation and impacts of the return on investment policy and other one-time expenses) of approximately 3.0 percent from FY 2012 through FY 2016.

6.5 Projected Debt Issues and Coverage

Exhibit 6-5 shows the projected debt service and debt coverage calculations. The City employs two types of debt for capital financing: municipal revenue bonds and loans from the SRF loan program. The municipal revenue bonds are the primary source of external funding, and comprise a little more than 80 percent of the estimated total needs. The SRF loans are assumed to be subordinate to the Series 2012 Bonds, and any other future revenue bond issues. The forecast reflects the annual debt service for \$427.3 million in revenue bonds and \$103.6 million in SRF loans that have been issued to date, and does not identify the need for any additional revenue bonds or SRF loans through FY 2016 for capital project funding.

The Series 2012 Bonds are refinancing a portion of the Series 2003 Bonds. This will result in an annual interest expense savings and lower overall annual debt service requirements. However, per discussions with the City's financial advisor, the forecast presently includes the existing amount of the Series 2003 Bonds annual debt service as a conservative placeholder for the Series 2012 Bonds. The projected coverage ratio on the Series 2012 Bonds and other outstanding revenue bond issues is projected to remain above 2.0 from FY 2012 through FY 2016. The coverage in FY 2009 decreased to 1.84 because of the impacts on System revenue from continuing drought restrictions and the incorporation of the impacts of the drought restrictions into the City's rate structure in August 2009 instead of earlier in FY 2009 as previously forecast. Coverage on the subordinate SRF loans is projected to remain above 2.0 from FY 2012 through FY 2016.

The City began the external funding of the *WaterWorks* 2011 Program with the City's issuance of \$90 million in aggregate principal amount of Water and Sewer Revenue Bonds, Series 2003 (the Series 2003 Bonds). In 2006 the City issued \$100 million in aggregate principal amount of Water and Sewer Revenue Bonds, Series 2006 (the Series 2006 Bonds). In 2008 the City issued \$155 million in aggregate principal amount of Water and Sewer Revenue Bonds, Series 2008 (the Series 2008 Bonds). In 2010 the City issued \$82.3 million in aggregate principal amount of Water and Sewer Revenue Bonds, Series 2010 (the Series 2010 Bonds). As of September 30, 2011, the Series 2003 Bonds, Series 2006 Bonds, Series 2008, and Series 2010 Bonds were outstanding in the approximate principal amount of \$72.5 million, \$93.1 million, \$145.6 million, and \$80.6 million, respectively.

The City began borrowing funds through the SRF loan program in 2003. The SRF program has lending rates that are approximately 55 percent of the average for the municipal bond cost index. The below market rate makes this financing source attractive though there are additional administrative costs associated with the SRF loan program. The SRF source of funding has been limited because of demand and other circumstances beyond the City's control. The City maximized its use of this funding source, which is projected to result in reduced costs of approximately \$30 million over the life of the loans when compared to revenue bonds. The City has executed SRF loan agreements totaling almost \$104 million, with approximately \$102 million available for capital improvement funding, of which nearly all available funds have been expended. Debt service for the existing and any planned revenue bonds and SRF loans are detailed in Exhibits 6-6 and 6-7, respectively. Exhibit 6-8 presents the combined annual debt service for the Outstanding revenue bonds and SRF loans. Revenue bond debt service is based on actual debt service for the Series 2003 Bonds (a conservative placeholder for the debt service of the Series 2012 Bonds that will refund a portion the Series 2003 Bonds), Series 2006 Bonds, Series 2008 Bonds, and Series 2010 Bonds.

Exhibit 6-5

Historical and Projected Revenue Bond and State Revolving Fund Loan Coverage

FYs 2005 through 2016

				Revenue Bonds			State Revolving Fund Debt		
	Fiscal Year			Net Revenue	Revenue Bond	Debt Service	Net Revenue	SRF Debt	SRF Coverage
	Ending	Revenues (1)	Current Expenses (2)	Available for Revenue Bonds	Debt Service (3)	Coverage (5) Revenue Bonds	Available for SRF Debt (4)	Service (3)	Available (6) (Subordinate)
A c t u a l	2005	\$78,776,550	\$42,006,695	\$36,769,855	\$5,549,040	6.63	\$29,576,624	\$490,867	60.25
	2006	\$78,109,099	\$46,423,173	\$31,685,926	\$5,536,468	5.72	\$21,787,928	\$519,493	41.94
	2007	\$82,803,797	\$48,748,993	\$34,054,804	\$10,765,323	3.16	\$22,104,205	\$2,998,445	7.37
	2008	\$85,741,240	\$50,296,313	\$35,444,927	\$15,420,148	2.30	\$17,917,200	\$4,797,834	3.73
	2009	\$92,071,208	\$52,576,232	\$39,494,976	\$21,465,684	1.84	\$15,741,536	\$6,619,167	2.38
	2010	\$103,156,000	\$55,207,000	\$47,949,000	\$22,548,000	2.13	\$22,770,000	\$6,424,000	3.54
	2011	\$104,215,633	\$50,674,542	\$53,541,091	\$26,678,218	2.01	\$22,101,355	\$6,616,649	3.34
P r o j e c t e d	2012	\$111,912,684	\$57,547,129	\$54,365,555	\$26,677,661	2.04	\$12,024,596	\$5,474,290	2.20
	2013	\$117,991,370	\$56,863,960	\$61,127,410	\$26,678,755	2.29	\$17,830,830	\$6,565,662	2.72
	2014	\$123,436,353	\$58,874,964	\$64,561,389	\$26,683,930	2.42	\$21,273,114	\$6,565,662	3.24
	2015	\$129,213,643	\$61,220,049	\$67,993,594	\$26,701,318	2.55	\$24,700,048	\$6,565,662	3.76
	2016	\$135,635,049	\$63,924,358	\$71,710,690	\$26,715,543	2.68	\$28,411,934	\$6,565,662	4.33

Notes:

1. Current revenues excludes service extension charges, impact fees, and interest income on bond funds.
2. Current expenses excludes depreciation, interfund administrative charges, payments in lieu of taxes, and return on investment transfers.
3. Includes principal and interest on all Outstanding Bonds, including the Series 2003 Bonds. Except for the Series 2003 Bonds maturing on or prior to March 1, 2013 (which shall remain Outstanding after issuance of the Series 2012 Bonds), all or most of the Principal and Interest Requirements relating to the Series 2003 Bonds will be refunded upon issuance of the Series 2012 Bonds. As a result, actual Principal and Interest Requirements upon issuance of the Series 2012 Bonds will be lower than the amounts reflected herein and, correspondingly, debt service coverage amounts will be higher.
4. SRF Pledged Revenues includes: extension charges, impact fees and interest earned on bond funds as revenue.
Operating expenses include interfund administrative charges, payments in lieu of taxes, and return on investment transfers.
5. Coverage: Net revenues must be at least 125% of debt service.
6. Coverage: Pledged Revenues must be at least 115% of debt service. Calculated after senior lien debt.

Exhibit 6-6

Revenue Bonds - Projected Debt Service

Payments made semi-annually on March 1 and September 1.

	Series 2003	Series 2006	Series 2008	Series 2010	TOTAL
	\$ 90,000,000 (1), (2)	\$ 100,000,000 (1)	\$ 155,000,000 (1)	\$ 82,300,000 (1)	\$ 427,300,000
Fiscal Year	Actual	Actual	Actual	Actual	
2012	5,514,180.01	5,869,412.50	10,102,181.26	5,191,887.50	26,677,661.27
2013	5,505,836.26	5,876,412.50	10,102,118.76	5,194,387.50	26,678,755.02
2014	5,502,436.26	5,885,512.50	10,100,668.76	5,195,312.50	26,683,930.02
2015	5,505,136.26	5,901,212.50	10,100,456.26	5,194,512.50	26,701,317.52
2016	5,503,836.26	5,918,212.50	10,101,356.26	5,192,137.50	26,715,542.52
2017	5,508,036.26	5,910,962.50	10,101,156.26	5,193,037.50	26,713,192.52
2018	5,516,898.76	5,903,043.76	10,099,856.26	5,196,537.50	26,716,336.28
2019	5,522,345.00	5,889,165.63	10,100,618.76	5,191,737.50	26,703,866.89
2020	5,524,452.50	5,875,900.00	10,101,175.00	5,193,637.50	26,695,165.00
2021	5,532,675.00	5,842,525.00	10,101,675.00	5,196,937.50	26,673,812.50
2022	5,536,406.26	5,824,900.00	10,100,840.63	5,191,437.50	26,653,584.39
2023	5,539,856.26	5,821,525.00	10,103,806.26	5,192,237.50	26,657,425.02
2024	5,550,656.26	5,807,150.00	10,099,187.51	5,194,037.50	26,651,031.27
2025	5,558,356.26	5,801,400.00	10,097,525.00	5,191,537.50	26,648,818.76
2026	5,566,300.01	5,793,900.00	10,100,862.50	5,194,837.50	26,655,900.01
2027	5,571,153.13	5,791,209.38	10,099,362.50	5,198,437.50	26,660,162.51
2028	5,581,525.00	5,791,837.50	10,097,737.50	5,194,512.50	26,665,612.50
2029	5,591,490.63	5,787,162.50	10,100,112.50	5,191,387.50	26,670,153.13
2030	5,600,703.13	5,756,287.50	10,105,487.50	5,196,656.25	26,659,134.38
2031	5,608,700.00	5,733,162.50	10,102,987.50	5,192,100.00	26,636,950.00
2032	-	11,334,512.50	10,101,987.50	5,195,100.00	26,631,600.00
2033	-	11,355,668.75	10,101,487.50	5,194,850.00	26,652,006.25
2034	-	11,376,512.50	10,100,487.50	5,195,350.00	26,672,350.00
2035	-	11,372,712.50	10,097,987.50	5,194,725.00	26,665,425.00
2036	-	-	10,103,887.50	5,193,600.00	15,297,487.50
2037	-	-	-	5,193,912.50	5,193,912.50
2038	-	-	-	5,195,212.50	5,195,212.50
TOTALS	\$ 110,840,979.51	\$ 162,220,300.02	\$ 252,525,009.48	\$ 140,240,056.25	\$ 665,826,345.26

Notes:

1. Represents par amount of each respective bond.

2. The Series 2003 Bonds will refund the Series 2003 Bonds. However, for conservative purposes, the debt service for the Series 2003 Bonds is reflected herein in with the understanding that the Series 2012 Bonds would not be issued if the interest expense and subsequent annual debt service is not less than the Series 2003 Bonds.

Exhibit 6-7

State of Florida Revolving Fund Loan Program - Projected Debt Service

Payments made semi-annually on May 15 and November 15.

Fiscal Year	Loan	WWG 12047439P	WW 47439L 01	WW 47440S	WW 474410	WW 474420	TOTALS
		8,913,934.80 [¶] (1)	22,244,216.00 [¶] (1)	17,384,059.85 [¶] (1)	44,902,892.65 [¶] (1)	10,200,000 [¶] (1)	103,645,103
		Actual	Actual	Actual	Actual	Actual	
2012		590,508.98	1,452,260.48	1,045,896.16	1,961,450.00	424,174.22	5,474,289.84
2013		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2014		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2015		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2016		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2017		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2018		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2019		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2020		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2021		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2022		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2023		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2024		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2025		590,508.98	1,452,260.48	1,045,896.16	2,852,822.00	624,174.22	6,565,661.84
2026		590,508.98	726,130.07	1,045,896.31	2,852,822.00	624,174.22	5,839,531.58
2027		295,254.28			2,852,822.00	624,174.22	3,772,250.50
2028					1,426,411.29	624,174.22	2,050,585.51
TOTALS		\$ 9,152,888.98	\$ 21,057,776.79	\$ 15,688,442.55	\$ 46,180,191.29	\$ 10,410,961.74	\$ 102,490,261.35

Note:

1. Total authorized amount of Loan Agreements, including various amendments to original loan amounts. Modifications to Loan Agreements will be executed based on final construction cost.

Exhibit 6-8**Total Projected Debt Service**

Debt Source Fiscal Year	Revenue Bonds Actual	State Revolving Fund Loans Actual	Total
2012	26,677,661.27	5,474,289.84	32,151,951.11
2013	26,678,755.02	6,565,661.84	33,244,416.86
2014	26,683,930.02	6,565,661.84	33,249,591.86
2015	26,701,317.52	6,565,661.84	33,266,979.36
2016	26,715,542.52	6,565,661.84	33,281,204.36
2017	26,713,192.52	6,565,661.84	33,278,854.36
2018	26,716,336.28	6,565,661.84	33,281,998.12
2019	26,703,866.89	6,565,661.84	33,269,528.73
2020	26,695,165.00	6,565,661.84	33,260,826.84
2021	26,673,812.50	6,565,661.84	33,239,474.34
2022	26,653,584.39	6,565,661.84	33,219,246.23
2023	26,657,425.02	6,565,661.84	33,223,086.86
2024	26,651,031.27	6,565,661.84	33,216,693.11
2025	26,648,818.76	6,565,661.84	33,214,480.60
2026	26,655,900.01	5,839,531.58	32,495,431.59
2027	26,660,162.51	3,772,250.50	30,432,413.01
2028	26,665,612.50	2,050,585.51	28,716,198.01
2029	26,670,153.13	-	26,670,153.13
2030	26,659,134.38	-	26,659,134.38
2031	26,636,950.00	-	26,636,950.00
2032	26,631,600.00	-	26,631,600.00
2033	26,652,006.25	-	26,652,006.25
2034	26,672,350.00	-	26,672,350.00
2035	26,665,425.00	-	26,665,425.00
2036	15,297,487.50	-	15,297,487.50
2037	5,193,912.50	-	5,193,912.50
2038	5,195,212.50	-	5,195,212.50
TOTALS	\$ 665,826,345.26	\$ 102,490,261.35	\$ 768,316,606.61

SRF debt service is based on the full authorized amount for each existing loan. The specific schedules of annual SRF loan debt service will be refined as adjustments are made to reconcile the loan amounts to actual construction costs and the timing of construction expenditures.

The total financing requirements were developed to meet the additional funding requirements of capital expenditure needs in excess of internally generated sources. As part of its fiscal management plan and FY 2011 Rate Study, the City has set a policy to maintain an operating reserve at least equal to 4 months (or approximately 120 days) of operations and maintenance (O&M) expenses plus a capital reserve of at least \$10 million for the Water & Sewer Fund, as well as an operating reserve at least equal to 2 months (or approximately 60 days) of O&M expenses for the Regional Fund. The combined minimum operating reserve equals approximately \$25 million in FY 2012 and approximately \$28 million in FY 2016.

Exhibit 6-9 shows the Water and Sewer System's annual cash needs and sources of funding from FY 2012 through FY 2016. The exhibit shows expenditures totaling \$131.3 million in FY 2012. System revenues and current reserves provide the funding for the proposed expenditures in each year. The cash and investments balance as of FY 2011 was approximately \$173.1 million including restricted assets. The cash and investments balance as of FY 2011 was adjusted (reduced) to account for accrued construction payables and capital encumbrances/carry forwards not included in the CIP. The adjusted balance includes approximately \$24 million of restricted cash and cash equivalents associated with debt service reserves.

6.6 Water and Sewer Rates

The City is responsible for establishing rates and charges for Water and Sewer System services. The Water and Sewer System rate charges are adopted through ordinance that requires approval by the City Commission. In August 2009, the City Commission approved a new water and sewer rates structure per the 2009 Rate Study that was designed to incorporate the impacts of reduced consumption from permanent SFWMD water restrictions, increase the stability of the annual revenue stream, and increase revenue 20 percent. Moreover, the Commission also approved several other recommendations from the 2009 Rate Study, including an increase in water and sewer monthly service rates of 5.0 percent effective in August 2010, an increase in its impact fees of a combined 66 percent, and the establishment of new monthly rates for service availability charged to all customers in inactive status that had their property previously classified as active.

In August 2009, the City also approved modifications to the drought rate ordinance to make it consistent with the newly adopted rate structure by eliminating surcharges for Phase I and II water restrictions. The drought rates are designed to maintain Water and Sewer System revenues as water usage declines during a state-declared drought. As the SFWMD implements mandatory reductions in water use, beginning with Phase III water restrictions, the new drought rates automatically increase the volume charges per thousand gallons of water consumed, to provide incentives for customers to conserve water during the drought period, and to help maintain System revenues.

Exhibit 6-9City of Fort Lauderdale, Florida
Projected Sources and Uses of Funds

Water and Sewer Funds	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Funding Sources					
Revenues	\$ 112,014,097	\$ 117,558,750	\$ 123,045,143	\$ 128,832,169	\$ 134,785,154
Investment Income incl. Construction funds	\$ 1,370,718	\$ 1,033,231	\$ 1,091,214	\$ 1,181,474	\$ 1,749,895
Other Sources, Net	\$ 603,635	\$ 606,690	\$ 609,420	\$ 612,843	\$ 615,899
Proceeds from Debt Available for Projects	\$ -	\$ -	\$ -	\$ -	\$ -
Total Funding	\$ 113,988,450	\$ 119,198,671	\$ 124,745,777	\$ 130,626,486	\$ 137,150,947
Prior Year Ending Balance (1)	\$ 134,684,363	\$ 117,371,435	\$ 112,698,627	\$ 91,891,126	\$ 102,427,672
Expenditures					
Operating Expenses (2)	\$ (75,286,193)	\$ (74,689,086)	\$ (76,788,733)	\$ (79,225,120)	\$ (82,023,471)
Non-Operating Expenses (3)	\$ (19,606,761)	\$ (19,183,426)	\$ (18,726,160)	\$ (18,248,342)	\$ (17,739,528)
Revenue Bond Principal Payments (4)	\$ (9,100,000)	\$ (9,420,000)	\$ (9,770,000)	\$ (10,150,000)	\$ (10,555,000)
State Revolving Fund Loan Principal Payments (5)	\$ (3,445,190)	\$ (4,640,991)	\$ (4,753,431)	\$ (4,868,637)	\$ (4,986,676)
Capital Improvement Projects (6)	\$ (23,863,233)	\$ (15,937,976)	\$ (35,514,954)	\$ (7,597,840)	\$ (7,548,892)
Total Expenditures	\$ (131,301,377)	\$ (123,871,479)	\$ (145,553,279)	\$ (120,089,939)	\$ (122,853,568)
Transfers					
Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers In (7)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Transfers In (Out)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Funding Less Expenditures and Net Transfers Out	\$ (17,312,927)	\$ (4,672,808)	\$ (20,807,502)	\$ 10,536,546	\$ 14,297,380
Ending Cash & Investments Balance	\$ 117,371,435	\$ 112,698,627	\$ 91,891,126	\$ 102,427,672	\$ 116,725,052

Notes:

1. Total Water and Sewer cash and equivalents and Investments were adjusted (reduced) to account for encumbrances and project carry-forwards not included in the CIP. Amount shown includes approximately \$24.0 million of restricted assets for debt service reserves.
2. Excludes depreciation.
3. Interest Expense on Revenue Bonds and SRF Loans.
4. Reflects estimated payments for the Series 2012 Bonds equal to the existing Series 2003 Bonds schedules for conservative purposes. Reflects the actual payments for the Series 2003, 2006, 2008, and 2010 Bonds. No additional future bond issues are projected during the forecast.
5. Assumed payments based upon current loan documents. Final payment schedules will be adjusted to reflect final construction costs and timing upon project completion.
6. Excludes capitalized interest since all interest expense is included in the Non-Operating Expenses category. Costs shown are in future year dollars.
7. Would primarily include any debt service reserve funding out of future bond proceeds.

The 2009 Rate Study also identified subsequent future annual changes in water and sewer rates (effective at the beginning of each fiscal year) of 5.0 percent from FY 2012 through FY 2014 to satisfy projected annual operating expenses, capital funding requirements, debt service coverage targets, as well as operating and capital reserve targets. However, the future annual increases were not presented to the City Commission for approval at the time the 2009 Rate Study was completed because it was expected that a subsequent rate study would be conducted in FY 2011 to determine an updated plan of annual rate increases requirements for the Water & Sewer System.

In 2011, the City completed a FY 2011 Rate Study (2011 Rate Study) to develop an updated financial management plan, including a plan of annual rate increase requirements necessary to meet its projected operating, capital, debt service (including coverage), and reserve requirements from FY 2012 through FY 2016. As a result of the 2011 Rate Study, the City Commission adopted an annual rate indexing policy of adjusting its water and sewer rates using the greater of the annual change (measured in May of each year) in the US CPI Water & Sewerage Maintenance Series, or 5 percent. However, because of the increased expenses associated with the City's new return on investment policy and increasing R&R requirements, an additional 1.0 percent and 1.75 percent rate increase was recommended for FY 2012 and FY 2013, respectively, which was also adopted by the City Commission. As such, the City adopted a total 6.75 percent water and sewer rate increase for FY 2012 (5.75 percent actual change in the Water & Sewerage Maintenance Series for May 2011, plus an additional 1.0 percent), at least a 6.75 percent increase for FY 2013, followed by the greater of the change in the Water & Sewerage Maintenance Series of the CPI or 5 percent annually in FY 2014 and each Fiscal Year thereafter. Exhibit 6-10 presents a schedule of the current rates effective October 1, 2011 (FY 2012).

It is important to note that as part of approving the rate indexing adjustments presented herein, the City Commission expressly committed to performing annual financial reviews by April 30th of each year to determine if as of September 30th of the year prior whether projected revenues based on adjusted rates will exceed the following criteria:

1. annual revenues exceed annual expenses,
2. net revenue is at or above two times annual debt service expenses,
3. there is an operating reserve at least equal to 120 days of operating costs,
4. there is an unrestricted capital reserve of at least \$10 million, and
5. there is replacement and repair funding of at least \$10 million.

If there is projected revenue that exceeds the above criteria, the current customers shall receive a proportionate rebate of the excess funds on their water/wastewater bill in the same fiscal year. Conversely, the annual review may identify the need for an additional rate increase requirement to meet the financial requirements of the System.

The express commitment to the annual evaluation of the Water and Sewer System costs and revenues will allow the City to continue to adjust rates as needed to meet the costs of the System. This approach has proven beneficial for the City and its citizens by avoiding significant rate increases, and allowing citizens to better absorb more moderate cost increases into their budgets. Exhibit 6-11 details the City's historical rate adjustments and future adjustments based on the current adopted rate indexing adjustment policy.

Exhibit 6-10

Monthly Water and Sewer Service Rates - Effective Oct. 1, 2011 (1), (2) & (3)

Fixed Charges (4) Meter Size (Inches)	Single-Family Res.		Multi-Family		Commercial		Master-Metered	Irrigation (5)	Fire Service
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Water	Water
5/8"	\$ 5.28	\$ 7.76	\$ 5.28	\$ 7.76	\$ 5.28	\$ 7.76	\$ 17.21	\$ 5.28	N/A
3/4"	\$ 7.33	\$ 11.05	\$ 7.33	\$ 11.05	\$ 7.33	\$ 11.05	\$ 24.61	\$ 7.33	N/A
1"	\$ 11.44	\$ 17.66	\$ 11.44	\$ 17.66	\$ 11.44	\$ 17.66	\$ 39.41	\$ 11.44	N/A
1 1/2"	\$ 21.73	\$ 34.13	\$ 21.73	\$ 34.13	\$ 21.73	\$ 34.13	\$ 76.83	\$ 21.73	N/A
2"	\$ 34.06	\$ 53.92	\$ 34.06	\$ 53.92	\$ 34.06	\$ 53.92	\$ 121.64	\$ 34.06	\$ 34.06
3"	\$ 62.84	\$ 100.07	\$ 62.84	\$ 100.07	\$ 62.84	\$ 100.07	\$ 225.67	\$ 62.84	\$ 62.84
4"	\$ 103.96	\$ 166.02	\$ 103.96	\$ 166.02	\$ 103.96	\$ 166.02	\$ 374.94	\$ 103.96	\$ 103.96
6"	\$ 206.75	\$ 330.85	\$ 206.75	\$ 330.85	\$ 206.75	\$ 330.85	\$ 747.87	\$ 206.75	\$ 206.75
8"	\$ 330.11	\$ 528.66	\$ 330.11	\$ 528.66	\$ 330.11	\$ 528.66	\$ 1,194.82	\$ 330.11	\$ 330.11
10"	\$ 474.02	\$ 759.44	\$ 474.02	\$ 759.44	\$ 474.02	\$ 759.44	\$ 2,146.28	\$ 474.02	\$ 474.02
12"	\$ 885.20	\$ 1,418.80	\$ 885.20	\$ 1,418.80	\$ 885.20	\$ 1,418.80	\$ 3,450.96	\$ 885.20	\$ 885.20
16"	\$ 1,440.29	\$ 2,308.96	\$ 1,440.29	\$ 2,308.96	\$ 1,440.29	\$ 2,308.96	\$ 5,832.11	\$ 1,440.29	\$ 1,440.29
Consumption Charge (6) Block Ranges (1,000 Gallons per Mo.)	Single-Family Res.		Multi-Family		Commercial		Master-Metered	Irrigation (5)	Fire Service
	Water (per unit)	Sewer (per unit)	Water (per unit)	Sewer (per unit)	Water (per meter)	Sewer (per meter)	Water (per meter)	Water (per meter)	Water (per meter)
Block 1	0-3	0-3	0-1	0-1	> 0	> 0	> 0	0-12	N/A
Block 2	4-8	4-20	2-3	2-8				13-20	
Block 3	9-12	> 20	4-5	> 8				> 20	
Block 4	13-20		6-8						
Block 5	> 20		> 8						
Usage Rates (\$ / 1,000 gal.)									
Block 1	\$ 1.61	\$ 2.86	\$ 1.61	\$ 2.86	\$ 3.69	\$ 5.09	\$ 3.36	\$ 4.48	N/A
Block 2	\$ 3.59	\$ 6.33	\$ 3.59	\$ 6.33				\$ 6.04	
Block 3	\$ 4.48	\$ -	\$ 4.48	\$ -				\$ 8.76	
Block 4	\$ 6.04		\$ 6.04						
Block 5	\$ 8.76		\$ 8.76						

Notes:

1. Does not include rates for miscellaneous charges, connection fees or utility expansion fees.
2. A 10% surcharge is added to all sewer billings for service provided in the new sewer expansion areas.
3. Regional Sewer Rate for FY 2012 is \$ 1.48 per 1,000 gallons. Rate is set annually and adjusted at the end of each fiscal year to reflect actual costs and volumes.
4. Water and Sewer Service Availability Fees are charged to all inactive customers at amounts equal to the fixed charge per month until returning to active status.
5. The use per block rate shown for Irrigation above is for a 5/8" meter. The use in each block for all other meter sizes is adjusted based upon meter size equivalency ratios.
6. Commodity Charge is applied based upon number of gallons multiplied by the number of units in bracket.

The City's contracts with the large users of the Regional Sewer System specify the basis to be used for the annual rate calculation for these users. These contracts specify that the rates will be based on the Regional Sewer System's budgeted costs. Budgeted costs include a component for capital based on an R&R analysis of the Regional Sewer System facilities that is updated annually. At the end of each Fiscal Year, the rates are recalculated and each user is provided either a credit or additional charge to equate their total bill to their proportionate share of the total costs for Regional Sewer System in that year. The contracts for bulk water service do not specify the basis for their rate calculations. As such, in between periodic cost of service or rate studies, the City adjusts the rates for these users by the same annual rate increases applied to the Water System's retail customers.

Exhibit 6-11

Historical and Indicated Future Rate Adjustments

Revenue Adjustments Summary				
City Fiscal Year Ending September	Inflationary Adjustments (1)	Capital Improvement / Other Rate Adjustments	Rate Structure Change Adjustments	Total
2002	2.50%	2.50%	(2)	5.00%
2003	2.50%			2.50%
2004	5.00%			5.00%
2005	3.50%	2.50%	(2)	6.00%
2006	2.50%			2.50%
2007	3.00%	2.50%	(2)	5.50%
2008	3.00%			3.00%
2009	4.00%	1.00%	(3) 3.33%	8.33%
2010			16.67% (4)	16.67%
2011	4.00%	1.00%	(3)	5.00%
2012	5.75%	1.00%	(6)	6.75%
2013	5.00%	1.75%	(6)	6.75%
2014	5.00%			5.00%
2015	5.00%			5.00%
2016	5.00%			5.00%

Notes:

1. Annual adjustments begun in early 1990s to cover inflationary impacts and increased operating cost.
2. General adjustments to help fund the WW 2011 Program.
3. Adjustments for Peele-Dixie alternative water supply and water and sewer renewal and replacement projects.
4. Annualized impact of rate structure adjustments effective 8/1/2009 for year-round water restrictions and reallocation of greater portion of revenue recovery from fixed charges.
5. Approved by City Commission in August of 2009, with rates effective August 1, 2010.
6. Adjustments for additional cost requirements due to return on investment policy and increasing cash-funding for renewal and replacement
7. Approved annual rate indexing adjustment policy equal to greater of change in US CPI Water & Sewerage Maintenance Series (as of May) or 5% per year approved effective October 1, 2011.

Shaded rows indicate projections

6.7 Comparison to Bills in Other Communities

Exhibit 6-12 presents a comparison of the current monthly residential water and sewer bills for selected cities within Broward County, Florida. The City's total monthly Water and Sewer System bill for residential customers consuming 5,000 gallons of water per month is \$46.29. This amount is the lowest of the other communities surveyed.

The total annual bill for residential Water and Sewer System service in the City, assuming 5,000 gallons of water usage per month would amount to \$555. This represents approximately 1.2 percent of the median household annual income in Broward County in 2010 of \$48,063.

Exhibit 6-12

City of Fort Lauderdale Water and Sewer System Monthly Residential Bill Comparison with Other Communities
Smallest Residential Service - 5,000 Gallons

	Water Total	Sewer Total	Total Bill
Lazy Lake	\$ 58.33	\$ 48.40	\$ 106.73
Davie	\$ 34.62	\$ 64.56	\$ 99.18
Dania Beach	\$ 32.70	\$ 53.46	\$ 86.16
Wilton Manors	\$ 46.66	\$ 38.72	\$ 85.38
Southwest Ranches	\$ 37.65	\$ 45.96	\$ 83.61
Weston	\$ 37.65	\$ 45.96	\$ 83.61
Margate	\$ 28.11	\$ 54.60	\$ 82.71
Parkland	\$ 44.26	\$ 33.91	\$ 78.17
Oakland Park	\$ 37.46	\$ 39.36	\$ 76.82
Hillsboro Beach	\$ 34.20	\$ 38.18	\$ 72.38
Hollywood	\$ 23.29	\$ 47.20	\$ 70.49
North Lauderdale	\$ 27.89	\$ 40.80	\$ 68.69
Sunrise	\$ 30.10	\$ 36.76	\$ 66.86
Cooper City	\$ 25.14	\$ 38.20	\$ 63.34
Coconut Creek	\$ 35.41	\$ 27.12	\$ 62.53
Pembroke Park	\$ 23.57	\$ 38.45	\$ 62.02
Broward County	\$ 21.50	\$ 36.11	\$ 57.61
Lighthouse Point	\$ 21.50	\$ 36.11	\$ 57.61
Lauderdale Lakes	\$ 21.50	\$ 36.11	\$ 57.61
West Park	\$ 21.50	\$ 36.11	\$ 57.61
Hallandale Beach	\$ 26.36	\$ 30.45	\$ 56.81
Royal Utility	\$ 25.54	\$ 29.75	\$ 55.29
Miramar	\$ 21.38	\$ 32.95	\$ 54.33
Coral Springs	\$ 21.13	\$ 32.08	\$ 53.21
Tamarac	\$ 18.57	\$ 34.22	\$ 52.79
Deerfield Beach	\$ 28.25	\$ 24.53	\$ 52.78
Pompano Beach	\$ 24.08	\$ 25.76	\$ 49.84
Plantation	\$ 18.91	\$ 30.17	\$ 49.08
North Springs Improvement District	\$ 27.79	\$ 20.75	\$ 48.54
Coral Springs Improvement District	\$ 23.83	\$ 23.83	\$ 47.66
Lauderhill	\$ 20.03	\$ 27.24	\$ 47.27
Pembroke Pines	\$ 21.89	\$ 25.34	\$ 47.23
Lauderdale-by-the-Sea	\$ 17.29	\$ 29.00	\$ 46.29
Fort Lauderdale	\$ 17.29	\$ 29.00	\$ 46.29
Average	\$ 28.10	\$ 36.21	\$ 64.31

Notes:

Monthly water and sewer bills exclude drought rates or other surcharges and utility taxes.

Source: Burton and Associates prepared in February 2012.

SECTION 7

Works Cited

- Broward County. Broward by the Numbers, Bulletin No. 26. September 2004.
- Broward County Environmental Protection and Growth Management Department, Planning and Redevelopment Division, with assistance from the Broward County Population Forecast Roundtable, March 24, 2009.
- Burton & Associates. 2009. City of Fort Lauderdale Utility Rate Study. July 30, 2009.
- Burton & Associates. 2011. City of Fort Lauderdale Utility Rate Study. October 20, 2011.
- CDM. 2007a. Wastewater Master Plan Update. December 2007.
- CDM. 2007b. G.T. Lohmeyer Capacity Analysis Report (CAR). March 2011.
- CDM. 2007c. Alternative Water Supply Feasibility Study. 2007.
- CDM. 2011. Central Region Wastewater System, 2011 Renewal and Replacement Requirement Analysis. March 2011.
- CH2M HILL and Hazen and Sawyer. 2000. Water and Wastewater Master Plan.
- CH2M HILL. 1994. Wastewater Reuse Feasibility Study.
- CH2M HILL. 2002. *WaterWorks* 2011 Program Delivery Plan.
- CH2M HILL. 2004. *WaterWorks* 2011 Program Delivery Plan Update.
- CH2M HILL. Drought Restriction Rate Analysis. 2004, 2006.
- City of Fort Lauderdale. 1999. Comprehensive Plan - Capital Improvements Element and Sanitary Sewer, Solid Waste, Drainage, Potable Water and Natural Groundwater Aquifer Recharge Element.
- City of Fort Lauderdale. 2002. Water Use Permit Application to South Florida Water Management District.
- City of Fort Lauderdale. Annual Operating Budgets for FY 2007 through FY 2012.
- City of Fort Lauderdale. Comprehensive Annual Financial Reports for Fiscal Years Ended September 30, 2007-2011.
- City of Fort Lauderdale. Utility Billing System and Accounting System Results for FY 2005 through FY 2011.
- Hazen and Sawyer. 2007 Water Master Plan Update. December 2008.
- Milian, Swain & Associates. 2004a. City of Fort Lauderdale Water and Wastewater Capital Expansion Fees.

Milian, Swain & Associates. 2004b. City of Fort Lauderdale Water and Wastewater Miscellaneous Fees and Charges.

Montgomery Watson. Various Environmental Studies. 1978, 1997.

Russell and Axon. Wastewater Facility Plan Amendments. 1982, 1984.

South Florida Water Management District, 2012 Draft Lower East Coast Water Supply Plan Population Projections, 2012.

University of Florida Bureau of Economic and Business Research (BEBR). Population Projections by Age, Sex, Race, and Hispanic Origin for Florida and Its Counties, 2010 – 2040. Florida Population Studies. Vol. 44, Bulletin 159. June 2011.

APPENDIX C

Basic Financial Statements of the City for the Fiscal Year Ended September 30, 2011

[THIS PAGE INTENTIONALLY LEFT BLANK]

Report of Independent Certified Public Accountants

To the Honorable Mayor, Members of the City
Commission and City Manager,
City of Fort Lauderdale, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Lauderdale, Florida (the City), as of and for the year ended September 30, 2011, 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 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. We were not engaged to perform an audit of the City's internal control over financial reporting. Our audit included 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 and 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with US generally accepted accounting principles.

As more fully discussed in Note 13, during the year ended September 30, 2011, the City adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012 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, and 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.

The management's discussion and analysis, pension plan and other post employment benefits required supplementary information on pages 3 through 10 and 64 through 66, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and statistical sections, combining financial statements and other financial information, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and other financial information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ernst & Young LLP

March 12, 2012

CITY OF FORT LAUDERDALE, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2011

This section is intended to provide readers of this report with a general overview of the financial activities of the City during FY2011. The information in this section should be considered only in the context of the Transmittal Letter at the beginning of this report, as well as the financial statements and notes to financial statements, which follow.

Financial Highlights

- The City's total assets exceeded its liabilities at September 30, 2011 by \$1.057 billion (net assets). Of this amount, \$386 million was from governmental activities and \$671 million was from business-type activities.
- The City's revenues for governmental activities, excluding transfers, totaled \$305.5 million, a 0.4% increase from FY2010. Charges for services increased by \$11.6 million and property taxes decreased by \$9.3 million. Expenses for governmental activities increased by 2.7% to \$315 million. Transportation expenses decreased by \$1.2 million, while General Government and Physical Environment expenses increased by \$3.3 million and \$0.8 million, respectively.
- Revenues related to business-type activities decreased by \$2.5 million to \$155.3 million and expenses decreased by \$5.2 million to \$124 million.
- The General Fund's balance decreased by \$16.6 million to \$63.1 million due primarily to the City Commission's directive to not increase the property tax millage rate despite an 11% decline in property values. The unassigned fund balance of \$36.6 million when compared with the \$58.5 million fund balance at the end of FY2010 represents a \$6.9 million decrease and a reclassification of \$15 million to non-spendable fund balance. This was primarily due to the prepayment of a \$15 million required employer contribution to the Police and Fire Pension Plan not due until FY2012, to reduce interest costs.
- The City's long-term debt increased by \$22.9 million net of retirements to \$594.8 million. This resulted from the issuance of \$34 million General Obligation Bonds and \$9.9 million in Special Obligation Loans, net of refundings.
- The total fair value of the City's primary government investments at September 30, 2011 was \$517.2 million. Interest rates steadily declined throughout the fiscal year.

Overview of Financial Statements

The basic financial statements are comprised of government-wide statements that offer a broad overview of financial activity and more specific fund statements that present more detailed information.

Government-Wide Statements (pages 11 through 13) include the statement of net assets and statement of activities. They provide a broad overview of the City as a whole similar to private sector financial statements. The *statement of net assets* shows the total assets and liabilities for the City with the difference being net assets. The *statement of activities* provides a breakdown of revenues and expenditures by function. Functions generally supported by taxes and intergovernmental revenues such as police, fire-rescue, parks and recreation, and public works are considered governmental activities. Those functions that are primarily funded through user

fees and charges are identified as business-type activities. In Fort Lauderdale, the latter activities include Water and Sewer, Sanitation, the Parking System, the Executive Airport, and Stormwater.

The government-wide statements include three component units. The financial information of the City's Community Redevelopment Agency (CRA) is blended within the primary government. The Lauderdale Isles Water Control District (LIWCD) and the Sunrise Key Safe Neighborhood District (SK) are discretely presented on the Statement of Activities and Statement of Net Assets. Refer to Summary of Significant Accounting Policies for additional information on individual component units. Fiduciary funds which include pension and agency funds, are not included as part of the primary government because those resources are not available for use on City activities. Details of the fiduciary funds are provided in the fund statements.

The **Fund Financial Statements** are found on pages 14 through 27. The City of Fort Lauderdale uses fund accounting to track the sources and uses of resources for specific purposes. The City categorizes funds into three basic fund types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds (beginning on page 14) are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the previous 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 a government's near-term financing requirements.

Since 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. This comparison highlights the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances offer a reconciliation to assist with this comparison.

The City of Fort Lauderdale maintains 21 individual governmental funds. Of this number, only the General Fund is considered a major fund and thus is reflected separately in the fund financial statements. All the other governmental funds are combined for presentation purposes as nonmajor funds.

Proprietary Funds (beginning on page 21) are comprised of two different categories. Enterprise funds include business-type activities such as Water and Sewer, Sanitation, the Parking System, the Executive Airport, and Stormwater. Internal service funds include vehicle rental, central services (telecommunications and printing services), and insurance services. The latter functions provide support to internal City departments rather than services to the public. These funds are also reported as either major or nonmajor funds depending upon the significance of their financial activity.

Fiduciary Funds (beginning on page 26), which are not included in the government-wide statements, are presented in this section and include the City's Police and Fire Retirement System and the General Employee Retirement System as well as the financial activity of the Arts and Science District Garage.

Notes to Financial Statements (beginning on page 28) are integral to a complete understanding of both the government-wide and fund financial statements. They provide additional explanation of the amounts shown in the various statements.

Other Information

This report also includes required supplementary information related to the City's employee pension and other post employment benefits obligations. The combining statements in

connection with non-major governmental and enterprise funds, internal service funds, fiduciary funds and non-major component units are presented following the required supplementary information.

Additional statistical information is presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic data is presented to allow a broader understanding of the economic and social environment in which the City government operates.

Government-wide Financial Analysis

The table below summarizes the City's Net Assets for the fiscal years 2011 and 2010.

City of Fort Lauderdale, Florida						
Net Assets (in thousands of \$)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 331,793	302,593	263,347	270,513	595,140	573,106
Capital assets	271,692	266,376	915,087	893,804	1,186,779	1,160,180
Total assets	603,485	568,969	1,178,434	1,164,317	1,781,919	1,733,286
Long-term liabilities outstanding	185,632	144,209	487,577	502,445	673,209	646,654
Other liabilities	32,119	30,752	19,886	21,151	52,005	51,903
Total liabilities	217,751	174,961	507,463	523,596	725,214	698,557
Net Assets:						
Invested in capital assets						
net of related debt	197,494	209,996	463,595	440,499	661,089	650,495
Restricted	101,595	18,731	39,871	40,013	141,466	58,744
Unrestricted	86,645	165,281	167,505	160,209	254,150	325,490
Total net assets	\$ 385,734	394,008	670,971	640,721	1,056,705	1,034,729

The City's investment in capital assets (land, buildings, improvements, infrastructure and equipment) net of the related debt outstanding used to acquire those assets of \$661.1 million represents 63% of its net assets. These capital assets are used to provide services to the citizens and are not available for future spending. The resources needed to repay the debt incurred to acquire these assets will come from future revenues.

The balance of net assets includes resources subject to external restrictions (\$141.5 million) and unrestricted net assets (\$254.2 million) that may be used to meet the City's ongoing obligations. The unrestricted amount is \$71.3 million lower than at the end of fiscal year 2010 due to the reclassification of fund balances of the governmental funds.

Total net assets increased by \$22 million, a 2.1% gain over the prior year. The following table summarizes changes in net assets for governmental and business-type activities for the past two fiscal years.

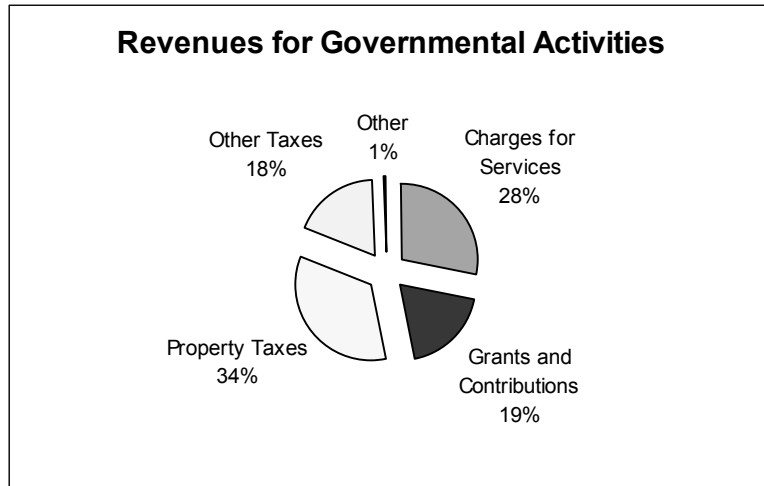
City of Fort Lauderdale, Florida
Changes in Net Assets
(in thousands of \$)

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 85,927	74,284	152,175	149,456	238,102	223,740
Operating grants/contributions	27,940	32,686	283	2,757	28,223	35,443
Capital grants/contributions	14,329	5,130	1,461	3,593	15,790	8,723
General revenues:						
Property taxes	104,294	113,606	-	-	104,294	113,606
Other taxes	55,901	57,796	-	-	55,901	57,796
Grants and contributions	15,058	14,327	-	-	15,058	14,327
Investment earnings	1,523	4,319	1,412	2,030	2,935	6,349
Other	560	2,312	-	-	560	2,312
Total revenues	<u>305,532</u>	<u>304,460</u>	<u>155,331</u>	<u>157,836</u>	<u>460,863</u>	<u>462,296</u>
Expenses:						
General government	44,591	41,228	-	-	44,591	41,228
Public safety	187,108	181,863	-	-	187,108	181,863
Physical environment	9,958	9,130	105,313	107,215	115,271	116,345
Transportation	7,258	8,456	18,685	22,013	25,943	30,469
Economic environment	21,429	23,599	-	-	21,429	23,599
Culture and recreation	41,782	38,792	-	-	41,782	38,792
Interest on long-term debt	2,763	3,501	-	-	2,763	3,501
Total expenses	<u>314,889</u>	<u>306,569</u>	<u>123,998</u>	<u>129,228</u>	<u>438,887</u>	<u>435,797</u>
Increase (decrease) in net assets						
before transfers	(9,357)	(2,109)	31,333	28,608	21,976	26,499
Transfers in (out)	<u>1,083</u>	<u>584</u>	<u>(1,083)</u>	<u>(584)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>(8,274)</u>	<u>(1,525)</u>	<u>30,250</u>	<u>28,024</u>	<u>21,976</u>	<u>26,499</u>
Net assets beginning of year	<u>394,008</u>	<u>395,533</u>	<u>640,721</u>	<u>612,697</u>	<u>1,034,729</u>	<u>1,008,230</u>
Net assets end of year	<u>\$ 385,734</u>	<u>394,008</u>	<u>670,971</u>	<u>640,721</u>	<u>1,056,705</u>	<u>1,034,729</u>

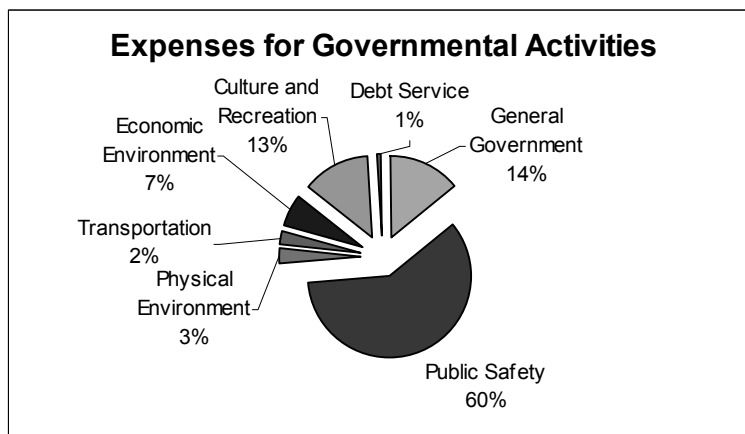
Revenues from governmental activities increased by \$1.1 million compared to 2010. The property tax levy was not increased for the fourth consecutive year despite an 11% decrease in property values. Consequently, there was a \$9.3 million reduction in property tax revenues. Another \$2.8 million decline in investment earnings resulted from the weak economy. These decreases were offset by an \$11.6 million increase in charges for services of which approximately \$5 million resulted from a building permit fee increase and rate restructuring.

Expenses for governmental activities increased by 2.7% or \$8.3 million. Increases occurred in the general government (\$3.4 million), public safety (\$5.2 million) and culture and recreation (\$3 million) functions. Transportation and economic environment expenses showed decreases of \$1.2 million and \$2.2 million, respectively.

As the following chart of revenues from governmental activities (by source) shows, property and other taxes provided 52% of the revenues used to fund governmental functions. Charges for services, such as parks and recreation programs and emergency medical transport, comprised 28% of total revenues.



Expenses for governmental activities (by function) are guided by City priorities as seen in the following chart. Public Safety, comprised of Police, Fire-Rescue, and Building department services, is clearly the highest priority, consuming 60% of all resources. General government and culture and recreation expenses accounted for 14% and 13%, respectively.



For the business-type activities, net assets showed an increase of \$30.2 million. Total revenues for these activities decreased by \$2.5 million with grants and contributions showing a decrease of \$4.6 million and investment earnings a decrease of \$618,000. Charges for services increased by \$2.7 million.

The expenses for business-type activities decreased by \$5.2 million. Physical environment expenses decreased by \$1.9 million, with \$1.2 million attributed to lower solid waste disposal costs in the current year. Transportation expenses decreased by \$3.3 million of which \$2.9 million is attributed to higher expenses in the prior year for maintenance of the airport taxiways.

Financial Analysis of the Government's Funds

The fund financial statements for *governmental funds* provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Fort Lauderdale's financing requirements. In particular, the unassigned fund balance is a useful indicator of the City's net resources available for spending at the end of the fiscal year.

The General Fund balance at September 30, 2011 was \$63.1 million, a decrease of \$16.6 million from the prior year balance of \$79.7 million. This was primarily due to a planned \$11 million utilization of fund balance in lieu of a tax increase to replace the revenue lost to lower property values.

General fund revenues for fiscal year 2011 totaled \$243.3 million, a \$19 million decrease from 2010. Property taxes levied for operations accounted for \$12.5 million of the decrease. Another \$8.5 million is attributed to the transfer of revenues that were previously recorded in the General Fund to other governmental funds, including \$4.9 million in permit fees and \$3.6 million in property taxes levied for debt service. Charges for services increased by \$1.6 million of which \$1.1 million was attributed to increased EMS transport fees. Intergovernmental revenue increased \$.7 million and fines and forfeitures increased by \$1 million.

Total General Fund expenditures decreased \$4.3 million in 2011 from \$256.4 million to \$252.1 million. Of this decrease, \$4.2 million resulted from a reduction in Vehicle Rental Fund charges to the General Fund. An extensive fleet utilization study identified significant savings opportunities in this area that were incorporated into the FY2011 budget. Employee pension cost increases of \$4.9 million were offset by lower health insurance premiums of \$1.9 million and decreased salaries and wages of \$2.7 million.

The combined fund balances of the non-major governmental funds increased by \$37.9 million or 29.8% to \$164.8 million. New debt issues, net of advance refundings, amounted to \$44.9 million. The governmental funds ended the year with \$228.5 million in fund balance.

The City's *proprietary funds* are presented in more detail in the fund statements but represent the same activities reflected in the business-type activities. Proprietary funds include both the enterprise and internal service funds. Net assets of the Water and Sewer fund grew by \$26.7 million to \$495.7 million with total enterprise net assets growing by \$31.3 million to \$661.6 million. Water and Sewer Fund operating income grew by \$0.4 million compared to 2010 while total enterprise operating income increased \$9.1 million from \$21.5 million in 2010 to \$30.6 million in 2011, an increase of 42.2%. The Sanitation Fund showed the greatest improvement with an operating income of \$1.8 million compared to a loss of \$2.2 million in 2010. This resulted from a \$2.4 million write down of the City's liability for post closure care costs for the Wingate landfill and incinerator site based upon lower projected future monitoring costs. Lower solid waste disposal costs in the current year of \$1.2 million also added to the bottom line. The Airport Fund also went from an operating loss of \$4.2 million in 2010 to a loss of \$1 million in 2011. The prior year results included \$2.7 million of non-capitalizable repair costs to resurface the Airport taxiways. The Parking System and the Stormwater funds had net operating incomes of \$1.8 million and \$1.2 million, respectively.

At September 30, 2011, the City Insurance Fund had a net assets balance of \$17 million, up from \$14.5 million in 2010. Favorable claims experience in the workers' compensation and police professional casualty areas contributed to this increase. The Vehicle Rental Fund's net asset balance of \$35.8 million decreased by \$6.8 million from \$42.6 million in 2010. This was a planned reduction resulting from an extensive fleet utilization study that lead to the elimination of the replacement component of vehicle rental charges to the various departments for the current year. These charges totaled \$5.6 million in 2010.

General Fund Budgetary Highlights

Actual General Fund revenues for fiscal year 2011 were lower than the final FY2011 budget by \$16 million. The greatest shortfall of \$7.9 million of budgeted traffic fine revenue came almost exclusively (\$7.6 million) from the red light camera program. The program provided for the installation of twelve (12) cameras throughout the City, however, only six (6) have been approved to date by Broward County. In addition, changes in state law concerning the distribution of fines, as well as, unfavorable Broward judiciary rulings that resulted in overturned citations on technicalities, have had a severe impact on anticipated revenues. A shortfall in property tax collections of \$1.8 million reflects the ongoing effects of the weak economy while the loss of \$5.1 million in utility and franchise taxes was due to the overestimation of those revenues.

Total expenditures of \$254.9 million (including encumbrances of \$2.8 million) were \$9.2 million below the final FY2011 Budget. This is mainly attributed to services and materials costs that were \$7.2 million lower than budgeted. Of those, \$1.1 and \$5.4 million respectively, were not used for professional and other services. Within the other services category, \$4.2 million in savings is attributed to the red light camera program described above, making the net shortfall for the program \$3.4 million. Salary and employee benefits savings amounted to another \$3.2 million resulting from unfilled vacancies in multiple departments due to a hiring freeze.

Capital Assets and Debt Administration

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities is shown in the following table. Net additions for the year for governmental activities totaled \$5.3 million. During the year, replacement Fire Stations No. 3 and No. 49 were completed at a cost of \$6.3 million. In addition, the \$4.6 million restoration of the 11th Avenue Bridge was finished.

Capital asset balances of the business-type activities increased by \$21.3 million, again reflecting major ongoing capital improvements in the water and sewer systems. Among completed projects were \$97 million for the wastewater collection system, force mains and pumping stations, and \$25.5 million for water mains. Additional information about the City's capital assets can be found in Note 7 to the financial statements.

City of Fort Lauderdale, Florida Capital Assets (net of depreciation) (in thousands of \$)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 64,466	63,168	32,035	31,486	96,501	94,654
Buildings	97,773	92,810	172,126	163,486	269,899	256,296
Improvements other than buildings	36,992	35,979	631,417	521,069	668,409	557,048
Machinery and equipment	31,956	38,274	7,918	8,571	39,874	46,845
Infrastructure	16,114	11,784	-	-	16,114	11,784
Construction in progress	24,391	24,361	71,591	169,192	95,982	193,553
Total	\$ 271,692	266,376	915,087	893,804	1,186,779	1,160,180

In the governmental activities, \$34 million in general obligation bonds were issued, of which \$14 million is being used to refund the City's 2002 series bonds and \$20 million will finance the completion of the improvements to the City's fire rescue facilities begun in 2005. Another \$33.9 million in special obligation borrowings have been used to refund \$24 million in 2008 special obligation loans and \$9.9 million in general construction projects. Principal retirements for

governmental activities and business-type activities totaled \$6.3 million and \$13.3 million, respectively. Additional information about the City's long-term debt can be found in Notes 10 and 11 to the financial statements.

City of Fort Lauderdale, Florida
Outstanding Debt *
(in thousands of \$)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 65,900	34,465	-	-	65,900	34,465
Revenue bonds	-	-	391,805	400,610	391,805	400,610
Tax Increment revenue bonds	13,843	15,120	-	-	13,843	15,120
Capital leases	7,111	8,425	-	-	7,111	8,425
Loans payable and other						
Obligations	31,408	24,022	84,693	89,193	116,101	113,215
Total debt outstanding	<u>\$ 118,262</u>	<u>82,032</u>	<u>476,498</u>	<u>489,803</u>	<u>594,760</u>	<u>571,835</u>

* Excludes unamortized bond premiums, discounts, gains/losses on advance refundings and other liabilities such as estimated insurance claims and compensated absences.

Economic Factors and Next Year's Budget and Rates

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) rely on property and a limited array of permitted other taxes (sales, gasoline, and utilities) and fees (franchise, occupational license) for their governmental activities. For the business-type and certain governmental activities (construction services and recreational programs), the user pays a related fee or charge associated with the service.

The adopted operating budget for expenditures for FY2012 is \$445.7 million which is 1.9% higher than the FY2011 adopted budget. The General Fund expenditure budget for FY2012 is \$256 million which is 1.8% lower than FY2011. Included in the General Fund FY2012 budget is a carry-forward fund balance of \$57.1 million of which \$6 million will be used to cover lower anticipated revenues and \$2 million is earmarked for other post employment benefits "OPEB". The millage rate was decreased slightly from 4.3366 to 4.2888 to match debt service payment requirements. The operating millage of 4.1193 was not changed and equates to a 3.2% decrease in revenues considering the decline in property values.

The adopted General Fund budget in FY2012 addresses key priorities established by the City Commission to meet the challenges the current economic conditions, including no property tax increase, maintenance of adequate reserve funds, no reductions in vital City services and no layoffs.

Requests for Information

This financial report is designed to provide a general overview of the City of Fort Lauderdale's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Fort Lauderdale, 100 North Andrews Avenue, Fort Lauderdale, Florida 33301, or he may be contacted at dwood@fortlauderdale.gov or (954) 828-5165.

BASIC FINANCIAL STATEMENTS



THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	SUNRISE KEY	LAUDERDALE ISLES
ASSETS					
Cash and Cash Equivalents	\$ 206,423,891	155,115,898	361,539,789	90,238	68,502
Receivables					
Property Taxes	4,577,906	-	4,577,906	-	-
Accounts and Loans (Net of \$7,825,290					
Allowance for Uncollectibles	7,461,683	8,980,555	16,442,238	-	-
Unbilled Service	190,909	4,743,989	4,934,898	-	-
Assessments	369,430	221,816	591,246	-	-
Due from Fiduciary Funds	-	2,941,893	2,941,893	-	-
Due from Other Governments (Net of					
\$3,029,661 Allowance for Uncollectibles	15,008,736	860,955	15,869,691	-	-
Internal Balances	(8,940,658)	9,328,994	- *	-	-
Inventories	10,395,913	1,157,679	11,553,592	-	-
Prepays	15,000,000	-	15,000,000	-	-
Restricted Assets					
Cash and Cash Equivalents	1,600,428	25,714,777	27,315,205	-	-
Investments	79,005,048	49,311,800	128,316,848	-	-
Accrued Interest and Dividends	80,766	-	80,766	-	-
Internal Balances	(388,336)	-	- *	-	-
Investment in Joint Venture	-	885,919	885,919	-	-
Deferred Debt Issuance Costs	918,096	4,082,485	5,000,581	-	-
Deposits	89,214	-	89,214	-	-
Capital Assets					
Land and Construction in Progress	88,856,441	103,626,135	192,482,576	-	-
Other (Net of Accumulated Depreciation)	182,835,805	811,460,738	994,296,543	-	-
Total Assets	<u>603,485,272</u>	<u>1,178,433,633</u>	<u>1,781,918,905</u>	<u>90,238</u>	<u>68,502</u>
LIABILITIES					
Vouchers and Other Current Liabilities	15,261,999	7,597,323	22,859,322	-	-
Due to Other Governments	6,449,245	11,593	6,460,838	1,064	-
Deposits	2,475,212	710,816	3,186,028	-	-
Unearned Revenue	5,756,360	1,040,738	6,797,098	-	-
Payable from Restricted Assets					
Vouchers and Other Current Liabilities	2,176,493	3,624,493	5,800,986	-	-
Deposits	-	6,900,231	6,900,231	-	-
Noncurrent Liabilities					
Net OPEB Obligation	7,562,601	1,955,157	9,517,758	-	-
Due Within One Year	37,541,316	13,516,166	51,057,482	-	-
Due in More Than One Year	140,527,805	472,106,167	612,633,972	-	-
Total Liabilities	<u>217,751,031</u>	<u>507,462,684</u>	<u>725,213,715</u>	<u>1,064</u>	<u>-</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Deb	197,493,944	463,595,323	661,089,267	-	-
Restricted for					
Debt Service	16,045,899	23,988,885	40,034,784	-	-
Community Redevelopment	44,935,346	-	44,935,346	-	-
Capital Replacement and Improvements	-	15,882,190	15,882,190	-	-
Endowments					
Expendable	7,071,112	-	7,071,112	-	-
Nonexpendable	11,265,762	-	11,265,762	-	-
Other Purposes	22,277,614	-	22,277,614	-	-
Unrestricted	86,644,564	167,504,551	254,149,115	89,174	68,502
Total Net Assets	<u>\$ 385,734,241</u>	<u>670,970,949</u>	<u>1,056,705,190</u>	<u>89,174</u>	<u>68,502</u>

* Although the two Internal balances accounts net to zero in total, each individual line does not crossfoot due to GASB Statement No. 34 requirement that internal balances be eliminated.

The accompanying notes are an integral part of these financial statements.

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

		PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>			
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 44,590,842	21,387,521	-	348,438
Public Safety	187,107,876	49,288,543	3,313,166	47,049
Physical Environment	9,957,967	3,991,132	1,145,361	1,297,964
Transportation	7,258,157	1,269,912	632,470	6,336,746
Economic Environment	21,428,604	1,193,847	22,514,765	1,458,705
Culture and Recreation	41,781,558	8,796,433	334,495	4,840,213
Interest on Long-term Debt	2,763,728	-	-	-
Total Governmental Activities	<u>314,888,732</u>	<u>85,927,388</u>	<u>27,940,257</u>	<u>14,329,115</u>
Business-type Activities				
Water and Sewer	80,320,657	105,395,277	-	612,339
Sanitation	20,812,922	22,084,671	-	-
Parking System	10,659,494	12,489,487	-	-
Airport	8,025,774	6,983,850	282,568	331,426
Stormwater	4,178,998	5,221,319	-	516,830
Total Business-type Activities	<u>123,997,845</u>	<u>152,174,604</u>	<u>282,568</u>	<u>1,460,595</u>
Total Primary Government	<u>\$ 438,886,577</u>	<u>238,101,992</u>	<u>28,222,825</u>	<u>15,789,710</u>
COMPONENT UNITS				
Sunrise Key	\$ 25,679	-	-	-
Lauderdale Isles	10,572	-	-	-
	<u>\$ 36,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Revenues				
Property Taxes				
Utility Taxes				
Franchise Taxes				
Insurance Premium Taxes				
Grants and Contributions not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning of Period				
Net Assets - End of Period				

The accompanying notes are an integral part of these financial statements.

NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	SUNRISE KEY	LAUDERDALE ISLES
(22,854,883)	-	(22,854,883)	-	-
(134,459,118)	-	(134,459,118)	-	-
(3,523,510)	-	(3,523,510)	-	-
980,971	-	980,971	-	-
3,738,713	-	3,738,713	-	-
(27,810,417)	-	(27,810,417)	-	-
(2,763,728)	-	(2,763,728)	-	-
<u>(186,691,972)</u>	<u>-</u>	<u>(186,691,972)</u>	<u>-</u>	<u>-</u>
-	25,686,959	25,686,959	-	-
-	1,271,749	1,271,749	-	-
-	1,829,993	1,829,993	-	-
-	(427,930)	(427,930)	-	-
-	1,559,151	1,559,151	-	-
<u>-</u>	<u>29,919,922</u>	<u>29,919,922</u>	<u>-</u>	<u>-</u>
<u>(186,691,972)</u>	<u>29,919,922</u>	<u>(156,772,050)</u>	<u>-</u>	<u>-</u>
-	-	-	(25,679)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,572)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,679)</u>	<u>(10,572)</u>
\$ 104,294,035	-	104,294,035	33,951	7,375
34,725,638	-	34,725,638	-	-
16,439,174	-	16,439,174	-	-
4,735,930	-	4,735,930	-	-
15,057,706	-	15,057,706	-	-
1,523,212	1,412,567	2,935,779	420	909
560,208	-	560,208	-	-
1,082,900	(1,082,900)	-	-	-
<u>178,418,803</u>	<u>329,667</u>	<u>178,748,470</u>	<u>34,371</u>	<u>8,284</u>
<u>(8,273,169)</u>	<u>30,249,589</u>	<u>21,976,420</u>	<u>8,692</u>	<u>(2,288)</u>
<u>394,007,410</u>	<u>640,721,360</u>	<u>1,034,728,770</u>	<u>80,482</u>	<u>70,790</u>
<u>\$ 385,734,241</u>	<u>670,970,949</u>	<u>1,056,705,190</u>	<u>89,174</u>	<u>68,502</u>

CITY OF FORT LAUDERDALE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 49,893,167	83,655,676	133,548,843
Investments	-	79,005,048	79,005,048
Receivables			
Property Taxes	4,423,493	154,413	4,577,906
Accounts and Loans (Net of \$1,306,525 Allowance for Uncollectibles)	6,553,035	309,210	6,862,245
Unbilled Service	190,909	-	190,909
Assessments	-	369,430	369,430
Accrued Dividends and Interest	-	80,766	80,766
Due from Other Funds	3,591,851	205,933	3,797,784
Due from Other Governments (Net of \$3,029,661 Allowance for Uncollectibles)	3,087,478	11,921,258	15,008,736
Inventories	52,422	10,343,491	10,395,913
Prepays	15,000,000	-	15,000,000
Advances to Other Funds	25,000	-	25,000
Deposits	64,214	-	64,214
Total Assets	\$ <u>82,881,569</u>	<u>186,045,225</u>	<u>268,926,794</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Vouchers Payable	\$ 1,809,325	7,673,050	9,482,375
Contracts Payable	-	1,359,011	1,359,011
Accrued Payroll	5,152,893	292,971	5,445,864
Due to Other Funds	-	3,797,784	3,797,784
Due to Other Governments	3,699,627	2,749,618	6,449,245
Advances from Other Funds	-	25,000	25,000
Compensated Absences and Longevity	238,458	183,637	422,095
Deposits	2,154,602	99,229	2,253,831
Deferred Revenue	4,651,753	1,403,338	6,055,091
Unearned Revenue	2,101,739	3,654,621	5,756,360
Total Liabilities	<u>19,808,397</u>	<u>21,238,259</u>	<u>41,046,656</u>
FUND BALANCES			
Nonspendable	15,077,422	11,272,512	26,349,934
Restricted	-	126,997,499	126,997,499
Committed	464,915	7,395,146	7,860,061
Assigned	10,915,133	19,141,809	30,056,942
Unassigned	36,615,702	-	36,615,702
Total Fund Balances	<u>63,073,172</u>	<u>164,806,966</u>	<u>227,880,138</u>
Total Liabilities and Fund Balances	\$ <u>82,881,569</u>	<u>186,045,225</u>	<u>268,926,794</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORT LAUDERDALE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2011

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances of governmental funds in the balance sheet, page 14	\$ 227,880,138
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	251,760,501
Other long-term assets are not available to fund current operations and, therefore, are either deferred or not included in the governmental funds.	6,055,091
Internal service funds are used by management to charge the costs of City insurance, communications, printing and central stores services and for operation of a maintenance facility for City vehicles. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	44,990,059
Long-term liabilities such as bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(144,951,548)</u>
Net assets of governmental activities, page 11	\$ <u><u>385,734,241</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 96,703,744	5,083,903	101,787,647
Utility Taxes	34,725,638	-	34,725,638
Franchise Taxes	16,439,174	-	16,439,174
Insurance Premium Taxes	4,735,930	-	4,735,930
Licenses and Permits	3,122,525	10,611,017	13,733,542
Fines and Forfeitures	2,690,287	1,078,976	3,769,263
Intergovernmental			
Federal	84,164	17,176,129	17,260,293
State	14,754,495	1,026,185	15,780,680
Other Local Units	2,260,609	14,869,175	17,129,784
Charges for Services	19,426,937	212,197	19,639,134
Other			
Assessments and Other Fees	20,868,749	687,021	21,555,770
Interest and Dividends	436,702	1,212,938	1,649,640
Rents and Concession	2,852,586	170,406	3,022,992
Contributions and Donations	792,337	122,049	914,386
Net Change in Fair Value of Investments	-	(359,384)	(359,384)
Interfund Service Charges	21,147,155	40,441	21,187,596
Sale of Cemetery Plots	-	578,150	578,150
Sale of Surplus Property	401,411	-	401,411
Miscellaneous	1,863,611	1,101,000	2,964,611
Total Revenues	<u>243,306,054</u>	<u>53,610,203</u>	<u>296,916,257</u>
EXPENDITURES			
Current			
General Government	39,670,754	659,649	40,330,403
Public Safety	168,701,937	11,578,549	180,280,486
Physical Environment	7,712,390	1,935,435	9,647,825
Transportation	2,691,748	625,200	3,316,948
Economic Environment	1,566,534	17,817,675	19,384,209
Culture and Recreation	31,745,121	256,720	32,001,841
Debt Service			
Principal Retirement	49,168	6,396,251	6,445,419
Interest and Fiscal Charges	1,940	2,413,772	2,415,712
Cost of Issuance	-	659,897	659,897
Capital Outlay	-	27,509,896	27,509,896
Total Expenditures	<u>252,139,592</u>	<u>69,853,044</u>	<u>321,992,636</u>
Excess Revenues Over (Under) Expenditures	<u>(8,833,538)</u>	<u>(16,242,841)</u>	<u>(25,076,379)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,519,812	62,334,360	63,854,172
Transfers Out	(9,317,478)	(53,103,785)	(62,421,263)
Debt Issuance	-	67,854,000	67,854,000
Premiums on Debt Issuance	-	1,063,156	1,063,156
Payments to Refunding Debt Escrow Agent	-	(24,022,327)	(24,022,327)
Total Other Financing Sources (Uses)	<u>(7,797,666)</u>	<u>54,125,404</u>	<u>46,327,738</u>
Net Change in Fund Balances	<u>(16,631,204)</u>	<u>37,882,563</u>	<u>21,251,359</u>
Fund Balances - Beginning of Period	79,704,376	126,924,403	206,628,779
Fund Balances - End of Period	<u>\$ 63,073,172</u>	<u>164,806,966</u>	<u>227,880,138</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORT LAUDERDALE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances of governmental funds, page 16	\$ 21,251,359
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 year.	9,725,342
The net effect of various transactions involving capital assets (sales, trade-ins and donations) is to increase net assets.	909,100
Some revenues reported in the statement of activities are not considered current financial resources and, therefore, are not reported as revenues in governmental funds.	4,740,137
The issuance of long-term debt (e.g., bonds, capital 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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(37,789,514)
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.	(4,009,946)
Internal service funds are used by management to charge the costs of City insurance, communications, printing and central stores services and for operation of a maintenance facility for City vehicles. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities.	<u>(3,099,647)</u>
Change in net assets of governmental activities, page 13	<u><u>\$ (8,273,169)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 98,475,975	98,475,975	96,703,744	(1,772,231)
Utility Taxes	36,697,209	36,697,209	34,725,638	(1,971,571)
Franchise Taxes	19,538,752	19,538,752	16,439,174	(3,099,578)
Insurance Premium Taxes	4,197,286	5,097,537	4,735,930	(361,607)
Licenses and Permits				
Occupational Licenses	2,736,000	2,736,000	2,860,910	124,910
Contractor Permits	288,655	288,655	261,615	(27,040)
Fines and Forfeitures				
Court Fines and Forfeitures	9,373,684	9,373,684	1,501,768	(7,871,916)
Code Enforcement Fines	458,000	458,000	531,212	73,212
Other Fines and Forfeitures	860,479	860,479	657,307	(203,172)
Intergovernmental				
Federal				
Federal Other	-	-	84,164	84,164
State				
State Revenue Sharing	4,350,000	4,350,000	4,663,469	313,469
Half Cent Sales Tax	9,844,728	9,844,728	9,503,251	(341,477)
State Other	545,000	545,000	587,775	42,775
Other Local Units				
County Shared Gas Tax	1,904,314	1,904,314	1,957,399	53,085
County Occupational License	60,000	60,000	303,210	243,210
Charges for Services				
General Government	1,599,622	1,599,622	1,198,668	(400,954)
Public Safety				
Police Service Fees	247,061	247,061	256,865	9,804
Alarm Fees	1,480,867	1,480,867	1,150,055	(330,812)
Fire Services	1,558,650	1,558,650	1,759,722	201,072
EMS Transport Fees	6,654,206	6,654,206	7,285,138	630,932
Transportation-Parking	782,000	782,000	842,181	60,181
Culture and Recreation				
Auditorium	1,175,400	1,475,400	1,171,991	(303,409)
Stadiums	40,000	40,000	45,577	5,577
Swimming Pools	800,760	500,760	362,672	(138,088)
Tennis Courts	652,640	652,640	627,727	(24,913)
Parks	668,699	668,699	557,353	(111,346)
Docks	2,348,708	2,348,708	2,869,221	520,513
Program Fees	1,609,767	1,627,767	1,015,964	(611,803)
Special Events	25,000	25,000	31,666	6,666
Miscellaneous	253,022	253,022	252,137	(885)
Other				
Assessments and Other Fees	20,050,000	20,598,169	20,868,749	270,580
Interest and Dividends	658,000	658,000	436,702	(221,298)
Rents and Concession	2,561,262	2,561,262	2,852,586	291,324
Interfund Service Charges	21,691,695	21,691,695	21,147,155	(544,540)
Miscellaneous	3,341,749	3,700,898	3,057,359	(643,539)
Total Revenues	<u>257,529,190</u>	<u>259,354,759</u>	<u>243,306,054</u>	<u>(16,048,705)</u>

The accompanying notes are an integral part of these financial statements.

Continued on Next Page

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
EXPENDITURES				
General Government				
City Commission	\$ 1,013,512	1,019,512	1,019,167	345
City Auditor	749,367	749,367	733,714	15,653
City Manager	2,987,805	2,982,882	2,607,003	375,879
City Attorney	3,863,877	3,863,877	3,776,543	87,334
City Clerk	758,938	758,938	758,062	876
Information Systems	4,629,936	4,629,936	4,588,756	41,180
Finance	5,791,124	5,791,244	5,719,566	71,678
Human Resources	2,178,769	2,130,831	2,015,812	115,019
Office of Management and Budget	1,197	-	-	-
Office of Professional Standards	527,345	527,345	524,691	2,654
Procurement	1,426,510	1,426,510	1,417,827	8,683
Planning and Zoning	4,053,578	4,033,478	3,928,228	105,250
Public Works	5,832,706	5,838,546	5,762,829	75,717
Public Information	1,403,311	1,659,418	1,466,374	193,044
Other General Government	6,056,236	6,065,711	5,936,878	128,833
Total General Government	<u>41,274,211</u>	<u>41,477,595</u>	<u>40,255,450</u>	<u>1,222,145</u>
Public Safety				
Building Services	4,000,944	4,023,361	4,065,625	(42,264)
Fire Rescue	69,704,978	70,635,229	70,163,980	471,249
Police	100,535,817	100,539,602	95,433,721	5,105,881
Total Public Safety	<u>174,241,739</u>	<u>175,198,192</u>	<u>169,663,326</u>	<u>5,534,866</u>
Physical Environment				
Business Enterprises	127,945	127,945	130,948	(3,003)
Public Works	7,860,067	7,925,067	7,627,572	297,495
Total Physical Environment	<u>7,988,012</u>	<u>8,053,012</u>	<u>7,758,520</u>	<u>294,492</u>
Transportation				
Parks and Recreation	382,227	382,227	405,662	(23,435)
Public Works	2,908,357	2,908,357	2,491,179	417,178
Total Transportation	<u>3,290,584</u>	<u>3,290,584</u>	<u>2,896,841</u>	<u>393,743</u>
Economic Environment				
Economic Development	1,155,781	1,203,719	1,041,804	161,915
Planning and Zoning	548,766	548,766	548,769	(3)
Total Economic Environment	<u>1,704,547</u>	<u>1,752,485</u>	<u>1,590,573</u>	<u>161,912</u>
Culture and Recreation				
Business Enterprises	6,495,952	6,495,952	6,065,190	430,762
Parks and Recreation	27,547,442	27,749,542	26,667,232	1,082,310
Total Culture and Recreation	<u>34,043,394</u>	<u>34,245,494</u>	<u>32,732,422</u>	<u>1,513,072</u>
Debt Service				
Principal Retirement	90,210	90,210	49,168	41,042
Interest and Fiscal Charges	5,764	5,764	1,940	3,824
Total Debt Service	<u>95,974</u>	<u>95,974</u>	<u>51,108</u>	<u>44,866</u>
Total Expenditures	<u>262,638,461</u>	<u>264,113,336</u>	<u>254,948,240</u>	<u>9,165,096</u>
Excess Revenues Over (Under) Expenditures	<u>(5,109,271)</u>	<u>(4,758,577)</u>	<u>(11,642,186)</u>	<u>(6,883,609)</u>

The accompanying notes are an integral part of these financial statements.

Continued on Next Page

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	WITH FINAL BUDGET
OTHER FINANCING SOURCES (USES)				
Transfers In				
General Obligation Construction 1997 Fund	\$ -	685,719	685,719	-
Water and Sewer Fund	-	283,359	283,359	-
Sanitation Fund	-	92,742	92,742	-
Parking System Fund	-	83,945	83,945	-
Airport Fund	-	21,994	21,994	-
Stormwater Fund	-	31,892	31,892	-
Vehicle Rental Fund	-	320,161	320,161	-
Total Transfers In	-	1,519,812	1,519,812	-
Transfers Out				
Community Redevelopment Agency Fund	(4,178,305)	(4,178,305)	(4,138,538)	(39,767)
Intergovernmental Revenue Fund	(597,693)	(868,055)	(343,688)	(524,367)
Building Fund	-	(509,726)	(509,726)	-
Special Obligation Loans Fund	(3,167,788)	(3,190,526)	(3,167,048)	(23,478)
General Capital Projects Fund	-	(1,158,478)	(1,158,478)	-
Total Transfers Out	(7,943,786)	(9,905,090)	(9,317,478)	(587,612)
Total Other Financing Sources (Uses)	(7,943,786)	(8,385,278)	(7,797,666)	(587,612)
Net Change in Fund Balances	(13,053,057)	(13,143,855)	(19,439,852)	(6,295,997)
Fund Balances - Beginning of Period	61,586,766	61,586,766	76,734,940	15,148,174
Encumbrances at September 30, 2010	2,969,436	2,969,436	2,969,436	-
Fund Balances - End of Period	\$ 51,503,145	51,412,347	60,264,524	8,852,177

The accompanying notes are an integral part of these financial statements.

Continued from Prior Page

CITY OF FORT LAUDERDALE, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			GOVERNMENTAL
	MAJOR FUNDS			ACTIVITIES
	WATER AND SEWER	NONMAJOR FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 101,782,008	53,333,890	155,115,898	75,845,433
Receivables				
Accounts and Notes (Net of \$6,518,765				
Allowance for Uncollectibles)	7,247,212	1,733,343	8,980,555	599,438
Unbilled Service	4,088,721	655,268	4,743,989	-
Assessments	195,950	25,866	221,816	-
Due from Fiduciary Funds	2,941,893	-	2,941,893	-
Due from Other Governments	-	860,955	860,955	-
Inventories	1,157,679	-	1,157,679	-
Restricted Assets				
Cash and Cash Equivalents	22,948,035	2,766,742	25,714,777	28,631
Investments	49,311,800	-	49,311,800	-
Total Current Assets	<u>189,673,298</u>	<u>59,376,064</u>	<u>249,049,362</u>	<u>76,473,502</u>
Noncurrent Assets				
Investment in Joint Venture	-	885,919	885,919	-
Deferred Debt Issuance Costs	4,082,485	-	4,082,485	-
Deposits	-	-	-	25,000
Capital Assets (Net of Accumulated				
Depreciation)	829,833,578	85,253,295	915,086,873	19,931,745
Total Noncurrent Assets	<u>833,916,063</u>	<u>86,139,214</u>	<u>920,055,277</u>	<u>19,956,745</u>
Total Assets	<u>1,023,589,361</u>	<u>145,515,278</u>	<u>1,169,104,639</u>	<u>96,430,247</u>
LIABILITIES				
Current Liabilities				
Vouchers Payable	4,564,147	1,426,317	5,990,464	640,233
Contracts Payable	402,006	117,653	519,659	-
Accrued Payroll	741,822	343,853	1,085,675	69,475
Accrued Interest	-	1,525	1,525	-
Due to Other Governments	-	11,593	11,593	-
Current Portion of Long-Term Debt	13,240,601	275,565	13,516,166	11,381,226
Payable from Restricted Assets:				
Vouchers Payable	795,155	-	795,155	-
Contracts Payable	584,193	-	584,193	-
Accrued Interest	2,245,145	-	2,245,145	28,631
Deposits	5,850,970	1,049,261	6,900,231	-
Total Current Liabilities	<u>28,424,039</u>	<u>3,225,767</u>	<u>31,649,806</u>	<u>12,119,565</u>
Noncurrent Liabilities				
Deposits	632,999	77,817	710,816	221,381
Unearned Revenue	700,000	340,738	1,040,738	-
Net OPEB Obligation	1,306,228	648,929	1,955,157	99,474
Long-Term Debt	470,119,170	1,986,997	472,106,167	29,670,774
Total Noncurrent Liabilities	<u>472,758,397</u>	<u>3,054,481</u>	<u>475,812,878</u>	<u>29,991,629</u>
Total Liabilities	<u>501,182,436</u>	<u>6,280,248</u>	<u>507,462,684</u>	<u>42,111,194</u>

The accompanying notes are an integral part of these financial statements.

Continued on Next Page

CITY OF FORT LAUDERDALE, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			GOVERNMENTAL
	MAJOR FUNDS			ACTIVITIES
	WATER AND SEWER	NONMAJOR FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 378,482,031	85,113,292	463,595,323	12,820,861
Restricted for				
Debt Service	23,988,885	-	23,988,885	-
Replacement and Improvement	8,587,451	37,516	8,624,967	-
Capital Improvements	5,577,258	1,679,965	7,257,223	-
Unrestricted	105,771,300	52,404,257	158,175,557	41,498,192
Total Net Assets	\$ <u>522,406,925</u>	<u>139,235,030</u>	661,641,955	<u>54,319,053</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>9,328,994</u>	
Net Assets of Business-type Activities			\$ <u>670,970,949</u>	

The accompanying notes are an integral part of these financial statements.

Continued from Prior Page

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			GOVERNMENTAL
	MAJOR FUNDS			ACTIVITIES
	WATER AND SEWER	NONMAJOR FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
OPERATING REVENUES				
Charges for Services	\$ 104,495,309	33,569,345	138,064,654	54,920,481
Equity in Earnings of Joint Venture	-	120,390	120,390	-
Private Collectors Operating Fees	-	3,939,758	3,939,758	-
Parking Citations	-	2,610,755	2,610,755	-
Land Leases	-	3,200,078	3,200,078	-
Other	899,968	3,339,001	4,238,969	659,617
Total Operating Revenues	<u>105,395,277</u>	<u>46,779,327</u>	<u>152,174,604</u>	<u>55,580,098</u>
OPERATING EXPENSES				
Personal Services	25,293,928	12,785,605	38,079,533	2,629,232
Current Expenses	33,291,495	26,111,617	59,403,112	49,042,735
Depreciation	20,029,435	4,089,178	24,118,613	7,225,124
Total Operating Expenses	<u>78,614,858</u>	<u>42,986,400</u>	<u>121,601,258</u>	<u>58,897,091</u>
Operating Income (Loss)	<u>26,780,419</u>	<u>3,792,927</u>	<u>30,573,346</u>	<u>(3,316,993)</u>
NON-OPERATING REVENUES (EXPENSES)				
Revenues				
Interest	1,007,616	404,951	1,412,567	326,657
Other	-	282,568	282,568	-
Total	<u>1,007,616</u>	<u>687,519</u>	<u>1,695,135</u>	<u>326,657</u>
Expenses				
Interest and Fiscal Charges	30,204	1,525	31,729	420,895
Loss on Disposal of Capital Assets	1,357,218	-	1,357,218	346,047
Total	<u>1,387,422</u>	<u>1,525</u>	<u>1,388,947</u>	<u>766,942</u>
Net Non-Operating Revenues (Expenses)	<u>(379,806)</u>	<u>685,994</u>	<u>306,188</u>	<u>(440,285)</u>
Income (Loss) Before Contributions and Transfers	26,400,613	4,478,921	30,879,534	(3,757,278)
Capital Contributions	612,339	848,256	1,460,595	-
Transfers Out	<u>(283,359)</u>	<u>(799,541)</u>	<u>(1,082,900)</u>	<u>(350,009)</u>
Change in Net Assets	26,729,593	4,527,636	31,257,229	(4,107,287)
Net Assets - Beginning of Period	<u>495,677,332</u>	<u>134,707,394</u>		<u>58,426,340</u>
Net Assets - End of Period	<u>\$ 522,406,925</u>	<u>139,235,030</u>		<u>54,319,053</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(1,007,640)	
Changes in Net Assets of Business-type Activities			<u>\$ 30,249,589</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			GOVERNMENTAL
	MAJOR FUNDS			ACTIVITIES
	WATER AND SEWER	NONMAJOR FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 105,695,160	45,827,334	151,522,494	-
Receipts from Other Funds	543,774	989,230	1,533,004	55,643,813
Other Operating Receipts	-	-	-	3,344
Payments to Suppliers	(17,023,748)	(20,665,097)	(37,688,845)	(49,795,040)
Payments for Services of Employees	(24,532,039)	(12,381,301)	(36,913,340)	(2,552,206)
Payments to Other Funds	(15,660,261)	(8,573,536)	(24,233,797)	(813,166)
Net Cash Provided by Operating Activities	49,022,886	5,196,630	54,219,516	2,486,745
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Repayment of Loans to Other Funds	2,062,080	-	2,062,080	-
Operating Grant Receipts	-	248,680	248,680	-
Loans to Fiduciary Funds	(2,941,893)	-	(2,941,893)	-
Transfers to Other Funds	(283,359)	(799,541)	(1,082,900)	(350,009)
Net Cash Used by Non- Capital Financing Activities	(1,163,172)	(550,861)	(1,714,033)	(350,009)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Disposal of Capital Assets	-	33,888	33,888	-
Capital Contributions	816,009	1,094,856	1,910,865	-
Investment in Joint Venture	-	168,402	168,402	-
Acquisition of Capital Assets	(24,336,827)	(3,703,273)	(28,040,100)	(2,253,600)
Retirement of Debt	(13,304,798)	-	(13,304,798)	(1,267,688)
Interest Paid on Debt	(20,219,660)	-	(20,219,660)	(395,547)
Net Cash Used by Capital and Related Financing Activities	(57,045,276)	(2,406,127)	(59,451,403)	(3,916,835)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales and Maturities of Investments	34,473,156	-	34,473,156	-
Interest and Dividends on Investments	1,083,388	404,951	1,488,339	326,657
Purchase of Investments	(21,542,123)	-	(21,542,123)	-
Net Cash Provided by Investing Activities	14,014,421	404,951	14,419,372	326,657
Net Increase (Decrease) In Cash And Cash Equivalents	4,828,859	2,644,593	7,473,452	(1,453,442)
Cash And Cash Equivalents - Beginning of Period	119,901,184	53,456,039	173,357,223	77,327,506
Cash And Cash Equivalents - End of Period	\$ 124,730,043	56,100,632	180,830,675	75,874,064

The accompanying notes are an integral part of these financial statements.

Continued on Next Page

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			GOVERNMENTAL
	MAJOR FUNDS		TOTAL ENTERPRISE FUNDS	ACTIVITIES
	WATER AND SEWER	NONMAJOR FUNDS		INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ 26,780,419	3,792,927	30,573,346	(3,316,993)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation	20,029,435	4,089,178	24,118,613	7,225,124
Equity in Earnings of Joint Venture	-	(120,390)	(120,390)	-
Changes in Assets and Liabilities				
(Increase) Decrease in Receivables				
Accounts	849,104	99,546	948,650	(366,251)
Unbilled Service	(106,591)	(30,214)	(136,805)	-
Increase in Due from Other Governments	-	(97,736)	(97,736)	-
Increase in Inventories	(137,429)	-	(137,429)	-
Decrease in Deferred Debt Issue Costs	302,792	-	302,792	-
Increase (Decrease) in Vouchers Payable	442,123	(720,776)	(278,653)	(160,346)
Increase in Accrued Payroll	66,778	54,224	121,002	5,153
Decrease in Due to Other Governments	-	(2,322)	(2,322)	-
Decrease in Estimated Insurance Claims Payable	-	-	-	(380,878)
Increase in Deposits Payable from Restricted Assets	322,377	39,158	361,535	-
Increase in Compensated Absences and Longevity	203,396	114,016	317,412	40,786
Increase in Net OPEB Obligation	491,715	236,064	727,779	31,087
Decrease in Deposits	(193,469)	(126)	(193,595)	(590,937)
Increase (Decrease) in Unearned Revenue	(27,764)	146,999	119,235	-
Decrease in Landfill Closure Costs	-	(2,403,918)	(2,403,918)	-
Total Adjustments	<u>22,242,467</u>	<u>1,403,703</u>	<u>23,646,170</u>	<u>5,803,738</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>49,022,886</u>	<u>5,196,630</u>	<u>54,219,516</u>	<u>2,486,745</u>

The accompanying notes are an integral part of these financial statements.

Continued from Prior Page

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	<u>PENSION TRUST</u>	<u>AGENCY ARTS AND SCIENCE DISTRICT GARAGE</u>
ASSETS		
Cash and Cash Equivalents	\$ 17,803,316	62,360
Investments, at Fair Value		
U.S. Treasury Securities	26,962,077	-
Federal Instrumentalities	74,644,183	-
Corporate Obligations	92,525,090	-
Other Bonds	12,464,435	-
Mutual Funds and Other	86,859,643	-
Money Market Funds	5,710,384	-
Common and Preferred Stock	358,053,262	-
Real Estate	42,110,495	-
Venture Capital and Partnerships	28,954,543	-
Total Investments	<u>728,284,112</u>	<u>-</u>
Receivables		
Accounts	2,615,150	-
Accrued Dividends and Interest	2,496,060	-
Due from Other Governments	-	15,399
Deposits	4,050	-
Capital Assets (Net of Accumulated Depreciation)	<u>21,856</u>	<u>-</u>
Total Assets	<u>751,224,544</u>	<u>77,759</u>
LIABILITIES		
Vouchers Payable	4,138,756	2,496
Accrued Payroll	15,218	4,303
Due to Primary Government	2,941,893	-
Due to Other Governments	-	65,478
Compensated Absences and Longevity	-	5,482
Deposits	13,500	-
Unearned Revenue	15,000,000	-
Total Liabilities	<u>22,109,367</u>	<u>77,759</u>
NET ASSETS		
Held in Trust for Pension Benefits	<u>\$ 729,115,177</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORT LAUDERDALE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

ADDITIONS

Contributions	
City	\$ 51,940,568
Employee	9,410,930
State	4,735,930
County	35,242
Total	<u>66,122,670</u>
Investment Income (Loss)	
Interest	8,951,997
Dividends	5,130,869
Net Change in Fair Value of Investments	(15,462,763)
Other	1,934,032
Total	<u>554,135</u>
Investment Expense	3,587,480
Net Investment Income (Loss)	<u>(3,033,345)</u>
Other Income	<u>125,065</u>
Total Additions	<u>63,214,390</u>

DEDUCTIONS

Benefits Paid	
Retirement	60,303,141
Disability	1,267,903
Death	5,658,068
Total	<u>67,229,112</u>
Employee Contribution Refunds	421,074
Administrative Costs	<u>920,121</u>
Total Deductions	<u>68,570,307</u>
Change In Net Assets	(5,355,917)
Net Assets - Beginning of Period	<u>734,471,094</u>
Net Assets - End of Period	<u><u>\$ 729,115,177</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

INDEX

<u>Note</u>	<u>Page</u>
(1) Summary of Significant Accounting Policies.....	29
(2) Reconciliation of Government-wide and Fund Financial Statements.....	35
(3) Stewardship, Compliance and Accountability.....	37
(4) Deposits and Investments.....	38
(5) Property Taxes.....	45
(6) Inter-fund Receivables, Payables and Transfers.....	45
(7) Capital Assets.....	47
(8) Investment in Joint Venture.....	48
(9) Risk Management	48
(10) Capital Lease Obligations.....	49
(11) Long-Term Debt.....	50
(12) Estimated Landfill Closure Costs.....	53
(13) Fund Balances.....	54
(14) Employee Retirement Systems.....	55
(15) Other Postemployment Benefits.....	59
(16) Deferred Compensation Plan	61
(17) Operating Leases.....	61
(18) Commitments and Contingent Liabilities.....	62
(19) Subsequent Events	63

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Fort Lauderdale, Florida (the City) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) applicable to governmental units. The following is a summary of the more significant accounting policies of the City:

(A) The Financial Reporting Entity

The City was incorporated in the State of Florida in 1911 and covers an area of approximately 36 square miles. The City is governed by an elected five-member commission composed of a Mayor and four District Commissioners and provides services to its approximately 165,500 residents in many areas, including law enforcement, community enrichment and development and various human services. As required by GAAP, these financial statements present the City of Fort Lauderdale (the primary government) and its component units. The component units discussed in note 1(B) below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

(B) Individual Component Unit Disclosure

The criteria for including component units consists of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of 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. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

A five-member board appointed by the City Commission (currently composed of the City Commission, itself) governs the Fort Lauderdale Community Redevelopment Agency (CRA). Although it is legally separate from the City, the CRA is reported as part of the primary government because its sole purpose is to finance and redevelop the City's designated redevelopment areas. The operations of the CRA are reported within the special revenue fund type and the capital expenditures are accounted for in a capital projects fund type using the blended method. Separate financial information for the CRA can be obtained from the City's Economic Development department.

A seven-member board appointed by the City Commission governs the Sunrise Key Safe Neighborhood Improvement District (SK). While legally separate from the City, it is reported as part of the reporting entity under the discretely presented method because the City's elected officials are financially accountable for SK. The City Commission has the power to approve, disapprove or modify the budget and millage rates or assessments submitted by the board. Separate financial information can be obtained from SK.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

The Lauderdale Isles Water Control District (LIWCD) is governed by a three-member board, which consists of a member of the City Commission and two elected members. The City provides no financial support to the District and is in no way responsible for their operations or debt (if any). The City is considered financially accountable for the District since the City Commission approves the budget and assessments submitted by the District. The District is shown as part of the reporting entity under the discretely presented method. Separate financial information can be obtained from LIWCD.

(C) Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not significantly extend beyond making the appointments. The City Commission appoints the governing board of the City of Fort Lauderdale Downtown Development Authority (DDA) and the Housing Authority of the City of Fort Lauderdale (HA). The City is not financially accountable for either the DDA or HA.

A five-member board appointed by the City Commission governs the Northwest Neighborhood Improvement District (NWNID).

(D) Joint Ventures

The City is a participant with the Performing Arts Center Authority (PACA) and the DDA in a joint venture to own and operate the 950 space Arts and Science District Parking Garage. The City has an ongoing financial interest in this joint venture, which is discussed in note 8.

(E) Government-wide and Fund Financial Statements

The government-wide financial statements, including the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from the statements. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely extensively on fees and charges for support. Likewise, the City's primary government is reported separately from its legally separate component units for which the City is financially accountable.

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 charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other than for depreciation, indirect expenses are not allocated to specific functions. 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 enterprise funds are reported as separate columns in the fund financial statements.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

(F) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary, except agency, fund financial statements. Agency funds have no measurement focus but follow the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues 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. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e., measurable and available to finance the City's operations. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recognized in the accounting period in which the related fund liabilities are incurred, if measurable, except for interest on long-term debt and the long-term portion of accumulated compensated absences and longevity pay, which are recognized when due.

Property taxes are recorded as revenues in the fiscal year levied, provided they are collected in the current period or within sixty days thereafter. Those remaining uncollected are recorded as deferred revenues. The utility and franchise taxes from major sources are recorded as revenues when earned. Licenses and permits, fines and forfeitures, charges for services, and other revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recorded as revenue when earned. Special assessments are recorded as revenues only to the extent that individual installments are considered available.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if susceptible to accrual.

The City reports the following major governmental fund:

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 a separate fund.

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City and surrounding areas.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Additionally, the City reports the following fund types:

Internal service funds account for the financing of goods and services provided to departments within the City in the following three areas: 1) costs of insuring the City in the areas of general liability, auto liability, workers' compensation, police professional liability, employee relations and medical benefits; 2) communications and print center operations; and 3) operation of a maintenance facility for City vehicles.

Pension trust funds account for the activities of the General Employees' Retirement System and the Police and Firefighters Retirement System, which accumulate resources for pension, benefit payments to qualifying City employees.

The Arts and Science District Garage Agency Fund accounts for the assets and liabilities held by the City for the District's parking garage.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for business activities and enterprise funds subject to this same limitation. The City has chosen not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and the General Fund as well as cost reimbursement transactions between the enterprise funds and various other functions of City government. Elimination of these charges would distort the direct costs and program revenues reported for those sectors.

The 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 Water and Sewer, Sanitation and Parking System funds and all the internal service funds are charges to customers for sales and services. The Sanitation Fund also collects operating fees from private collectors and the Parking System Fund collects fines for parking citations. The City Insurance Fund bills the other funds to cover insurance premiums and claims. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The preparation of the basic financial statements in conformity with GAAP requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

(G) Assets, Liabilities and Net Assets or Equity

(1) Cash and Cash Equivalents

The City considers cash on hand, cash with fiscal agents, demand deposits, certificates of deposit and bank repurchase agreements as cash and cash equivalents. Each fund's equity in the City's investment pool has been treated as a cash equivalent since cash may be deposited or withdrawn from the pool at any time without prior notice or penalty.

(2) Investments

Investments are stated at fair value. Income from investments held by the individual funds is recorded in the respective fund as it is earned. All other investments owned by the City are accounted for in the City's investment pool. Income earned from this pool is allocated to the respective funds based upon average monthly equity balances.

(3) Receivables and Payables

Activity between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year of a short-term nature and any other outstanding balances between funds are reported as due to and due from other funds. The long-term portion of any borrowings between funds is reported as advances to and from other funds. Long-term advances of the governmental funds are recorded by the advancing fund as a receivable and non-spendable fund balance. Any residual outstanding balances between the governmental activities and business-type activities at year-end are reported in the government-wide financial statements as internal balances.

All accounts and notes receivable are reported net of any allowances for uncollectibles.

(4) Inventories

Inventories in the governmental funds are composed of land held for redevelopment or resale and are stated at cost. Inventories of materials and supplies in the enterprise funds are based on year-end physical counts priced at weighted average cost. Inventories are recognized as expenditures or expenses when consumed.

(5) Restricted Assets

Certain proceeds of long-term bonds issued by the capital project, enterprise and internal service funds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets and their use is limited by applicable bond covenants.

(6) Capital Assets

Capital assets, including land, buildings, improvements other than buildings, infrastructure (i.e., roads, bridges, street lighting and other similar items) and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. The City defines capital assets

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

as assets with an initial cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are stated at cost or estimated historical cost. Contributions or donations of capital assets received from federal, state or local sources are recorded as contributions when received and are stated at estimated fair value. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Interest is capitalized in the enterprise funds on projects during the construction period based upon average accumulated project expenses.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40-50 years
Improvements	20-50 years
Infrastructure	15-50 years
Equipment	3-15 years

The City follows the requirements of GASB Statement No. 42 – Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries regarding potential impairment of capital assets.

(7) Employee Compensated Absences and Longevity

City employees are granted; sick, vacation, and longevity pay in varying amounts based on length of service, date of hire, and employee group. Compensatory time is granted to employees in lieu of overtime pay at the employee's request. Sick leave payments to terminated employees are based on length of service and usage on a last-in-first-out basis. Unused vacation pay and compensatory time are paid upon an employee's termination. Longevity pay is paid to eligible employees annually based on length of service. Accumulated compensated absences and longevity are recorded as expenses in the government-wide and proprietary fund financial statements when earned. Expenditures for accumulated compensated absences and longevity have been recorded in the governmental funds only for amounts payable to employees who have terminated as of the end of the fiscal year.

(8) Estimated Insurance Claims Payable

The City is self-insured for general liability, automobile liability, police professional liability, workers' compensation, employee relations and certain death benefits and medical plans. The operating funds are charged premiums by the City Insurance internal service fund. The accrued liability for estimated claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred and not yet reported.

(9) Landfill Post closure Costs

Landfill post closure care costs represent an estimate of the City's remaining costs to monitor the City's former landfill site. These costs are accounted for in the Sanitation Fund.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

(10) Other Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities and proprietary fund financial statements. Bond premiums, discounts and 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 premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(11) Fund Balance and Net Assets

In the governmental funds, fund balances are reported as non-spendable if they are not in spendable form or are legally or contractually required to be maintained intact. In addition, fund balances are reported as restricted, committed or assigned to specific purposes based upon the extent to which governments are bound to honor constraints placed on those funds. Unassigned fund balance is the residual fund balance classification of the General Fund.

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbered amounts for specific purposes are reported within the applicable restricted, committed or assigned fund balance classifications.

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt consists of capital assets reduced by the outstanding debt issued to acquire, construct or improve those assets, less any unspent debt proceeds. Restricted net assets have regulatory or third party limitations on their use.

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

- (A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental funds balance sheet includes a reconciliation between fund balance total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. The details of this \$144,951,548 difference follow:

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Bonds payable	\$ 79,743,000
Notes payable	31,408,400
Other post employment benefits	7,463,127
Compensated absences and longevity pay	24,850,872
Accrued interest payable	412,903
Deferred debt issuance costs	(918,096)
Unamortized bond premiums and discounts	975,839
Unamortized gains and losses on advance refunding of bonds	(383,085)
Elimination of investment in special assessment loan	<u>1,398,588</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 144,951,548</u>

- (B) Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net assets – governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that 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. The details of this \$9,725,342 difference are as follows:

Capital outlay	\$ 20,441,693
Depreciation expense	<u>(10,716,351)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ 9,725,342</u>

Another element of that reconciliation states that the net effect of various miscellaneous transactions involving capital assets is to increase net assets. In the statement of activities, only the gain on the sale or loss from impairment of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the capital assets \$909,100.

Another element of that reconciliation states that the issuance of long-term debt 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 this \$(37,789,514) difference are as follows:

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Principal repayments	
Bonds payable	\$ 3,822,000
Notes payable	2,574,251
Capital lease obligations	49,168
Deferred debt issuance costs	659,896
Advance refunding of debt	24,022,327
Debt proceeds	(67,854,000)
Unamortized bond premiums	<u>(1,063,156)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ (37,789,514)</u>

Another element of the reconciliation states that 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 this \$(4,009,946) difference are as follows:

Accrued interest payable	\$ 212,003
Amortization of deferred debt issuance costs	(119,796)
Amortization of bond discounts	(18,554)
Amortization of gains and losses on advance refunding of debt	(120,570)
Other post employment benefits	(2,716,060)
Compensated absences and longevity pay	<u>(1,246,969)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets - governmental activities	<u>\$ (4,009,946)</u>

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

(A) Budgetary Data

The City Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to August 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted.
- (3) Prior to October 1, the budget is legally enacted.
- (4) The level of control (level at which expenditures may not exceed budget) is the department. The City Manager is authorized to transfer budgeted amounts within departments of any fund. The City Commission must approve any revisions that alter the total expenditures of any department. Unencumbered balances of appropriations lapse at year-end.
- (5) Annual budgets are adopted for all governmental and proprietary funds except the Intergovernmental Revenue, State Housing Initiative Partnership and Law Enforcement Confiscated Property special revenue funds and the capital project funds. The original and final budgets, as presented, include re-appropriated encumbrances of the prior year. The budgets have been adopted on a basis consistent with GAAP with the following exceptions: Budgetary expenditures

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

include GAAP expenditures adjusted for encumbrances at September 30, 2011 and principal on the long-term debt of proprietary funds.

The reported budgetary data represents the final approved budget after amendments adopted by the City Commission with one exception. Budgets for grants and shared revenues from other governmental units which do not lapse at year-end are only reported to the extent of revenues recognized and expenditures incurred for the current year. Individual amendments were not material in relation to the original adopted budget.

(B) Comparison of Budget to Actual Results

As discussed above, certain adjustments are necessary to compare actual data on a GAAP versus budget basis. Adjustments necessary to compare the fund balances of the General Fund at year-end follow:

Statement of revenues, expenditures and changes in fund balances – page 16	\$ 63,713,106
Basis of accounting adjustments	
Encumbrances as of September 30, 2011	<u>(2,808,648)</u>
Statement of revenues, expenditures and changes in fund balances – budget and actual – page 20	\$ <u>60,904,458</u>

The Building Services Department within the General Fund had an excess of actual expenditures over budget for the year of \$42,264.

(4) DEPOSITS AND INVESTMENTS:

The City maintains a pooled cash and investment fund for the City's operating and capital funds. In addition, cash and investments are separately held for the City's debt service, capital projects, permanent, and enterprise funds.

In accordance with Section 218.415, Florida Statutes, the City's Investment Policy applies to all cash and investments held or controlled by the City and shall be identified as "general operating funds" of the City with the exception of the City's Cemetery Perpetual Care and Pension Funds. The policy was adopted on September 4, 2001 and subsequently amended on March 1, 2008.

Permitted investments, asset allocation limits, issuer limits, credit rating requirements and maturity limits are detailed in the policy in order to protect the City's cash and investments. The current policy allows for the purchase of the following investments: U.S. Government Securities, U.S. Government Agency Securities, Federal Instrumentalities, interest bearing time deposits or saving accounts, repurchase agreements, commercial paper, corporate notes, bankers' acceptances, state or local government taxable or tax exempt debt, City of Fort Lauderdale debt obligations, registered investment companies (money market mutual funds), and intergovernmental investment pools. As of September 30, 2011, the total cash and investments for the City of Fort Lauderdale's primary government, was \$517,171,842.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits

Custodial Credit Risk for deposits is the risk in the event of the failure of a depository financial institution; a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The City's Investment Policy requires that the City's public deposits be held in a State Qualified Public Depository as defined in Section 280.02, Florida Statutes.

As of September 30, 2011, the bank balances totaled \$83,891,592 of which \$83,099,014 was deposited in a State Qualified Public Depository and \$792,578 was insured by the Federal Depository Insurance Corporation (FDIC). Cash on hand totaled \$43,182. The carrying value of cash is \$81,119,128.

INVESTMENTS

The City's investment holdings are organized into six portfolios. Three portfolios are governed by the City's Investment Policy (the City's Portfolios): Surplus Funds Pooled Investments, Water and Sewer Construction Portfolio, and General Obligation Capital Project Portfolio. The remaining three portfolios, the Cemetery Perpetual Care Fund, the Police and Fire Retirement System Fund, and the General Employees' Retirement System Fund are controlled by their respective policies.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", all investments are reported at fair value. Compositions of the portfolios as of September 30, 2011 are:

Portfolio No. 1 Surplus Funds Pooled Investments, \$350,960,628

The pooled investments portfolio consists of investments in U.S. Government Securities, U.S. Government Agency Securities, Federal Instrumentalities, corporate obligations, including government guaranteed, asset and mortgage backed securities, Wells Fargo Money Market Account, Morgan Stanley Government Portfolio Institutional Class Fund, Goldman Sachs Financial Government Institutional Fund, Federated Government Obligation Fund and Florida Municipal Investment Trust. Interest receivable on this portfolio at September 30, 2011 was \$417,529.

The remaining proceeds of several long-term debt issues are a part of this portfolio. All of these funds are in the Florida Municipal Investment Trust, which complies with each individual debt issue's investment requirements. There was no Interest receivable on these long-term debt issues at September 30, 2011.

2004 Tax Increment Revenue Bonds, Non-AMT	\$	8,715,480
2004 Tax Increment Revenue Bonds, AMT		1,673,196
2010A Special Obligation Bonds		318,744
1997 General Obligation Construction		197,157
2010B Special Obligation Bonds		6,540,222
2011A Special Obligation Bonds		7,051,776
1998C Excise Tax Improvement Bonds		1,280,037
	\$	<u>25,776,612</u>

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Portfolio No. 2 Water and Sewer Construction Portfolio, \$49,311,800

This portfolio includes investments of the Water and Sewer Enterprise Fund. At September 30, 2011, \$27,886,330 was deposited in Wells Fargo Money Market Account and \$21,425,470 in Florida Municipal Investment Trust. There was no interest receivable on this portfolio at September 30, 2011.

Portfolio No. 3 General Obligation Capital Projects Portfolio, \$34,646,169

The General Obligation Bonds, Series 2011A and Series 2011B, proceeds may be invested by the City in such investments as are permitted by applicable law. These proceeds are in Regions Bank, Cash Money Market Account, \$14,511,939 and Fidelity Institutional Government Money Market Fund, \$20,134,230. No interest receivable on this portfolio existed September 30, 2011.

Portfolio No. 4 Cemetery Perpetual Care Fund, \$18,582,267

Investments permitted by this fund's investment policy include U. S. government securities, U.S. government guaranteed obligations, federal instrumentalities, commercial paper, bankers acceptances, corporate bonds or notes, state or local government taxable or tax-exempt debt, intergovernmental investment pools, common and preferred stocks from domestic and foreign corporations, repurchase agreements composed of permitted instruments, real estate and real estate securities, and high yield bond mutual funds, and other mutual funds and co-mingled Common Trust Funds investing in permitted instruments, including money-market funds.

As of September 30, 2011 this portfolio consists of investments in money market funds, corporate obligations, common stock and preferred stock. Interest receivable on this portfolio at September 30, 2011 was \$80,749.

Portfolio No. 5 Police and Fire Retirement System Fund, \$421,444,459

Investments permitted by this fund's investment policy include equity securities and fixed income securities including cash, U.S. government agency securities, federal instrumentalities, corporate obligations, government national mortgage association loans, U.S. government agency collateralized mortgage-backed securities, debentures, preferred stocks, commercial paper, certificates of deposits and other such instruments deemed prudent by the investment manager. Also permitted are other co-mingled vehicles invested in permitted investments.

As of September 30, 2011 investments of this portfolio include U.S. government securities, U.S. government agency securities, federal instrumentalities, mutual funds, corporate obligations, municipal bonds, real estate, venture capital and partnerships and common and preferred stock. Interest receivable on this portfolio at September 30, 2011 was \$1,568,330.

Portfolio No. 6 General Employees' Retirement System Fund, \$306,839,653

Investments permitted by this fund's investment policy include U.S. government securities, U.S. government agency securities, federal instrumentalities, common and preferred stocks from domestic and foreign corporations, repurchase agreements, commercial paper, corporate obligations, banker's acceptances, state or local government taxable or tax exempt debt, real estate and real estate securities, money market funds invested in permitted securities and intergovernmental investment pools.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

As of September 30, 2011 this portfolio consists of investments in U.S. government securities, U.S. government agency securities, federal instrumentalities, money market funds, corporate obligations, common and preferred stock and real estate. Interest receivable on this portfolio at September 30, 2011 was \$927,730.

Interest Rate Risk

Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City manages its portfolios' exposures to declines in fair value due to rising interest rates by limiting individual investments to maturities of ten (10) years or less from the date of purchase. Also, the overall "weighted average maturity" shall be less than three (3) years. The total weighted average maturity for portfolio no. 1 is 2.38 years. The other portfolios use either the "duration" method or the "weighted average maturity" as measurements of interest rate risk. The following table illustrates the interest rate risk for debt investments:

Portfolio No. 1		Weighted
<u>Surplus Funds Pooled Investments</u>	<u>Fair Value</u>	<u>Average Maturity</u>
U.S. Treasury Securities	\$ 20,962,373	2.41
U.S. Government Agency		
US Dept of Housing & Urban Development	1,131,614	2.98
Federal Instrumentalities		
Federal Farm Credit Bank	5,798,190	1.28
Federal Home Loan Bank	5,559,896	2.51
Federal Home Loan Mortgage Company	13,892,599	2.34
Federal National Mortgage Association	12,772,332	2.07
Mortgage Backed Securities Pass-Through	964,518	4.74
Collateralized Mortgage Obligations	3,487,508	6.70
Asset Backed Securities	3,675,856	2.77
U.S. Government Supported Corporate Debt	4,978,138	2.11
Municipal Bonds	4,207,613	2.45
Commercial Paper	1,409,517	0.22
Corporate Obligations	16,673,049	2.05
Portfolio No. 4		
<u>Cemetery Perpetual Care Fund</u>	<u>Fair Value</u>	<u>Duration</u>
Corporate Obligations	\$ 5,006,666	8.50
Portfolio No 5		Weighted
<u>Police and Fire Retirement System Fund</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Agincourt Bond Fund (aggregate) *	\$ 83,134,716	13.73
Atlanta Capital (aggregate)	25,777,228	4.10
Boyd (aggregate)	32,955,340	4.29
Portfolio No. 6		Weighted
<u>General Employees' Retirement System Fund</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Debt Investment (aggregate) **	\$ 64,728,501	2.59

*The aggregate debt investments of Portfolios No. 5 and No. 6 include U.S. Treasury Securities, U.S. Government Agency Securities, Mutual Funds and Corporate Obligations.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Credit Risk

GASB Statement No. 40 requires that governments provide information about the credit risk associated with their investments by disclosing the credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Portfolio No. 1 Surplus Funds Pooled Investments

The City investment policy provides for the following investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

Corporate Notes

Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "Aa" by Moody's Investor Service and a minimum long term debt rating of "AA" by Standard & Poor's. As of September 30, 2011, \$16,673,049 of the City's investments was in corporate issues. These issues met or exceeded the minimum rating requirements at the time of purchase.

Registered Investment Companies (Money Market Funds)

The policy requires money market funds, other than funds which are invested 100% in U.S. treasury securities, be rated "AAAm." The City portfolios included Morgan Stanley Government Portfolio Institutional Class Fund, \$22,469,758; Goldman Sachs Financial Government Institutional Fund, \$20,022,923; and federated government obligation funds, \$20,012,936. As of September 11, 2011, all three funds were rated "AAAm."

Federal Instrumentalities

Although the City's investment policy states no rating requirement for federal instrumentalities, all investments of this type were rated AA+ by Standard & Poor's or Aaa by Moody's Investor Service. This portfolio held \$38,023,016 in this type of investment.

Portfolio No. 2 Water and Sewer Construction Portfolio

Investments in this portfolio are not required to have a rating per the City's investment policy.

Portfolio No. 3 General Obligation Capital Projects Portfolio

This portfolio has \$20,134,230 invested in Fidelity Institutional Government Money Market Fund, which has a AAAM rating.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Portfolio No. 4 Cemetery Perpetual Care Fund

This portfolio's investment policy requires investments in corporate bonds or notes to be rated A or better by a nationally recognized rating service. All of these investments met the policies requirement at September 30, 2011.

Portfolio No. 5 Police & Fire Retirement System Fund

As permitted by GASB Statement No. 40, interest rate risk and credit risk are managed in this portfolio in the aggregate by asset class. The portfolio includes one investment grade core bond fund, Agincourt.

Portfolio No. 6 General Employees' Retirement System Fund

This portfolio's investment policy requires investments in corporate bonds or notes to be rated A or better by a nationally recognized rating service. All of these investments met this requirement at September 30, 2011.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, a government may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Wachovia Money Market Account is covered under Section 280.02, Florida Statutes, as a deposit in a State Qualified Public Depository. All other portfolio investments were held with third-party custodians as required by the their respective investment policies.

Concentration of Credit Risk

GASB Statement No. 40 requires disclosure of investments in any one issuer that represent five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments. Per this disclosure requirement, none of city's investments were with any one single issuer that represents 5% or more of all of the City's portfolios which total \$434,918,597.

Composition of Portfolios

Each of the City's investment policies establish limits on portfolio composition, both by investment type and by issuer. As of September 30, 2011, the compositions of the portfolios consisted of the following:

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Portfolio No. 1 Investments	Amount	Percent of Portfolio	Maximum Portfolio	Maximum per Issuer
U.S. Agency Securities	\$			
US Dept of Housing & Urban Development	1,131,614	0.32%	50.00%	25.00%
Federal Instrumentalities			100.00%	
Federal Farm Credit Bank	5,798,190	1.65%		25.00%
Federal Home Loan Bank	5,559,896	1.58%		25.00%
Federal Home Loan Mortgage Company	13,892,599	3.96%		25.00%
Federal National Mortgage Association	12,772,332	3.64%		25.00%
Mortgage Backed Securities Pass-Through*	964,518	0.27%		25.00%
Collateralized Mortgage Obligations	3,487,508	0.99%		25.00%
Asset Backed Securities*	3,675,856	1.05%	25.00%	5.00%
U.S Government Supported Corporate Debt	4,978,138	1.42%	50.00%	25.00%
Municipal Bonds	4,207,613	1.20%	25.00%	25.00%
Commercial Paper	1,409,518	0.40%	25.00%	5.00%
Corporate Obligations	16,673,049	4.75%	25.00%	5.00%

*Mortgage Backed Securities are a subcomponent of Instrumentalities; Asset Backed Securities are a subcomponent of Corporate Obligations.

Portfolio No. 4 Cemetery Perpetual Care Fund	Amount	Percent of Portfolio	Maximum Portfolio	Maximum Per Issuer
Fixed Income Securities	\$			
Corporate Obligations	5,006,666	26.94%	50.00%	-

Portfolio No. 5 Police and Fire Retirement System Fund	Amount	Percent of Portfolio	Maximum Portfolio	Maximum Per Issuer
Fixed Income Securities	\$		30.00%	5.00%
U.S. Treasury Securities	26,183,598	6.21%		
Federal Instrumentalities:				
Federal National Mortgage Assoc	28,802,359	6.83%		
Federal Home Loan Mortgage Corp	14,997,499	3.56%		
Federal Home Loan Banks	818,469	0.19%		
Corporate Obligation	58,600,924	13.90%		
Other Bonds	12,464,435	2.96%		

Portfolio No. 6 General Employees' Retirement System Fund	Amount	Percent of Portfolio	Maximum Portfolio	Maximum Per Issuer
Fixed Income Securities	\$		25.00%	-
U.S. Treasury Securities	778,479	0.25%		
Federal Instrumentalities:				
Federal Home Loan Mortgage Corp	10,412,185	3.39%		
Federal National Mortgage Assoc	19,613,671	6.39%		
Corporate Obligations	33,924,166	11.06%		

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Foreign Currency Risk

GASB Statement No. 40 requires governments to disclose deposits or investments exposed to foreign currency risk, the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the portfolios have exposure to foreign currency risk. All investments are in US dollars.

(5) PROPERTY TAXES:

The City's property tax is levied, becomes a lien on real and personal property located in the City and is recorded as a receivable on November 1 of each year based upon the assessed value listed as of the prior January 1. The Broward County Property Appraiser establishes assessed values. The assessed value at January 1, 2010, upon which the 2010-11 levy was based, was approximately \$24.6 billion.

The City is permitted by state law to levy taxes up to 10 mills of assessed valuation for General Fund operations exclusive of voted debt levies. Taxes levied for the General Fund for the 2010-11 fiscal year were 4.1193 mills for operations and 0.2173 for debt service.

All taxes are due from property holders on March 31, become delinquent on April 1 and become subject to the issuance of tax sale certificates on June 1. Current tax collections for the year ended September 30, 2011 were approximately 98.4% of the total tax levy.

(6) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Individual inter-fund receivable and payable balances at September 30, 2011 follow:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>	Advances From <u>Other Funds</u>	Advances To <u>Other Funds</u>
<u>Governmental Funds</u>				
General Fund	\$ 3,591,851	-	-	25,000
Non-Major Governmental Funds				
Intergovernmental Revenue Fund	-	3,409,448	-	-
Community Redevelopment Agency Fund	-	-	25,000	-
General Capital Projects Fund	205,933	-	-	-
General Obligation Construction 2005 and 2011A Fund	-	182,403	-	-
Perpetual Care Fund	-	205,933	-	-
	<u>3,797,784</u>	<u>3,797,784</u>	<u>25,000</u>	<u>25,000</u>
<u>Enterprise Funds</u>				
Water and Sewer Fund	<u>2,941,893</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,941,893</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fiduciary Funds</u>				
General Employees Pension Fund	-	471,429	-	-
Police and Fire Pension Fund	-	2,470,464	-	-
	<u>-</u>	<u>2,941,893</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,739,677</u>	<u>6,739,677</u>	<u>25,000</u>	<u>25,000</u>

The payables to the Water and Sewer Fund from the pension trust funds totaling \$2,941,893 were for operating expenses of the funds paid by the City that were reimbursed from the pension trusts

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

in October 2011. The amount due to the General Capital Projects Fund from the Perpetual Care Fund is for facilities being constructed and will be liquidated, as cash is needed to meet contractor obligations. The Intergovernmental Revenue Fund payables to the General Fund totaling \$3,409,448 represent short-term borrowings that will be repaid using grant receipts. The General Obligation Construction 2005 and 2011A Fund amount due to the General Fund is for short-term borrowings until a drawdown is made from the 2011A General Obligation Bond proceeds. The \$25,000 advance to the Community Redevelopment Agency Fund from the General Fund represents a short-term loan for the creation of a new CRA Plan for the New Middle River-South Middle River-Sunrise Boulevard CRA area.

The composition of inter-fund transfers for the year ended September 30, 2011 was as follows:

	Transfers In				
	Non-major Governmental Funds				
<u>Transfers Out</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Governmental Funds					
General Fund	\$ -	4,991,952	3,167,048	1,158,478	9,317,478
Non-Major Governmental Funds					
Special Revenue Funds	-	-	1,604,113	49,772,643	51,376,756
Capital Projects Funds	685,719	841,310	-	-	1,527,029
Permanent Fund	-	-	-	200,000	200,000
	685,719	841,310	1,604,113	49,972,643	53,103,785
Enterprise Funds					
Water and Sewer Fund	283,359	-	-	-	283,359
Non-Major Enterprise Funds	230,573	553,968	-	15,000	799,541
	513,932	553,968	-	15,000	1,082,900
Internal Service Funds	320,161	-	29,848	-	350,009
	\$ 1,519,812	6,387,230	4,801,009	51,146,121	63,854,172

The City transfers funds from the General Fund and the Community Redevelopment Agency special revenue fund to the debt service funds to meet debt service requirements. Funds are provided from the corresponding revenues pledged for those purposes. Transfers from the General Fund to the Community Redevelopment Agency special revenue fund represent tax increment revenues derived from appreciation of the tax bases in the redevelopment areas. The transfers from the General Fund to the special revenue fund types also includes \$509,726 of General Fund balance that applied to Building Services Department permits, technology and maintenance certifications that are now being accounted for in a separate "Building" special revenue fund. Funding for non-debt financed governmental capital projects is provided through transfers from the General Fund. Other transfers to the capital projects funds provide funding for specific projects within the capital improvement program. Of the \$49,772,643 transfer to the capital projects funds from the special revenue funds \$49,574,344 represents the capital projects portion of the CRA's special revenue fund that was reclassified into a capital projects fund, \$30,089,245 applied to the Central Beach area and \$19,485,099 applied to the NW Progresso area.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

(7) CAPITAL ASSETS:

Capital Asset activity for governmental and business-type activities for the year ended September 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 63,167,751	1,297,964	-	64,465,715
Construction in progress	24,360,637	19,089,698	19,059,609	24,390,726
Total capital assets not being depreciated	87,528,388	20,387,662	19,059,609	88,856,441
Capital assets being depreciated				
Buildings	137,627,724	8,218,736	-	145,846,460
Improvements	82,654,926	4,149,342	-	86,804,268
Infrastructure	15,032,727	4,818,970	-	19,851,697
Equipment	154,885,841	5,529,549	5,230,778	155,184,612
Total capital assets being depreciated	390,201,218	22,716,597	5,230,778	407,687,037
Less accumulated depreciation for:				
Buildings	44,817,838	3,255,064	-	48,072,902
Improvements	46,675,695	3,136,521	-	49,812,216
Infrastructure	3,248,829	489,215	-	3,738,044
Equipment	116,611,416	11,060,675	4,444,021	123,228,070
Total accumulated depreciation	211,353,778	17,941,475	4,444,021	224,851,232
Total capital assets being depreciated, net	178,847,440	4,775,122	786,757	182,835,805
Governmental activities capital assets, net	<u>\$ 266,375,828</u>	<u>25,162,784</u>	<u>19,846,366</u>	<u>271,692,246</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 31,485,732	549,803	-	32,035,535
Construction in progress	169,192,124	45,789,255	143,390,779	71,590,600
Total capital assets not being depreciated	200,677,856	46,339,058	143,390,779	103,626,135
Capital assets being depreciated				
Buildings	243,124,601	13,825,855	71,300	256,879,156
Improvements	666,605,060	128,692,352	3,126,266	792,171,146
Equipment	42,053,907	1,291,950	19,504	43,326,353
Total capital assets being depreciated	951,783,568	143,810,157	3,217,070	1,092,376,655
Less accumulated depreciation for:				
Buildings	79,638,480	5,151,381	37,076	84,752,785
Improvements	145,535,848	17,022,025	1,803,277	160,754,596
Equipment	33,482,826	1,945,207	19,497	35,408,536
Total accumulated depreciation	258,657,154	24,118,613	1,859,850	280,915,917
Total capital assets being depreciated, net	693,126,414	119,691,544	1,357,220	811,460,738
Business-type activities capital assets, net	<u>\$ 893,804,270</u>	<u>166,030,602</u>	<u>144,747,999</u>	<u>915,086,873</u>

Depreciation expense, including the amortization of assets held under capital leases, was charged to the various functions of the City as follows:

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Governmental Activities	
General Government	\$ 1,194,315
Public Safety	3,721,547
Physical Environment	120,877
Transportation	644,971
Economic Environment	29,852
Culture and Recreation	5,004,789
Capital Assets held in the City's internal service funds are charged to general government	<u>7,225,124</u>
	<u>\$ 17,941,475</u>
Business-type activities	
Water and Sewer	\$ 20,029,435
Sanitation	146,152
Parking System	1,109,506
Airport	2,152,193
Stormwater	<u>681,327</u>
	<u>\$ 24,118,613</u>

This report includes all general infrastructure acquired or constructed since October 1, 1979 in accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

The capital asset values include in-house built software and city acquired easements in accordance with GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets".

(8) INVESTMENT IN JOINT VENTURE:

The City has agreements with the Performing Arts Center Authority (PACA) and the Downtown Development Authority (DDA) for the operation of a 950 space-parking garage in the Arts and Science District of the City. The City, as operating agent, has full and exclusive responsibility for operation and maintenance of the garage, which is being accounted for as a joint venture in the Parking System Fund using the equity method of accounting.

The City collects all revenues and pays all operating expenses for the garage and determines the allocation to each of the participants monthly. The increase in Net Assets for the year of \$899,517 was derived exclusively from operations. The equity interests of the City, the PACA and the DDA totaled \$885,919, \$1,110,231 and \$607,341, respectively at September 30, 2011. Separate financial statements for the joint venture are available from the City's Finance Department.

(9) RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City Insurance Fund is used to account for and finance both uninsured and insured risks of loss. Coverage is

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

provided for workers' compensation, employment practices, general liability, automobile liability, police professional liability, public officials and certain medical benefits. The City has obtained commercial insurance for workers' compensation claims in excess of \$1.5 million for employees with statutory limits per occurrence. Property insurance has been purchased for City structures with a standard deductible of \$50,000, a windstorm deductible of \$5,000,000 per loss on both the utility and non-utility property programs, and a flood deductible of \$500,000 or \$50,000 per location, depending on the location. Commercial, specific, stop-loss insurance is also purchased for medical benefits claims in excess of \$225,000. The City also has coverage for employment practices liability with a \$150,000 deductible, public officials liability coverage with a \$100,000 deductible and a \$4 million combined coverage limit for both policies. Settlements have not exceeded the retention for each of the past seven fiscal years.

All operating funds of the City participate in the program and make payments to the fund based on estimates of the amounts needed to pay prior and current claims and to provide fund equity for catastrophic losses. The estimated insurance claims payable at September 30, 2011 of \$33,686,734 (discounted at 3.5%) is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that claims liabilities be based upon the estimated ultimate costs of settling the claims. The liability also includes incurred but not reported claims developed through actuarial analysis of loss history. Changes in the balance of estimated insurance claims payable for the fiscal years ended September 30, 2010 and 2011 follow:

	<u>Medical Benefits</u>	<u>Other</u>	<u>Total</u>
Balance September 30, 2009	<u>1,770,331</u>	<u>32,533,964</u>	<u>34,304,295</u>
New Claims and Changes in Estimates	20,507,739	5,579,871	26,087,610
Claim Payments	<u>(19,969,219)</u>	<u>(6,355,075)</u>	<u>(26,324,294)</u>
Balance September 30, 2010	<u>2,308,851</u>	<u>31,758,760</u>	<u>34,067,611</u>
New Claims and Changes in Estimates	19,569,258	6,492,858	26,062,116
Claim Payments	<u>(19,485,070)</u>	<u>(6,957,923)</u>	<u>(26,442,993)</u>
Balance September 30, 2011	<u>\$ 2,393,039</u>	<u>31,293,695</u>	<u>33,686,734</u>

(10) CAPITAL LEASE OBLIGATIONS:

In June 2001, the City entered into a master lease agreement with SunTrust Bank as lessee for financing the acquisition of equipment on an as needed basis. In May 2005 the City entered into a \$2,854,000 seven-year lease agreement for fire apparatus under the master lease. The lease carries an interest rate of 4.25% and provides for semi-annual principal and interest payments.

In September 2009 the City entered into a ten-year lease agreement with Capital One for fire apparatus for \$7,969,602. The lease carries an interest rate of 4.87% with annual payments of principal and interest. Both leases qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of the future lease payments as of their inception dates in

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

the Vehicle Rental Fund. The capital assets and depreciation thereon acquired under these leases are also accounted for in the Vehicle Rental Fund.

The future (minimum) lease obligations and the net present value of capital lease payments as of September 30, 2011 are as follows:

Year Ending	
<u>September 30</u>	
2012	\$ 1,505,425
2013	1,022,419
2014	1,022,419
2015	1,022,419
2016	1,022,419
Later Years	<u>3,067,257</u>
Total Lease Payments	8,662,358
Less: Amount of Interest	<u>(1,551,474)</u>
Present Value of Lease Payments	<u>\$ 7,110,884</u>

(11) LONG-TERM DEBT:

Bonds outstanding at September 30, 2011 mature in varying amounts during succeeding fiscal years through 2041. Interest rates on fixed rate debt follow: 2.0% to 4.5% on general obligation bonds, 2.43% to 2.98% on special obligation loans, 3.0% to 5.0% on water and sewer, 4.25% on tax increment revenue bonds and 2.1% to 2.9% on State revolving fund loans. The average variable rate on tax increment revenue bonds is 1.14%. The variable rate for the Tax Increment Revenues Bonds is set at 77% of the 1 month LIBOR rate plus 83 basis points for the Series 2004A bonds and 77% of the 1 month LIBOR rate plus 106 basis points for the Series 2004B bonds.

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2011 (in thousands) follow and include estimated amounts for interest on the variable rate debt:

Year Ending	Governmental Activities					
	General		Tax Increment Bonds		Special Obligation Loans	
	Obligation Bonds					
<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 17,645	3,439	1,382	167	2,429	726
2013	3,125	1,720	12,461	135	3,215	754
2014	3,200	1,647	-	-	2,740	672
2015	3,275	1,571	-	-	2,811	601
2016	3,385	1,472	-	-	2,883	528
2017-2021	7,835	6,336	-	-	13,087	1,510
2022-2026	6,335	5,277	-	-	3,655	319
2027-2031	7,690	3,928	-	-	588	9
2032-2036	8,330	2,127	-	-	-	-
2037-2041	5,080	662	-	-	-	-
Total	\$ 65,900	28,179	13,843	302	31,408	5,119

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Year Ending September 30	Business-Type Activities			
	Water and Sewer		State Revolving	
	Revenue Bonds		Fund Loans	
	Principal	Interest	Principal	Interest
2012	\$ 9,100	17,578	3,445	2,029
2013	9,420	17,259	4,641	1,925
2014	9,770	16,914	4,753	1,812
2015	10,150	16,551	4,869	1,697
2016	10,555	16,161	4,986	1,579
2017-2021	59,515	73,987	26,808	6,020
2022-2026	73,890	59,377	29,502	2,601
2027-2031	93,185	40,107	5,689	134
2032-2036	106,390	15,529	-	-
2037-2041	9,830	559	-	-
Total	\$ 391,805	274,022	84,693	17,797

General obligation bonds are secured by the full faith and credit of the City. Tax increment revenue bonds are secured by a pledge of the tax increment revenues generated within the City's community redevelopment areas. The special obligation loans are secured by a pledge of non-ad valorem tax revenues and a covenant to budget and appropriate.

The bond resolutions of the various revenue bond issues require that sufficient funds be available to meet the largest debt service requirement in any ensuing fiscal year. At September 30, 2011, funds available met the debt service requirements for revenue bonds.

Periodically, the City will issue conduit debt to fulfill a public need or purpose. These obligations are not reported as liabilities in the City's financial statements and the City is not obligated in any manner for repayment of the debt. As of September 30, 2011, the City had no conduit debt outstanding.

In order to take advantage of low interest rates, the City is participating in the State of Florida revolving loan program to finance sewer system capital improvements and had five loans outstanding as of September 30, 2011. The loan program operates on a reimbursement basis. When proceeds are issued, the loan accrues interest based upon the rate approved by the State at the date of closing. The liability due to the State is the original loan amount plus accrued interest until the date repayments commence, which is in approximately three years from date of issue. The first loan authorized in fiscal year 2003 was for \$8,882,659, carries an interest rate of 2.9% and provides for semi-annual principal and interest payments beginning in May 2007. As of September 30, 2011, the City's liability for this loan totaled \$7,330,263.

On June 29, 2004 a second loan agreement was entered into for \$20,350,400, carrying an interest rate of 2.71% and providing for semi-annual principal and interest payments beginning in May 2006. The loan principal was increased to \$22,407,342 on January 3, 2005. The loan principal was decreased to \$22,244,216 on August 17, 2010. As of September 30, 2011, the City's liability for this loan totaled \$17,283,199.

On May 5, 2005 the City entered into its third loan agreement for \$7,256,416, which carries an interest rate of 2.19% and provides for semi-annual principal and interest payments beginning in November 2006. The loan principal was increased to \$19,116,208 on August 23, 2005. The loan

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

principal was decreased to \$17,384,060 on April 30, 2010. As of September 30, 2011, the City's liability for this loan totaled \$13,316,559.

On March 3, 2006 the City entered into its fourth loan agreement for \$20,393,500, which carries an interest rate of 2.1% and provides for semi-annual principal and interest payments beginning in May 2008. The loan principal was increased to \$40,619,300 on October 6, 2006. The additional principal amount of \$20,225,800 carried an interest rate of 2.24%. On February 15, 2008, the loan principal was decreased to \$35,606,400, with no effect on the interest rate. The loan principal was increased to \$45,334,292 in March 2009. The addition carries an interest rate of 2.65%. The loan principal was decreased to \$44,902,893 on September 20, 2011. As of September 30, 2011, the City's liability for this loan totaled \$38,177,891.

On February 11, 2008 the City entered into its fifth loan agreement for \$10,032,200, which carries an interest rate of 2.24% and provides for semi-annual principal and interest payments beginning in November 2008. The loan principal was decreased to \$10,000,000 on September 20, 2011. As of September 30, 2011, the City's liability for this loan totaled \$8,585,035.

On October 6, 2009 the City Commission declared its intent to issue \$20 million previously authorized General Obligation Bonds to upgrade existing and construct new fire-rescue facilities.

On June 10, 2010 the City sold \$82,300,000 of Water and Sewer Revenue Bonds, Series 2010. The proceeds are being used to finance certain improvements and upgrades to the City's water and sewer system. The issue provides for semi-annual principal and interest payments with interest rates ranging from 3% to 5% and a final maturity on September 1, 2038.

On October 29, 2010 the City issued a \$14,015,000 Special Obligation Refunding Bond, Series 2010A and a \$10,095,000 Special Obligation Refunding Bond, Series 2010B. The Series 2010A was the refunding of Special Obligation Refunding Bond, Series 2008A which had an outstanding principal amount of \$13,971,127. This refinancing reduced the interest rate from 5.14% to 2.43% and resulted in a gross calculated savings of \$2,130,503 or a Net Present Value Savings of \$1,897,896. The September 1, 2020 maturity date remained unchanged.

The Series 2010B proceeds were used to reissue the City's Special Obligation Note, Series 2008B which had a principal balance of \$10,051,200. The issued debt in the amount of \$10,095,000, was for both the outstanding principal plus the cost of issuance. The Series 2010B provides for semi-annual payments at a rate of 2.66%, maturing on June 1, 2022.

On September 9, 2011 the City issued Special Obligation Note, Series A for \$7,218,000 and Special Obligation Note, Series B for \$2,546,000. The proceeds for Series A are being used to finance certain governmental capital improvements. Series B proceeds are financing the 800MHZ microwave equipment. The Series A note provides for semi-annual interest payments at a rate of 2.98% and annual principal payments until maturity in 2027. The Series B note provides for semi-annual interest payments at a rate of 2.45% and annual principal payments until maturity in 2019.

On September 28, 2011 the City issued General Obligation Bonds, Series 2011A for \$20,000,000 and General Obligation Refunding Bonds, Series 2011B for \$13,980,000. The proceeds for Series A are financing upgrades to existing fire rescue facilities and construction of new facilities. Series B proceeds are being used to refund the City's General Obligation Refunding Bonds, Series 2002.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

The Series A bonds provide for semi-annual interest payments at an average rate of 3.454% and annual principal payments until maturity in 2041. The Series B bonds provide for semi-annual interest payments at an average rate of 2.583% and semi-annual principal payments until maturity in 2017.

Following is a summary of the changes in the City's long-term liabilities for the fiscal year ended September 30, 2011:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 34,465,000	33,980,000	(2,545,000)	65,900,000	17,645,000
Tax Increment Bonds	15,120,000	-	(1,277,000)	13,843,000	1,382,000
Special Obligation Loans	24,022,327	33,874,000	(26,487,927)	31,408,400	2,429,200
Unamortized Bond Premiums and Discounts	(609,527)	1,063,156	139,125	592,754	-
Lease Purchase Agreements	8,425,472	-	(1,314,588)	7,110,884	1,166,812
Estimated Insurance Claims Payable	34,067,611	26,062,116	(26,442,993)	33,686,734	10,178,884
Compensated Absences	23,902,883	16,450,181	(14,825,715)	25,527,349	4,739,420
Total Governmental Activities	\$ 139,393,766	111,429,453	(72,754,098)	178,069,121	37,541,316
Business-Type Activities:					
Revenue Bonds	\$ 400,610,000	-	(8,805,000)	391,805,000	9,100,000
State Revolving Fund Loans	89,192,744	-	(4,499,797)	84,692,947	3,445,190
Unamortized Bond Premiums and Discounts	3,771,012	-	(204,147)	3,566,865	-
Land-fill Post Closure Costs	3,454,755	-	(2,403,919)	1,050,836	31,465
Compensated Absences	4,189,273	3,159,611	(2,842,199)	4,506,685	939,511
Total Business-Type Activities	\$ 501,217,784	3,159,611	(18,755,062)	485,622,333	13,516,166

Internal service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities totaling \$41.1 million are included as part of the above totals for governmental activities. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

(12) ESTIMATED LANDFILL CLOSURE COSTS:

The Wingate landfill and incinerator was an active disposal site from 1954 to 1978. In 1990, the site was designated by the Environmental Protection Agency (EPA) as a superfund site requiring the City to take remedial action. Based on the results of a 1994 Remedial Investigation and Feasibility Study, the EPA agreed to various remedies including a single layer cap in 1996 in a final Record of Decision at an estimated remediation cost of \$20,500,000, which was recognized as a liability in the Sanitation Fund. In 1998, the City entered into an agreement with the Potentially Responsible Parties (PRPs), know as the Wingate Superfund Group, to oversee compliance with a 1998 Consent Decree between the City, the EPA and the PRP's. As a result of the agreement, the City reduced its estimated remediation liability to \$10,000,000.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

The consent decree provided for payment of expenses associated with the remediation, promoted cost effective response actions, allocated management and financial responsibilities and resolved claims for cost recovery between the parties. The consent decree was validated December 28, 1999, allowing site remediation to commence. The agreement with the Wingate Superfund Group created a trust fund for collection and disbursement of funds for the remediation and limited the City's share of remediation costs to \$8,325,000, excluding ancillary costs. The Second Five-Year Review Report was issued by the United States Environmental Protection Agency, in July 2011. Monitoring data suggest that cleanup levels are being achieved and O&M procedures are currently maintaining the effectiveness of the remedy, The remedy currently protects human health and the environment in the short term because the landfill cap construction is complete and the required institutional controls (ground water and land use restrictions) are in place., Based upon a favorable USEPA report reducing the amount of required monitoring the liability was reduced by \$2,368,781. As of September 30, 2011, the liability is \$1,050,836 to provide for estimated post closure care costs.

(13) FUND BALANCES:

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the City classifies governmental fund balances as follows:

- (A) Non-spendable - includes fund balance amounts that cannot be spent because they are either not in spendable form or legal or contractually required to be maintained intact.
- (B) Restricted – includes fund balance amounts that are constrained to be spent only for specific purposes which are externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- (C) Committed – includes unrestricted fund balance amounts that can only be used for specific purposes pursuant to internal constraints imposed by the City's Code of Ordinances which can only be established, modified or rescinded through the passage of ordinances by the City Commission, the City's highest level of decision making authority.
- (D) Assigned – includes unrestricted fund balance amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted or committed. Either the City Commission or the City Manager has the authority to assign amounts to a specific purpose.
- (E) Unassigned – includes the residual fund balance of the General Fund not included in the above restricted, committed or assigned categories. It may also include negative fund balances of other governmental funds resulting from expenditures for specific purposes, which exceeded restricted, committed or assigned amounts available for those purposes.

It is the City's policy to use restricted fund balances before unrestricted funds when both are available for a specific purpose unless contractual requirements, such as for a specific grant that requires dollar for dollar spending, prohibit doing so. In addition, the order of use for unrestricted fund balances available for a specific purpose is committed, then assigned amounts.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

The City's formal minimum fund balance policy provides for the maintenance of a General Fund balance of between 10% and 15% of annual General Fund operating expenditures. Should the projected or actual fund balance fall below this minimum, a plan will be submitted by the Director of Finance to the City Manager to restore the minimum balance within a three-year period. Use of the fund balance below the 10% level is permitted only in an emergency, or in the case of an unanticipated economic downturn, which causes a material loss of revenues.

The details of individual governmental fund balances by category at September 30, 2011 follow:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Nonspendable						
Inventories	\$ 52,422	-	-	6,750	-	59,172
Prepaid Pension Contributions	15,000,000	-	-	-	-	15,000,000
Advances to Other Funds	25,000	-	-	-	-	25,000
Endowments	-	-	-	-	11,265,762	11,265,762
Restricted For						
Debt Service	-	-	16,045,899	-	-	16,045,899
Inventories	-	10,263,427	-	-	-	10,263,427
Grants and Special Programs	-	255,654	-	-	-	255,654
Community Redevelopment	-	177,875	-	44,757,471	-	44,935,346
Building Code Enforcement	-	4,495,544	-	-	-	4,495,544
Law Enforcement	-	3,819,919	-	-	-	3,819,919
Capital Projects	-	-	-	46,433,337	-	46,433,337
Transportation	-	-	-	748,373	-	748,373
Committed To						
Grants and Special Programs	464,915	-	-	-	-	464,915
Beach Improvements	-	149,173	-	-	-	149,173
Endowments	-	-	-	174,861	7,071,112	7,245,973
Assigned To						
Grants and Special Programs	106,485	-	-	-	-	106,485
Community Redevelopment	-	90	-	-	-	90
Law Enforcement	-	534,934	-	-	-	534,934
Beach Improvements	-	18,399	-	-	-	18,399
Capital Projects	-	-	-	18,380,417	-	18,380,417
Transportation	-	-	-	207,969	-	207,969
Other Post Employment Benefits	2,000,000	-	-	-	-	2,000,000
Subsequent Year's Expenditures	8,808,648	-	-	-	-	8,808,648
Unassigned	36,615,702	-	-	-	-	36,615,702
Total Fund Balances	\$ 63,073,172	19,715,015	16,045,899	110,709,178	18,336,874	227,880,138

(14) EMPLOYEE RETIREMENT SYSTEMS:

The City's pension plans are presented in accordance with GASB Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", No. 27, "Accounting for Pensions by State and Local Governmental Employers" No. 50, "Pension Disclosures an Amendment of GASB Statements No. 25 an No. 27". The objective of these statements, prepared on the accrual basis of accounting, is to enhance the understandability and usefulness of pension information included in the financial statements of state and local governmental employers. Member and City contributions are recognized when due. Benefits and

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

refunds are recognized when due and payable in accordance with the terms of the plans. Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals.

Defined Benefit Plans - Plan Descriptions and Funding Policies

General Employees Retirement System

The General Employees Retirement System is a single-employer defined benefit plan administered by an eight-member board of trustees, which covers City employees, except police and firefighters. Through collective bargaining with the general, supervisory and professional City employees, a new single-employer defined contribution pension plan was established for Teamster Union employees hired on or after October 1, 2007, Supervisory Union employees hired on or after November 7, 2007, and all other Non-Union employees hired on or after February 20, 2008. The General Employees Retirement System was then closed to new entrants. The City's payroll for employees covered by the plan applicable to the September 30, 2010 actuarial valuation was approximately \$71,416,400. The total City payroll at that time was approximately \$163,414,800. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	1,212
Terminated employees entitled to benefits but not yet receiving them	117
Fully, partially and non-vested active plan participants	1,227
Participants in DROP	32

Under the vesting provisions of the plan, employees are entitled to 100% of normal retirement benefits after 5 years of service. Members who terminate prior to vesting are entitled to a refund of employee contributions plus interest at 3% per year. Employees are eligible to retire after 30 years of service, regardless of age, or at age 55 with 5 years of service. Members who continue in employment past normal retirement may either accrue larger pensions or freeze their accrued benefit and enter the Deferred Retirement Option Plan (DROP). Each participant in the DROP has an account credited with benefits not received plus interest. Participation in the DROP must end no later than 36 months after normal retirement. Certain employees hired on or after October 1, 1983 electing reduced benefits are entitled to 100% of normal retirement benefits after 10 years of service beginning at age 65. These benefit provisions and all other requirements are established by City ordinance.

Employees contribute from 4% to 6% of their earnings to the plan. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the plan's actuaries as of September 30 each year. For the current year, the City's contribution rate as a percentage of annual covered payroll was 30.0%.

Police and Firefighters Retirement System

The Police and Firefighters Retirement System is a single-employer defined benefit plan administered by an eight-member board of trustees, which covers all police and firefighters. The City's payroll for employees covered by the plan applicable to the December 31, 2010 actuarial

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

valuation was approximately \$62,571,400. The total City payroll at that time was approximately \$164,416,800. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	865
Terminated employees entitled to benefits but not yet receiving them	16
Fully, partially and non-vested active plan participants	802
Participants in DROP	84

Under the vesting provisions of the plan, employees are entitled to 100% of normal retirement benefits after 10 years of service. Members who terminate prior to vesting are entitled to a refund of employee contributions plus interest at 3% per year. Employees are eligible to retire after 20 years of service, regardless of age, or at age 55 with 10 years of service. Members who continue in employment after completion of 20 years of service may either accrue larger pensions or freeze their accrued benefit and enter the Deferred Retirement Option Plan (DROP). Each participant in the DROP has an account credited with benefits not received plus interest. Participation in the DROP must end no later than 60, 72, 84 or 96 months after normal retirement depending on years of service. These benefit provisions and all other requirements are established by City ordinance.

Employees hired on or before April 18, 2010 contribute 8% of their earnings to the plan. Employees hired after April 18, 2010 contribute 8.5% of their earnings to the plan. In addition, contributions in the amount of \$4,735,930 were received from the State of Florida from fire and casualty insurance premium taxes. These on-behalf payments were also recognized as tax revenues and public safety expenditures in the General Fund. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the plan's actuaries as of December 31 each year. For the current year, the City and State of Florida contribution rates as percentages of annual covered payroll were 49.4% and 7.7%, respectively.

Annual Pension Cost and Funding Status

Annual Pension Cost (APC) is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. The APC for the General Employees and Police and Firefighters plans for the last three fiscal years follow:

Fiscal Year Ended In:	<u>General Employees</u>		<u>Police and Firefighters</u>	
	Percent		Percent	
	<u>Amount</u>	<u>Contributed</u>	<u>Amount</u>	<u>Contributed</u>
2009	\$ 18,325,484	100%	\$19,146,573	100%
2010	19,351,946	100	25,752,119	100
2011	21,498,801	100	30,441,767	100

Since the City contributed 100% of the APC in each of the years indicated, there was no net pension obligation at the end of any year for either plan. The current funding status (in millions) for the General Employees and Police and Firefighters plans as of the most recent valuation dates follows:

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

<u>Pension Plan</u>	<u>Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
General Employees	09/30/10	\$ 353.5	499.9	146.4	70.7%	\$ 71.4	205.0%
Police & Fire	12/31/10	\$ 482.2	674.2	192.0	71.5%	\$ 62.6	306.7%

Actuarial Methods and Assumptions

Actuarial methods and significant actuarial assumptions used to determine the annual required contributions for the current year follow:

	<u>General Employees</u>	<u>Police and Firefighters</u>
Valuation Date	September 30, 2009	December 31, 2009
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	14-30 Years	13-20 Years
Asset Valuation Method	Five year smoothed market	20% Write-Up method
Actuarial Assumptions:		
Investment Rate of Return	7.75% Including 3.25% Inflation	7.75% Including 3.25% Inflation
Projected Salary Increases	4.25% - 8.25%	3.25% - 10.75%
Cost-of-Living Adjustments (COLA)	Ad Hoc COLA's are granted with City Commission approval if investment earnings exceeded the funding assumptions in the prior year.	A COLA, limited to the change in the CPI, is granted each year to the extent it can be funded by the net experience gains during the prior year.

Six-year historical trend information is presented in supplementary schedules following these notes to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (see page 64). In addition, the General Employees and Police and Firefighters Retirement Systems issue separate financial statements that can be obtained from the board of trustees. The statements are issued annually.

Defined Contribution Plans

General Employees Defined Contribution Plan

The General Employees Defined Contribution Plan is a single-employer defined contribution plan administered by the City, which covers all City employees hired on or after October 1, 2007, except police and firefighters. The City's current year payroll for employees covered by the plan was approximately \$6,924,900. The total City payroll for the year was approximately \$163,807,900.

The City contribution requirement of 9% on earnings of participants was paid on a biweekly basis and amounted to \$626,164 for the current year. Employee contributions are neither required nor permitted under the plan. Employees become fully vested in the plan upon entry. These benefit provisions and all other requirements are established by City ordinance.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

General Employees Special Class Plan

The General Employees Special Class Plan is a single-employer defined contribution plan administered by the City. It is available to City employees (except police and firefighters) as an alternative to participation in the General Employees Retirement System. The City's current year payroll for employees covered by the plan was approximately \$330,700. The total City payroll for the year was approximately \$163,807,900.

The City contribution requirement of 30.95% on earnings of participants was paid on a biweekly basis and amounted to \$102,686 for the current year. Employee contributions are neither required nor permitted under the plan. Employees become fully vested in the plan upon entry. These benefit provisions and all other requirements are established by City ordinance.

Non-classified Employees Retirement Plan

The Non-classified Employees Retirement Plan is a single-employer defined contribution plan administered by the City, which covers certain non-classified City employees who have elected not to participate in the City's General Employees Retirement System. The City's current year payroll for employees covered by the plan was approximately \$1,402,900. The total City payroll for the year was approximately \$163,807,900.

The City contribution requirement of 25.88% on earnings of participants was paid on a biweekly basis and amounted to \$380,152 for the current year. Employee contributions are neither required nor permitted under the plan. Employees become fully vested in the plan upon entry. These benefit provisions and all other requirements are established by City ordinance.

(15) OTHER POSTEMPLOYMENT BENEFITS:

The City's Other Postemployment Benefits (OPEB) is presented in accordance with GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The provisions of this pronouncement were implemented prospectively with the actuarially determined liability of \$43,578,232 at the October 1, 2007 date of transition being amortized over 30 years. Accordingly, for financial statement purposes, this liability is not reported at the transition date.

Benefit Description and Funding Policy

The City provides a single employer defined benefit postemployment health insurance benefit to its general employees, sworn police officers and certified firefighters. Employees are paid from \$100 to \$400 per month upon normal retirement for the purchase of health insurance. The benefit continues until age 65 and is funded on a pay-as-you-go basis. In addition, pursuant to Section 112.0801, Florida Statutes, general employees and certified firefighters who retire from the City may continue their participation in a City sponsored health and/or dental insurance plan at the same premiums applicable to active employees. Since retiree claims are expected to result in higher costs to the plans, on average, than those for active employees on an actuarial basis, there is an implicit subsidy included in the premiums for the retirees.

Benefit provisions and City contribution requirements are established and may be amended by the City Commission through collective bargaining. As of September 30, 2011, there were 590 retired

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

employees receiving a monthly benefit with an additional 2,257 employees eligible for participation in the future. Payments totaled \$2,841,073 for the year, of which retiree implicit subsidies amounted to \$490,946 of that total.

Annual OPEB Cost, Funding Status and Funding Progress

Annual OPEB Cost (AOC) is a measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. Details of the City's AOC and Net OPEB Obligation (NOO) for the year ended September 30, 2011 follow:

Annual Required Contribution	\$ 6,321,000
Interest on NOO	230,000
Amortization of NOO	<u>(235,000)</u>
Annual OPEB Cost (AOC)	6,316,000
Actual Contributions Made	<u>(2,841,073)</u>
Increase in NOO	3,474,927
NOO Beginning of Year	<u>6,042,831</u>
NOO End of Year	<u><u>\$ 9,517,758</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the last three fiscal years follow:

	<u>AOC</u>	<u>Contribution</u>	<u>Percent Contributed</u>	<u>NOO</u>
Fiscal Year Ended In:				
2009	\$ 3,905,000	2,379,593	60.9%	2,547,826
2010	5,951,000	2,455,994	41.3%	6,042,831
2011	6,316,000	2,841,073	45.0%	9,517,758

As of the September 30, 2011 valuation date, the actuarial accrued liability for benefits was \$62,166,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$62,166,000. The payroll for active participating employees for that period was approximately \$141,906,000 and the unfunded actuarial accrued liability as a percentage of payrolls were 43.8%.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funding status of benefits and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits between the City and participants. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Following are the actuarial methods and significant actuarial assumptions used to determine the annual required contributions for the current year:

Valuation Date	September 30, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar and Level Percent Closed
Remaining Amortization Period	28 Years
Investment Rate of Return/ Discount Rate	4.0%
Projected Salary Increases	3.5%
Medical Trend Rate of Inflation	3.2%

Four year historical trend information is presented in a supplementary schedule following these notes (see page 66). Separately issued financial statements for the benefits are not available.

(16) DEFERRED COMPENSATION PLAN:

The City offers a deferred compensation plan to its employees in addition to the pension plans. Participation is optional. The City has adopted the provisions of IRS code Section 457(g) and GASB Statement No. 32, "Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans". Under these provisions, all assets and income of the plan are held in trust for the exclusive benefit of participants. Accordingly, the assets and liabilities of the plan are not reported within the City's financial statements.

(17) OPERATING LEASES:

On September 1, 1962, the City entered into a lease agreement as lessor with Bahia Mar Yachting Center, Inc. (Bahia Mar) for the purpose of constructing and operating a restaurant, lounge, yacht club, motel/hotel, convention hall, marine facilities and other similar businesses. The cost of the property at the inception of the lease was \$552,000. On June 30, 1994, this lease was assumed by RAHN Bahia Mar, LTD. and, as amended, will terminate on August 31, 2062, at which time, all additions to the property originally leased to Bahia Mar will revert to the City. The lease agreement provides for a minimum guaranteed annual rental of \$300,000 per year. In addition, the City receives contingent rentals (\$668,540 in 2011) based upon escalating percentages of gross receipts for the duration of the agreement.

The City has various aviation leases and non-aviation land leases, which are accounted for as operating leases in the Airport Fund. Minimum future rentals on these leases as of September 30, 2011 follow:

	<u>Aviation</u> <u>Leases</u>	<u>Land</u> <u>Leases</u>	<u>Total</u>
Fiscal Year Ending in:			
2012	\$ 1,824,498	2,557,446	4,381,944
2013	1,760,073	2,557,446	4,317,519
2014	1,754,216	2,557,446	4,311,662
2015	1,752,379	2,557,446	4,309,825
2016	1,735,193	2,557,446	4,292,639
Later Years	27,331,620	53,012,869	80,344,489
	<u>\$ 36,157,979</u>	<u>65,800,099</u>	<u>101,958,078</u>

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

(18) COMMITMENTS AND CONTINGENT LIABILITIES:

The City has outstanding encumbrances in the governmental funds, as well as, other significant commitments in the various enterprise funds. The following is a summary of these commitments at September 30, 2011:

<u>Governmental Funds</u>	
General Fund	\$ <u>2,808,648</u>
Non-Major Governmental Funds:	
Special Revenue Funds:	
Law Enforcement Confiscated Property Fund	34,682
Community Redevelopment Agency Fund	202,675
Beach Business Improvements Fund	2,863
Building Fund	<u>11,102</u>
	<u>251,322</u>
Capital Projects Funds:	
General Capital Projects Fund	6,169,787
General Obligation Construction 2005 and 2011A Fund	4,861,900
Excise Tax Construction 1998C Fund	137,764
Florida Intergovernmental Construction 2002 Fund	13,282
Tax Increment Construction 2004 Fund	3,667,649
Special Obligation Construction 2008B Fund	2,529,092
Special Obligation Construction 2011A Fund	342,401
Community Redevelopment Agency Projects Fund	3,160,124
Gas Tax Fund	<u>165,569</u>
	<u>21,047,568</u>
<u>Enterprise Funds</u>	
Water and Sewer	<u>14,069,915</u>
Non-Major Enterprise Funds:	
Sanitation Fund	519,815
Parking System Fund	957,318
Airport Fund	894,262
Stormwater Fund	<u>874,302</u>
	<u>3,245,697</u>
	<u>\$ 41,423,150</u>

On September 23, 2010, the Federal Emergency Management Agency (FEMA) was notified by the Office of Inspector General, U.S. Department of Homeland Security, after their review of costs claimed for Hurricane Wilma and Hurricane Katrina for the City of Fort Lauderdale, \$15.1 million was deemed questionable. City staff has been working with FEMA preparing all documentation requested which will support submitted claims. The City has not established a liability as it is unlikely that any significant amount of the funds will have to be returned to FEMA. The City has justified approximately \$14.5 million of the above claim and has resubmitted new project worksheets to FEMA. The City has recognized a net additional liability for Hurricanes Katrina and Wilma of \$523,260 and Hurricane Frances \$81,821. The City believes firmly that the reimbursements from FEMA were justified and has the documentation to support its claims.

CITY OF FORT LAUDERDALE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

As of September 30, 2011, the City has \$3,029,661 of project worksheets on its books that FEMA has classified as unobligated. To be conservative the City has established a 100% Allowance for Uncollectible accounts for this receivable thus not being reflected in the Intergovernmental Funds financial statement. The establishment of this Allowance for Uncollectible accounts is not due to the ineligibility of the request but rather due to the uncertainty of FEMA making any additional payments on these disasters.

The City has \$981,086 of old accounts in the HOME program that will need to be closed out by April 23, 2012 to avoid a liability to HUD. Neither the City, nor the agencies that were awarded these funds properly tracked the HOME program beneficiaries in accordance with the HUD regulations. It is possible that the City may have to pay back part or all of the \$981,086. The City has recognized a liability for an additional \$639,634 expended under the HOME program that did not meet eligibility requirements

Various substantial lawsuits have been filed against the City including personal injury claims; liability claims related to police activities and general liability claims. The estimated liabilities related to the various claims have been accrued in the City's insurance internal service fund. In the opinion of City management, the expected liability for these claims would not materially exceed the amounts recorded in the financial statements.

(19) SUBSEQUENT EVENTS:

On September 28, 2011, General Obligation Refunding Bonds, Series 2011B were issued to refund the City's outstanding General Obligation Refunding Bonds, Series 2002 with an aggregate principal amount of \$14,345,000. The gross savings of the refunding was \$1,128,268.33, with a net present value savings of \$1,083,202.26. The proceeds of the refunding were placed into escrow until October 28, 2011, at which time the outstanding principal of \$14,345,000 and accrued interest of \$166,938.75 were paid.

On December 14, 2011, the City issued a \$30,000,000 Series Special Obligation Note Series 2011C maturing on October 15, 2012 at an interest rate of 1.4%. These funds will be used to prepay the City's annual required contribution to the Police and Fire Pension Fund to defray the 7.75% annual interest cost of the plan. The anticipated interest savings to the City is \$1,473,289.

In an effort to reduce future payroll costs, on December 6, 2011 the City Commission approved a one time bonus incentive that would allow eligible General Employee Retirement System (GERS) members to receive up to an additional 30 months of service credit in exchange for retiring from City employment no later than March 16, 2012. Of the eligible 411 GERS plan members, 131 City employees with an estimated payroll of \$12.83 million retired under the program. There are no anticipated payroll savings in FY2012 with the termination benefit payouts being offset by the replacement of only 50% of the retiring employees. The payroll savings for FY2013 are estimated between \$5.9 and \$6.9 million. As per the GERS Actuarial Valuation Report for September 30, 2011 the plan's unfunded actuarial accrued liability (UAAL) will increase by approximately \$17.54 million due to the bonus incentive. This UAAL will be amortized over a period of five years. After the five-year period, the annual required contribution will decrease by \$4.21 million.

The GERS plan also experienced a lower than expected investment return for the year of -1.2% based upon the market value and 1.5% based upon the actuarial value of plan assets, resulting in an actuarial experience loss of \$18.2 million. This net loss has increased the required employer contribution for FY2013 by 2.54% of covered payroll.

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF FORT LAUDERDALE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEMS
LAST SIX FISCAL YEARS
(IN MILLIONS)

GENERAL EMPLOYEES RETIREMENT SYSTEM

VALUATION DATE	ACTUARIAL VALUE OF PLAN ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)- ENTRY AGE	UNFUNDED AAL (UAAL)	FUNDED RATIO	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
09/30/05	\$ 283.0	392.6	109.6	72.1 %	\$ 60.5	181.2 %
09/30/06	301.2	408.7	107.5	73.7	64.2	167.4
09/30/07	327.7	430.0	102.3	76.2	69.1	148.0
09/30/08	338.7	454.3	115.6	74.6	69.5	166.3
09/30/09	345.2	482.1	136.9	71.6	71.5	191.5
09/30/10	353.5	499.9	146.4	70.7	71.4	205.0

POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

VALUATION DATE	ACTUARIAL VALUE OF PLAN ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)- ENTRY AGE	UNFUNDED AAL (UAAL)	FUNDED RATIO	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12/31/05	\$ 413.8	543.2	129.4	76.2 %	\$ 41.1	314.8 %
12/31/06	428.3	557.1	128.8	76.9	42.5	303.1
12/31/07	480.9	586.5	105.6	82.0	51.3	205.8
12/31/08	444.4	614.0	169.6	72.4	52.8	321.2
12/31/09	451.6	649.0	197.4	69.6	61.7	319.9
12/31/10	482.2	674.2	192.0	71.5	62.6	306.7

CITY OF FORT LAUDERDALE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES - EMPLOYEE RETIREMENT SYSTEMS
LAST SIX FISCAL YEARS

FISCAL YEAR ENDED	GENERAL EMPLOYEES RETIREMENT SYSTEM		POLICE AND FIREFIGHTERS RETIREMENT SYSTEM			
			CITY		STATE OF FLORIDA	
	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	ANNUAL CONTRIBUTION	PERCENTAGE CONTRIBUTED
09/30/06	\$ 14,749,038	100 %	\$ 19,824,618	100 %	\$ 4,216,411	100 %
09/30/07	15,188,106	100	20,472,413	100	5,872,529	100
09/30/08	15,991,230	100	21,332,840	100	5,262,367	100
09/30/09	18,325,484	100	19,146,573	100	4,409,900	100
09/30/10	19,351,946	100	25,752,119	100	4,816,576	100
09/30/11	21,498,801	100	30,441,767	100	4,735,930	100

CITY OF FORT LAUDERDALE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
LAST THREE FISCAL YEARS
(IN MILLIONS)

VALUATION DATE	ACTUARIAL VALUE OF PLAN ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)- PROJECTED UNIT CREDIT	UNFUNDED AAL (UAAL)	FUNDED RATIO	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
09/30/08	\$ -	43.6	43.6	- %	\$ 122.5	35.6 %
09/30/09	-	45.8	45.8	-	125.8	36.4
09/30/10	-	59.1	59.1	-	140.1	42.2
09/30/11	-	62.2	62.2	-	141.9	43.8

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

The Resolution

[THIS PAGE INTENTIONALLY LEFT BLANK]

RESOLUTION NO. 03-29

CITY OF FORT LAUDERDALE

RESOLUTION NO. 03-29

Adopted on February 18, 2003

Authorizing and Securing
Water and Sewer Revenue Bonds

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF FORT LAUDERDALE, FLORIDA AUTHORIZING THE ISSUANCE OF WATER AND SEWER REVENUE BONDS, SERIES 2003, OF THE CITY OF FORT LAUDERDALE, FLORIDA, IN SUCH AMOUNTS AS THE CITY SHALL HEREAFTER DETERMINE BY SERIES RESOLUTION, FOR THE PURPOSE OF PAYING A PORTION OF THE COST (AS DEFINED HEREIN) OF IMPROVEMENTS TO THE CITY'S WATER AND SEWER SYSTEM; PROVIDING FOR THE ISSUANCE OF ADDITIONAL WATER AND SEWER REVENUE BONDS TO PAY ALL OR PART OF THE COST OF ADDITIONAL IMPROVEMENTS TO THE CITY'S WATER AND SEWER SYSTEM AND FOR REFUNDING OUTSTANDING WATER AND SEWER REVENUE BONDS; PROVIDING FOR THE INCURRENCE OF OTHER TYPES OF UTILITY DEBT FOR THE PURPOSES OF THE WATER AND SEWER SYSTEM PAYABLE FROM THE NET REVENUES OF THE WATER AND SEWER SYSTEM; PROVIDING FOR THE PAYMENT OF SUCH BONDS, OTHER UTILITY DEBT AND THE INTEREST THEREON FROM NET REVENUES OF THE CITY'S WATER AND SEWER SYSTEM; SETTING FORTH THE RIGHTS AND REMEDIES OF THE HOLDERS OF SUCH BONDS AND OTHER UTILITY DEBT; PROVIDING A SEVERABILITY CLAUSE AND A CONFLICTS CLAUSE; PROVIDING FOR THE REPEAL OF RESOLUTION NO. 93-46; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Fort Lauderdale, Florida (the "City") is a municipal corporation duly organized and operating under the Constitution and laws of the State of Florida (the "State"), including particularly Chapter 166, Florida Statutes, as amended, and the Charter of the City (collectively, the "Act"); and

WHEREAS, the City has the power and authority to acquire, own, maintain and operate on a revenue-producing basis water and sewage plants and systems and to issue revenue bonds payable from and secured by a pledge of the net revenues to be derived from the operation thereof; and

Miami, Document #: 11152v5

Miami, Document #: 11152v5

WHEREAS, the City currently owns and operates a water and sewer facility for public, domestic and commercial purposes in the City (the "Water and Sewer System"); and

WHEREAS, under the authority granted by the Act, the City is authorized to issue water and sewer revenue bonds to pay the cost of Improvements (hereinafter defined) to the Water and Sewer System and to pledge for the payment of such revenue bonds the net revenues derived from the operation of the Water and Sewer System (the "Net Revenues") and to the extent and in the manner hereinafter provided, the Impact Fees and Special Assessments (each as hereinafter defined); and

WHEREAS, the City has determined that it is in the best interests of the City to issue bonds to provide funds, together with other available funds, to pay the costs of certain Improvements to the Water and Sewer System consisting of the Project (hereinafter defined) that are necessary and desirable for the furtherance of the health, safety and welfare of the users of the Water and Sewer System; and

WHEREAS, the City has determined to issue its Water and Sewer Revenue Bonds, Series 2003 (the "Series 2003 Bonds") payable solely from and secured by a lien on and pledge of the Net Revenues of the Water and Sewer System, and to the extent and in the manner hereinafter provided, the Impact Fees and Special Assessments, in such amounts as the City shall hereafter determine by Series Resolution (hereinafter defined), for the purpose of paying a portion of the Cost (hereinafter defined) of the Project; and

WHEREAS, the City has determined to provide in this Resolution the authorization to issue hereafter other Water and Sewer Revenue Bonds and other forms of indebtedness of the City payable from the Net Revenues of the Water and Sewer System and, to the extent and in the manner hereinafter provided, the Impact Fees and Special Assessments, under this Resolution for the purpose of paying all or any part of the cost of any other improvements, renewals and replacements of the Water and Sewer System or any part thereof and such extensions and additions thereto as may be necessary or desirable, in the judgment of the City, to keep the same in proper condition for the safe, efficient and economic operation thereof or to refund or refinance all or a portion of the Bonds or any series thereof or other indebtedness of the City incurred with respect to the Water and Sewer System then outstanding, and to prescribe the terms and conditions under which such Bonds and other indebtedness may be authorized and issued;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF FORT LAUDERDALE, FLORIDA:

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS

Section 101.	Meaning of Words and Terms	1
Section 102.	Rules of Construction	18
Section 103.	Resolution Constitutes Contract	19

ARTICLE II

FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS

Section 201.	Issuance of Bonds	20
Section 202.	Details of Bonds	20
Section 203.	Execution and Form of Bonds	23
Section 204.	Authentication of Bonds	23
Section 205.	Exchange of Bonds	23
Section 206.	Negotiability, Registration and Transfer of Bonds	24
Section 207.	Ownership of Bonds	24
Section 208.	Authorization of Series 2003 Bonds	24
Section 209.	Additional Bonds	27
Section 210.	Refunding Bonds	30
Section 211.	State Revolving Fund Indebtedness	33
Section 212.	Other Indebtedness	33
Section 213.	Temporary Bonds	35
Section 214.	Mutilated, Stolen, Destroyed or Lost Bonds	35
Section 215.	Provisions with Respect to Book-Entry System	36
Section 216.	Capital Appreciation Bonds; Capital Appreciation and Income Bonds	36

ARTICLE III

REDEMPTION OF BONDS

Section 301.	Redemption Generally	37
Section 302.	Selection of Bonds for Redemption or Purchase	37
Section 303.	Redemption Notice	37
Section 304.	Partial Redemption of Bonds	38
Section 305.	Effect of Calling for Redemption	38
Section 306.	Cancellation of Bonds	39
Section 307.	Bonds Called for Redemption Deemed Not Outstanding	39

Miami, Document #: 11152v5

Miami, Document #: 11152v5

ARTICLE IV
CONSTRUCTION ACCOUNT

Section 401.	Construction Account	40
Section 402.	Payments from Construction Account	40
Section 403.	Cost of Project and Improvements	41
Section 404.	Title to Properties Acquired	42
Section 405.	Disposition of Construction Account Balance	42

ARTICLE V
REVENUES AND FUNDS

Section 501.	Water and Sewer Rates	43
Section 502.	Rate Covenant	43
Section 503.	Annual Budget	44
Section 504.	Enterprise Fund; Revenue Account	45
Section 505.	Sinking Fund Account and Other Accounts	45
Section 506.	Payment of Current Expenses	48
Section 507.	Application of Moneys in Bond Service Subaccount	48
Section 508.	Application of Moneys in Redemption Subaccount	48
Section 509.	Application of Moneys in Reserve Account	50
Section 510.	Application of Moneys in Rate Stabilization Account	51
Section 511.	Application of Moneys in Subordinated Indebtedness Account	52
Section 512.	Application of Moneys in Renewal, Replacement and Improvement Account	52
Section 513.	Application of Moneys in General Reserve Account	53
Section 514.	Application of Moneys in Sinking Fund Account	54
Section 515.	Impact Fee Account	54
Section 516.	Special Assessment Account	54
Section 517.	Money Held in Trust	55
Section 518.	Cancellation of Bonds	55

ARTICLE VI
DEPOSITARIES OF MONEYS, SECURITY
FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 601.	Security for Deposits	56
Section 602.	Investment of Moneys	56
Section 603.	Valuation of Investment Obligations	58
Section 604.	Accounting for Funds and Accounts	58
Section 605.	Tax Covenants	59

ARTICLE X
SUPPLEMENTAL RESOLUTIONS

Section 1001.	Supplemental Resolution without Bondholders Consent	74
Section 1002.	Supplemental Resolution with Bondholders' Consent	75
Section 1003.	Amendment with Consent of Credit Facility Provider in Lieu of Bondholders	76
Section 1004.	Supplemental Resolutions Part of Resolution	77

ARTICLE XI
DEFEASANCE

Section 1101.	Cessation of Interests of Bondholders	78
---------------	---	----

ARTICLE XII
MISCELLANEOUS PROVISIONS

Section 1201.	Effect of Covenants	81
Section 1202.	Manner of Giving Notice	81
Section 1203.	Successorship of Bond Registrar	81
Section 1204.	Successorship of City Officers	82
Section 1205.	Substitute Publication	82
Section 1206.	Inconsistent Resolutions	82
Section 1207.	Further Acts	82
Section 1208.	Headings Not Part of Resolution	82
Section 1209.	Beneficiaries under Resolution	82
Section 1210.	Effect of Partial Invalidity	83
Section 1211.	Repeal of Resolution No. 93-46	83
Section 1212.	Resolution Effective	83

ARTICLE VII
PARTICULAR COVENANTS

Section 701.	Payment of Principal, Interest and Premium; Pledge of Net Revenues	60
Section 702.	Construction of Project and Improvements; Operation of Water and Sewer System	60
Section 703.	Employment of Consulting Engineers	61
Section 704.	Employment of Accountant	61
Section 705.	Insurance	61
Section 706.	Use of Revenues	63
Section 707.	Records, Accounts and Audits	63
Section 708.	Franchises	63
Section 709.	Supervisory Personnel	63
Section 710.	Separate System	64
Section 711.	No Free Service	64
Section 712.	Failure to Pay for Services	64
Section 713.	Enforcement of Collections	64
Section 714.	Sale or Other Disposition of the Water and Sewer System	65

ARTICLE VIII
REMEDIES

Section 801.	Extension of Interest Payment	67
Section 802.	Events of Default	67
Section 803.	Acceleration of Maturities	68
Section 804.	Enforcement of Remedies	69
Section 805.	Pro Rata Application of Funds	70
Section 806.	Effect of Discontinuance of Proceedings	72
Section 807.	Restrictions on Individual Bondholder Actions	72
Section 808.	No Remedy Exclusive	72
Section 809.	Delay Not a Waiver	72
Section 810.	Right to Enforce Payment of Bonds	72

ARTICLE IX
EXECUTION OF INSTRUMENTS BY BONDHOLDERS
AND PROOF OF OWNERSHIP OF BONDS

Section 901.	Execution of Instruments by Bondholders and Proof of Ownership of Bonds	73
--------------	---	----

ARTICLE I
DEFINITIONS

Section 101. Meaning of Words and Terms. In addition to words and terms elsewhere defined in this Resolution, the following words and terms as used in this Resolution shall have the following meaning, unless some other meaning is plainly intended:

“Accountant” shall mean the independent certified public accountant or firm of independent certified public accountants which shall have a favorable reputation for skill and experience in accounting matters at the time and during the period employed by the City under the provisions of Section 704 of this Resolution to perform and carry out the duties imposed on the Accountant by this Resolution.

“Accreted Value” shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond (the principal amount on the date of original issuance), plus the interest accrued on such Bond from the date of original issuance to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, compounded periodically at the times provided for in the Series Resolution authorizing the issuance of such Bonds, and if such date of computation is not an Interest Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of original issuance if such date of computation is prior to the first Interest Payment Date) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve 30-day months.

“Additional Bonds” shall mean the Bonds issued at any time under the provisions of Section 209 of this Resolution.

“Alternative Parity Debt” means indebtedness of the City (including the assumption of the debts of others) or borrowed money (including refunding or refinancing of then existing indebtedness and leases capitalized in accordance with generally accepted accounting principles) incurred in accordance with Section 212(f) of this Resolution.

“Amortization Requirements” shall mean the amounts required to be deposited in the Redemption Subaccount for any Series of Bonds for the purpose of redeeming prior to their maturity and paying at their maturity the Term Bonds of any Series, issued pursuant to this Resolution, the specific amounts and times of such deposits to be determined by the City Commission in a Series Resolution relating to such Series of Bonds.

“Annual Budget” shall mean the Annual Budget adopted pursuant to Section 503 of this Resolution.

“Appreciated Value” shall mean, (i) as of any date of computation with respect to any Capital Appreciation and Income Bond up to the Interest Commencement Date set forth in the Series Resolution for such Bond, an amount equal to the principal amount of such Bond (the principal amount on the date of original issuance) plus the interest accrued on such Bond from the date of original issuance of such Bond to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such increased value to accrue at the stated rate per annum of such Bond compounded on the Interest Payment Dates of such year, plus, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Appreciated Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Interest Payment Date calculated based upon an assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve 30-day months and (ii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

“Arbitrage Rebate Account” shall mean an account or accounts established by the City for the deposit of moneys necessary for payments required to be made to the United States of America in connection with any Series of Bonds or Utility Debt secured by a lien on Net Revenues subject to arbitrage rebate requirements under the Code. The moneys in such account or accounts shall be applied only for the purposes for which such account or accounts are established and shall not be subject to a lien or charge in favor of Holders of any Bonds or holders of any Utility Debt and shall not be pledged as security for the payment of any Bonds or Utility Debt.

“Bond Counsel” shall mean a law firm selected by the City of favorable reputation for skill in matters relating to the exclusion from gross income for federal income tax purposes of interest on municipal bonds.

“Bond Registrar” shall mean either the City or a bank or trust company, either within or without the State of Florida, designated as such by the City Commission in the Series Resolution relating to a Series of Bonds, which shall perform such functions as Bond Registrar and paying agent as are required by Article II of this Resolution.

“Bond Service Subaccount” shall mean the Bond Service Subaccount, a special subaccount within the Sinking Fund Account created and designated by Section 505 of this Resolution.

“Bondholders” or “Holders” shall mean the registered owners of the Bonds.

“Bonds” shall mean, collectively, the Bonds issued under the provisions of Article II of this Resolution.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder and under the Internal Revenue Code of 1954, as amended.

“Completion Date” shall mean the date of completion of the acquisition or construction of the Project or of any Improvements, as the case may be, as such date shall be certified pursuant to the requirements of Section 405 of this Resolution.

“Construction Account” shall mean the Water and Sewer System Construction Account, a special account created and designated by Section 401 of this Resolution.

“Consulting Engineers” shall mean one or more licensed professional engineers or firms of professional engineers at the time employed by the City under the provisions of Section 703 of this Resolution to perform and carry out the duties imposed on the Consulting Engineers by this Resolution.

“Convertible Bonds” shall mean Bonds issued under this Resolution which are convertible, at the option of the City, into a form of Bonds which are permitted by this Resolution other than the form of such Bonds at the time they were issued.

“Cost” as applied to the Project or any Improvements, shall embrace the costs of acquisition and construction and all obligations and expenses and all items of cost which are set forth in Section 403 of this Resolution.

“County” shall mean Broward County, Florida, a political subdivision of the State of Florida.

“Credit Facility” shall mean an irrevocable letter of credit, policy of municipal bond insurance, guaranty, purchase agreement, credit agreement, surety bond or similar facility in which the entity providing such facility irrevocably agrees to provide funds to make payment of the principal of and interest on Bonds or Utility Debt provided that such entity is at the time of providing such facility of sufficient credit quality to entitle debt backed by its Credit Facility to be rated in one of the two highest long-term rating categories (without regard to any gradations within such categories) by each of the Rating Agencies.

“Current Expenses” shall mean the City’s reasonable and necessary current expenses of maintenance, repair and operation of the Water and Sewer System and shall include, without limiting the generality of the foregoing, all ordinary and usual expenses of maintenance and repair, which may include expenses not annually recurring, all City administrative expenses, expenses relating to the operation of all or a part of the Water and Sewer System by another on behalf of the City and any reasonable payments to pension or retirement funds properly chargeable to the Water and Sewer System, insurance premiums, engineering expenses relating

“Capital Appreciation Bond” shall mean any Bond or Bonds of a Series issued under this Resolution as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding in the Series Resolution for such Bonds and payable in an amount equal to the then current Accreted Value to the date of maturity or redemption prior to maturity as designated in such Series Resolution and which may be either Serial Bonds or Term Bonds.

“Capital Appreciation and Income Bonds” shall mean any Bond or Bonds of a Series issued under this Resolution as to which accruing interest is not payable prior to the Interest Commencement Date specified in the Series Resolution for such Bonds and the Appreciated Value for such Bonds is compounded periodically on certain dates designated in such Series Resolution prior to the Interest Commencement Date for such Capital Appreciation and Income Bonds and which may be either Series Bonds or Term Bonds.

“Capital Expenditures” shall mean all expenditures made for extensions, additions, improvements, renewals and replacements (other than ordinary maintenance and repairs) acquired, constructed or installed for the purpose of preserving, extending, increasing or improving the service rendered by the Water and Sewer System or for reducing the cost of operation, and shall include the cost of purchasing and installing such equipment and appurtenances as may be necessary to meet the demands upon the Water and Sewer System; Capital Expenditures shall also include the acquisition of such lands and rights-of-way and such engineering, legal and administrative expenses as may be required in connection with the foregoing.

“City” shall mean the City of Fort Lauderdale, Florida.

“City Attorney” shall mean the City Attorney of the City, his or her designated assistant or an attorney or firm of attorneys succeeding to his or her principal functions.

“City Clerk” shall mean the City Clerk of the City or his or her designee or the officer succeeding to his or her principal functions.

“City Commission” shall mean the City Commission of the City or any successor commission, council, board or body in which the general legislative power of the City shall be vested.

“City Engineer” shall mean the City Engineer of the City or his or her designee or the person succeeding to his or her principal functions.

“City Manager” shall mean the City Manager of the City or his or her designee or the officer succeeding to his or her principal functions.

to maintenance, repair and operation, fees and expenses of the Bond Registrar, legal and accounting expenses, any fees, fines, or penalties lawfully imposed on the Water and Sewer System, any taxes which may be lawfully imposed on the Water and Sewer System or its income or operations and reserves for such taxes, annual premiums for bond insurance, interest rate insurance or insurance assuring availability of the amounts required to be on deposit in the Reserve Account, annual fees for Credit Facilities or Liquidity Facilities, and any other expenses required to be paid by the City under the provisions of this Resolution or by law, including any amounts required from time to time to fund the Arbitrage Rebate Account, but shall not include any reserves for extraordinary maintenance or repair, or any allowance for depreciation, or any expenses associated with grant-funded expenditures, or any deposits or transfers to the credit of the Sinking Fund Account, the Reserve Account, the Rate Stabilization Account, the Subordinated Indebtedness Account, the Renewal, Replacement and Improvement Account, the General Reserve Account, the Impact Fee Account or the Special Assessment Account. In addition, for purposes of the calculations required by Sections 209 (c) and 502 hereof, “Current Expenses” shall not include any payments in lieu of taxes or any indirect administrative charges paid to the credit of the City’s General Fund.

“Current Interest Bonds” shall mean Bonds the interest on which is payable to the Bondholder on the Interest Payment Dates with respect thereto and not only at the maturity thereof.

“Daily Newspaper” shall mean a newspaper published in the English language on at least three (3) business days in each calendar week.

“Defaulted Interest” shall have the meaning attributed to such term in Section 202 of this Resolution.

“Depository” shall mean any bank or trust company duly authorized by law to engage in the banking business and designated by the Finance Director as a depository of moneys under the provisions of this Resolution.

“Enterprise Fund” shall mean the Water and Sewer Enterprise Fund, a special fund created and designated by Section 504 of this Resolution.

“Finance Director” shall mean the Director of Finance of the City or his or her designee or the officer succeeding to his or her principal functions.

“Financial Statements” shall mean the audited financial statements of the City relating to the Water and Sewer System, prepared in accordance with generally accepted accounting principles applicable to water and sewer systems owned by cities, which in the case of the Water and Sewer System may be those provisions of the City’s General Purpose Financial Statements relating to the Water and Sewer System.

“Fiscal Year” shall mean the period commencing on the first day of October and ending on the last day of September of the following year, as the same may be amended from time to time to conform to the fiscal year of the City.

“Fitch” shall mean Fitch Inc. a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall for any reason 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 City.

“General Reserve Account” shall mean the Water and Sewer General Reserve Account, a special account within the Enterprise Fund created and designated by Section 505 of this Resolution.

“Government Obligations” shall mean any of the obligations described in clauses (i), (ii) and (x) of the definition of “Investment Obligations” is this Article I.

“Impact Fee Account” shall mean the Impact Fee Account, a special account within the Enterprise Fund created and designated pursuant to Section 515 of this Resolution, the moneys in which shall be pledged and applied as set forth in Section 515 of this Resolution.

“Impact Fees” shall mean all nonrefundable (except at the option of the City) capital recovery charges, pollution control fees, capacity charges and other similar fees and charges separately imposed by the City as a nonuser capacity charge for the proportionate share of the cost of expanding, oversizing, separating or constructing Improvements to the Water and Sewer System and any investment earnings from the investment of funds on deposit in the Impact Fee Account, but excluding those charges imposed by the City on persons connecting to the Water and Sewer System for the cost of physically connecting thereto, including but not limited to the costs of excavation, plumbing, installation of meters and landscaping.

“Improvements” shall mean such improvements, renewals and replacements of the Water and Sewer System or any part thereof and such extensions and additions thereto as may be necessary or desirable, in the judgment of the City, to keep the same in proper condition for the safe, efficient and economic operation thereof and to integrate into the Water and Sewer System any unit or part thereof, and shall include such land, structures and facilities as may be authorized to be acquired or constructed by the City under the provisions of State law and such improvements, renewals and replacements of such land, structures and facilities and the Water and Sewer System and such extensions and additions thereto as may be necessary or desirable for continuous and efficient service to the public.

“Interest Commencement Date” shall mean, with respect to any Capital Appreciation and Income Bonds, the date specified in the Series Resolution for such Bonds or the resolution awarding the same (which date must be prior to the maturity date of such Bonds) after which

interest accruing on such Bonds shall be payable semi-annually with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

“Interest Payment Date” shall mean the dates for the payment of interest on a Series of Bonds as shall be established by the Series Resolution for such Series of Bonds.

“Interest Rate Swap” shall mean an agreement in writing by and between the City and another entity (the “Counterparty”) pursuant to which (i) the City agrees to pay to the Counterparty an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest payable on the debt of the Counterparty specified in such agreement in the period specified in such agreement and (ii) the Counterparty agrees to pay to the City an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest payable on all or a portion of a Series of Bonds or Utility Debt specified in such agreement in the period specified in such agreement. The written agreement specified in the preceding sentence shall provide (a) for either one-time payment by both parties or for periodic payments by both parties, but not one time payment by one party and periodic payments by the other party, (b) for immediate termination of such agreement for non-payment by the Counterparty and (c) for any payments of the City to be made only from the General Reserve Account.

“Interim Bonds or Notes” shall mean bonds or notes issued by the City with a final maturity not longer than 60 months (or longer period if then so permitted by the provisions of State law relating to the issuance of bond anticipation notes by municipalities) in anticipation of the refinancing thereof from all or a portion of the proceeds of a Series of Bonds issued under this Resolution or from all or a portion of the proceeds of State Revolving Fund Indebtedness.

“Investment Obligations” shall mean any of the following, to the extent that the same is legal for the investment of public funds under State law:

- (i) direct 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, provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee (“Direct Obligations”) and evidences of ownership of proportionate interests in future interest or principal payments on Direct Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying Direct Obligations, and which underlying Direct Obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated;

- (ii) direct obligations and fully guaranteed certificates of beneficial interest of the Export Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (“FHLMCs”); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association (“FNMA”); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association (“GNMA”); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; obligations of the Rural Economic Community Development Administration; obligations of the Federal Financing Bank; and Resolution Funding Corporation (“REFCORP”) securities;

- (iii) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, “A” or better by each of the Rating Agencies, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed debt is rated, at the time of purchase, Aaa/AAA by each of the Rating Agencies or whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, “A” or better by each of the Rating Agencies;

- (iv) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, “P-1” by Moody’s and “A-1+” or better by Standard & Poor’s;

- (v) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 360 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the designated office or any branch of such bank, which, at the time of purchase, has a short-term “Bank Deposit” rating of “P-1” by Moody’s and a “Short-Term CD” rating of “A-1” or better by Standard & Poor’s;

- (vi) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits

are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

- (vii) investments in money market funds rated in the highest rating category by each of the Rating Agencies;

- (viii) units of participation in the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration pursuant to Part IV, Chapter 218, Florida Statutes;

- (ix) repurchase agreements collateralized by Direct Obligations, GNMA, FNMA or FFLMCs with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated “P-1” or “A3” or better by Moody’s, and “A-1” or “A-” or better by Standard & Poor’s, provided:

- (a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

- (b) the securities are held free and clear of any lien by the City or an independent third party acting solely as agent (“Agent”) for the City, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the City shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the City; and

- (c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the City; and

- (d) the repurchase agreement has a term of 180 days or less, and the City or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

- (e) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 104% for Direct Obligations and GNMA and at least equal to 105% for FNMA and FFLMCs;

(x) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or Standard & Poor's or any successors thereto; or

(b) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (i) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; and

(xi) guaranteed investment agreements collateralized by Direct Obligations, senior debt and/or mortgaged backed obligations of GNMA, FNMA or FHLMC, the fair market value of the securities in relation to the total principal deposited under the investment agreement is at least equal to 104% for Direct Obligations and GNMA's and at least equal to 105% for FNMA and FHLMC's and such collateral is held by a third party segregated and marked to market at least weekly, provided:

(a) for investment agreements having a term of six (6) months or less, with any registered broker/dealer subject to the Securities Investor Protection Corporation jurisdiction, rated at least "A3" by Moody's and "A-" by Standard & Poor's and such agreement is in repurchase format; or with a domestic bank insured by FDIC rated at least "A3" by Moody's and "A-" by Standard & Poor's; and

(b) for investment agreements having a term greater than six (6) months and less than seven (7) years, with any registered broker/dealer subject to the Securities Investor Protection Corporation jurisdiction, rated at least "A3" by Moody's and "A-" by Standard & Poor's and such agreement is in repurchase format; or with a domestic bank insured by FDIC rated at least "A2" by Moody's and "A" by Standard & Poor's; and

10

Miami, Document #: 11152v5

(b) Bonds deemed to have been paid in accordance with Section 307 or Section 1101 of this Resolution.

"Principal" or "principal" shall mean, (i) with respect to Current Interest Bonds, the stated principal amount thereof, (ii) with respect to Capital Appreciation Bonds, the Accreted Value thereof, as of any particular date of determination, and (iii) with respect to Capital Appreciation and Income Bonds, the Appreciated Value thereof, as of any particular date of determination.

"Principal and Interest Requirements" shall mean the respective amounts which are required in each Fiscal Year to provide:

(i) for paying the interest on all Bonds then Outstanding which is payable on each Interest Payment Date in such Fiscal Year, and

(ii) for paying the principal of all Serial Bonds then Outstanding which is payable upon the maturity of Serial Bonds in such Fiscal Year, and

(iii) the Amortization Requirements for the Term Bonds of such Series for such Fiscal Year.

In determining the amount of the Principal and Interest Requirements for any Fiscal Year, the following rules shall apply:

(a) with respect to Variable Rate Bonds, the interest rate shall be assumed to be the average rate of interest for all Variable Rate Bonds for the prior Fiscal Year or portion thereof or if there were no Variable Rate Bonds Outstanding during such prior Fiscal Year, then the initial rate of interest on such Variable Rate Bonds; "average rate" shall mean the rate determined by dividing the total annualized amount of interest paid on Variable Rate Bonds in any Fiscal Year or portion thereof by the average principal amount of Variable Rate Bonds Outstanding during such Fiscal Year or portion thereof;

(b) with respect to Interim Bonds or Notes, interest only and not the principal shall be included in Principal and Interest Requirements if the Series of Bonds, all or a portion of the proceeds of which are expected to be used to refinance such Interim Bonds or Notes, have been duly authorized by the City; provided, however, none of the interest or principal on Interim Bonds or Notes shall be included in Principal and Interest Requirements if the City Commission shall determine in the resolution authorizing the issuance of such Interim Bonds or Notes that such Interim Bonds or Notes shall be Subordinated Indebtedness hereunder;

12

Miami, Document #: 11152v5

(c) for investment agreements having a term greater than seven (7) years, with any registered broker/dealer subject to the Securities Investor Protection Corporation jurisdiction, rated at least "Aa1" by Moody's and "AA+" by Standard & Poor's; or with a domestic bank insured by FDIC rated at least "Aa2" by Moody's and "AA" by Standard & Poor's.

"Liquidity Facility" shall mean a letter of credit, policy of municipal bond insurance, guaranty, purchase agreement, line of credit or similar facility in which the entity providing such facility agrees to provide funds to pay the purchase price of Optional Tender Bonds upon their tender by the Holders of Optional Tender Bonds provided that such entity is at the time of providing such facility of sufficient credit quality to entitle debt backed by its Liquidity Facility to be rated in the highest short-term rating category (without regard to any gradations within such categories) in which providers of similar facilities are then rated by each of the Rating Agencies.

"Maximum Principal and Interest Requirements" shall mean the maximum amount of Principal and Interest Requirements for any Fiscal Year.

"Mayor" shall mean the Mayor of the City, or in his or her absence, the Vice Mayor of the City, or the officer succeeding to his or her principal functions.

"Moody's Investors Service" or "Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if for any reason such corporation shall no longer perform the functions of a securities rating agency, "Moody's Investors Services" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"Net Revenues" for any particular period shall mean the amount of the excess of the Revenues for such period over the Current Expenses for such period.

"Optional Tender Bonds" shall mean the portion of a Series of Bonds issued under this Resolution, a feature of which is an option on the part of the Holders of such Bonds to tender such Bonds to the City, a trustee or other fiduciary for such Holders for payment prior to stated maturity.

"Outstanding" shall mean, when used with respect to the Bonds, all Bonds theretofore delivered except:

(a) Bonds paid, redeemed or delivered to or acquired by the City and cancelled; and

11

Miami, Document #: 11152v5

(c) with respect to Optional Tender Bonds, Principal and Interest Requirements shall not include the principal amount of such Optional Tender Bonds payable upon exercise by the holders thereof of the option to tender such Bonds for purchase to the extent and for so long as a Liquidity Facility or a Credit Facility shall be in full force and effect with respect to such Optional Tender Bonds but shall include the regularly scheduled principal payments on such Optional Tender Bonds, either upon payment at maturity or redemption in satisfaction of the Amortization Requirements for such Optional Tender Bonds; provided, however, that during any period of time after the issuer of the Liquidity Facility or the Credit Facility has advanced funds thereunder and before such amount is repaid, Principal and Interest Requirements shall include the principal amount so advanced and interest thereon, in accordance with the principal repayment schedule and interest rate or rates specified in the Liquidity Facility or the Credit Facility;

(d) with respect to Capital Appreciation Bonds, the principal and interest portions of the Accreted Value becoming due at maturity or by virtue of an Amortization Requirement shall be included in the calculations of accrued and unpaid interest and principal requirements;

(e) with respect to Capital Appreciation and Income Bonds, the principal and interest portions of the Appreciated Value becoming due at maturity or by virtue of an Amortization Requirement shall be included in the calculations of accrued and unpaid interest and principal requirements;

(f) if interest on a Series of Bonds is payable from the proceeds of such Bonds or from other amounts set aside irrevocably for such purpose at the time such Bonds are issued, interest on such Series of Bonds shall be included in Principal and Interest Requirements only in proportion to the amount of interest payable in the then current Fiscal Year from amounts other than amounts so funded to pay such interest;

(g) Principal and Interest Requirements shall not include the principal of, redemption premium, if any, and interest on Subordinated Indebtedness; and

(h) Principal and Interest Requirements shall not include the principal of, redemption premium, if any, and interest on bonds of the City issued for the purpose of financing the acquisition or construction of Separate Systems.

"Project" shall mean the Improvements described in Exhibit A hereto, as the same may be modified or supplemented from time to time by the City.

"Rate Consultant" shall mean a consultant or consulting firm or corporation at the time employed by the City under the provisions of Section 502 of this Resolution (which may be the

13

Miami, Document #: 11152v5

Consulting Engineers) to perform and carry out the duties imposed on the Rate Consultant by said Section 502.

“Rate Stabilization Account” shall mean the Water and Sewer Revenue Bonds Rate Stabilization Account, a special account within the Enterprise Fund created and designated by Section 505 of this Resolution.

“Rating Agencies” shall mean each of Moody’s Investors Service, Standard & Poor’s and Fitch, to the extent that Moody’s Investors Service, Standard & Poor’s and Fitch then have ratings issued and outstanding in respect of any Bonds.

“Redemption Subaccount” shall mean the Redemption Subaccount, a special subaccount within the Sinking Fund Account created and designated by Section 505 of this Resolution.

“Refunding Bonds” shall mean the Bonds issued at any time under the provisions of Section 210 of this Resolution.

“Regular Record Date” shall mean the 15th day (whether or not a business day) of the month preceding any Interest Payment Date; provided, however, that a different Regular Record Date may be provided for a Series of Bonds pursuant to the Series Resolution with respect to such Series.

“Renewal, Replacement and Improvement Account” shall mean the Water and Sewer Renewal, Replacement and Improvement Account, a special account within the Enterprise Fund created and designated by Section 505 of this Resolution.

“Renewal, Replacement and Improvement Account Requirement” shall mean an amount equal to (i) \$3,000,000; or (ii) such greater amount as may be annually recommended by the Consulting Engineer.

“Reserve Account” shall mean the Water and Sewer Revenue Bonds Reserve Account, a special account within the Enterprise Fund created and designated by Section 505 of this Resolution, including any subaccounts created therein and any separate Reserve Accounts created as permitted by Section 505 of this Resolution.

“Reserve Account Deposit Requirement” means the amount, if any, determined in each Series Resolution, required to be deposited monthly to the credit of the Reserve Account on account of such Series; provided, however,

- (i) the Reserve Account Deposit Requirement for any Series shall not be less than one-twelfth (1/12) of the Reserve Account Requirement for such Series in each month until the amount on deposit in the Reserve Account shall be equal to the Reserve Account Requirement for such Series; and

14

Miami, Document #: 11152v5

“Revenues” shall mean all moneys received by the City in connection with or as a result of its ownership or operation (either by the City or on its behalf) of the Water and Sewer System, including the income derived by the City from the sale of water produced, treated or distributed by, or the collection, transmission, treatment or disposal of sewage by the Water and Sewer System, any proceeds of use and occupancy insurance on the Water and Sewer System or any part thereof and income from investments made under this Resolution; provided, however, Revenues shall not include grants, contributions or donations, investment income from investments of moneys on deposit in the Construction Account and the Impact Fee Account, proceeds of insurance (except use and occupancy insurance) and condemnation awards, moneys held in any Arbitrage Rebate Accounts created in connection with the issuance of any Series of Bonds, proceeds of sales of property constituting a part of the Water and Sewer System, Special Assessments, the proceeds of Bonds or other Utility Debt and Impact Fees.

“Separate System” shall mean water facilities, sewer facilities or water and sewer facilities, which are not, on the date of adoption of this Resolution, a part of the Water and Sewer System and which the City Commission shall determine by resolution to make a Separate System; provided, however, the City Commission shall not adopt a resolution designating facilities as a Separate System unless the requirements therefor as set forth in Section 710 of this Resolution are met at the time of such designation.

“Serial Bonds” shall mean the Bonds of a Series which shall be stated to mature in annual installments.

“Series” shall mean the Bonds delivered at any one time under the provisions of Sections 208, 209 and 210 of this Resolution.

“Series 2003 Bonds” shall mean the City of Fort Lauderdale, Florida Water and Sewer Revenue Bonds, Series 2003, to be issued under the provisions of Section 208 of this Resolution in an aggregate principal amount of not exceeding \$90,000,000, with the principal amount of such Series 2003 Bonds to be determined as provided in a Series Resolution relating to such Series 2003 Bonds.

“Series Resolution” means the resolution of the City Commission that is required by Article II of this Resolution to be adopted prior to the issuance of any Series of Bonds under this Resolution. Except to the extent already provided herein with respect to the Series 2003 Bonds, each Series Resolution shall (a) determine or provide for the determination of the details of the Bonds of such Series, including, among other things, the maximum principal amount of such Series, the date thereof, the method of payment of interest thereon, the maximum maturity thereof, the redemption provisions relating thereto, including the Amortization Requirements for the Term Bonds, if any, the Bond Registrar therefor, and whether the Bonds of such Series shall be issuable in book entry or certificated form, (b) define any Improvements to be financed with the proceeds of such Series, (c) provide for the application of the proceeds of the Bonds to which

16

Miami, Document #: 11152v5

- (ii) in the event any deficiency is created in the Reserve Account for any Series by a withdrawal or otherwise, the Reserve Account Deposit Requirement for such Series shall be increased, beginning in the month following the month in which such deficiency was created, by an amount at least equal to one-twelfth (1/12) of the amount of such deficiency or, in the case of a deficiency created by a withdrawal under a Reserve Account Insurance Policy or a Reserve Account Letter of Credit, the deficiency may be cured either by an increase in the Reserve Account Deposit Requirement as stated above or by the entity providing such facility restoring the withdrawn amount to the amount available under such facility.

“Reserve Account Insurance Policy” shall mean an insurance policy, surety bond or other acceptable evidence of insurance, if any, maintained by the City in lieu of or in partial substitution for cash or securities on deposit in the Reserve Account, provided that the entity providing such facility is, at the time of so providing, of sufficient credit quality to entitle debt backed by its facility to be rated in one of the two highest rating categories (without regard to any gradations within such categories) by each of the Rating Agencies.

“Reserve Account Letter of Credit” shall mean an irrevocable, transferable letter of credit, if any, maintained by the City in lieu of or in partial substitution for cash or securities on deposit in the Reserve Account, provided that the entity providing such facility is, at the time of so providing, of sufficient credit quality to entitle debt backed by its facility to be rated in one of the two highest rating categories (without regard to any gradations within such categories) by each of the Rating Agencies.

“Reserve Account Requirement” shall mean an amount equal to the lesser of (i) the Maximum Principal and Interest Requirements for all Outstanding Bonds, (ii) 125% of the average annual Principal and Interest Requirements for all Outstanding Bonds and (iii) 10% of the original proceeds (within the meaning of the Code) of all Series of Bonds Outstanding; provided that, if the Series Resolution corresponding to a Series of Bonds provides for the establishment of a separate subaccount in the Reserve Account to secure only such Series of Bonds (with such Series of Bonds having no claim on the other moneys deposited to the credit of the Reserve Account), the Reserve Account Requirement for such Series of Bonds shall be calculated as set forth in the corresponding Series Resolution. The City shall be permitted to provide all or a portion of the Reserve Account Requirement by the execution and delivery of a Reserve Account Insurance Policy or a Reserve Account Letter of Credit or other similar arrangement which, after its issuance and delivery, will permit the Bond Registrar to receive the full amount covered by such arrangement without further conditions, financial or otherwise.

“Revenue Account” shall mean the Water and Sewer Revenue Account, a special account within the Enterprise Fund created and designated by Section 504 of this Resolution.

15

Miami, Document #: 11152v5

such Series Resolution relates, (d) if permitted pursuant to Section 505 of this Resolution, create a separate Sinking Fund for such Series and determine the method of funding of the Sinking Fund for such Series, (e) establish the Reserve Account Requirement for such Series, and (f) set forth additional covenants and provisions with respect to any Series required in connection with the obtaining of a Credit Facility, a Reserve Account Insurance Policy or a Reserve Account Letter of Credit, including any special provisions designed to comply with repayment requirements under reimbursement or repayment agreements with the entities providing such credit enhancement facilities, and such other matters as the City Commission shall determine.

“Short-Term Indebtedness” means all indebtedness incurred or assumed by the City (excluding bond anticipation notes issued as Interim Bonds or Notes), with respect to the Water and Sewer System for any of the following:

- (i) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the City for a period from the date originally incurred, of one year or less;
- (ii) Payments under leases having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and
- (iii) Payments under installment purchase contracts having an original term of one year or less.

“Sinking Fund Account” shall mean the Water and Sewer Revenue Bonds Sinking Fund Account, a special account within the Enterprise Fund created and designated by Section 505 of this Resolution.

“Special Assessment Account” shall mean the Special Assessment Account, a special account within the Enterprise Fund created and designated pursuant to Section 516 of this Resolution, the moneys in which shall be pledged and applied as set forth in Section 516 of this Resolution.

“Special Assessments” shall mean special or non-ad valorem assessments authorized to be levied and collected by the City under applicable law against parcels of real property to be benefited by specific Improvements to the Water and Sewer System.

“Special Record Date” shall mean a date fixed by the Bond Registrar for the payment of Defaulted Interest pursuant to Section 202 of this Resolution.

“Standard & Poor’s” shall mean Standard & Poor’s Ratings Services, a Division of McGraw-Hill Corporation Investors Services, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall for

17

Miami, Document #: 11152v5

any reason no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"State Revolving Fund" shall mean the state revolving loan fund established by the State of Florida under the Federal Clean Water Act.

"State Revolving Fund Indebtedness" shall mean a loan of moneys from the State Revolving Fund to the City for the purpose of paying all or any part of the Cost of constructing or acquiring Improvements permitted to be financed with State Revolving Fund moneys under the Federal Clean Water Act.

"Subordinated Indebtedness" shall mean bonds, notes or other forms of indebtedness, the payment of the principal of or interest or redemption premium on which are payable solely from moneys which may from time to time be on deposit in the Subordinated Indebtedness Account under this Resolution and which is designated as Subordinated Indebtedness by the City Commission in the resolution authorizing the issuance of such Subordinated Indebtedness.

"Subordinated Indebtedness Account" shall mean the Water and Sewer Subordinated Indebtedness Account, a special account within the Enterprise Fund created and designated by Section 505 of this Resolution.

"Term Bonds" shall mean the Bonds of a Series so designated in the Series Resolution for such Bonds.

"Utility Debt" shall mean Alternative Parity Debt, Short Term Indebtedness, Subordinated Indebtedness, Interim Bonds or Notes, any State Revolving Fund Indebtedness and any other indebtedness issued or incurred by the City payable from Net Revenues other than Bonds issued under Article II of this Resolution.

"Variable Rate Bonds" shall mean any Bonds issued under this Resolution the interest rate on which is not established at the time of issuance at a single numerical fixed rate.

"Water and Sewer System" shall mean the combined water and sewer system for the supply, treatment, and distribution of water and for the collection, transmission, treatment and disposal of sewage, owned and/or operated by the City or on its behalf, together with the Project, any Improvements and any Separate Systems consolidated with the Water and Sewer System pursuant to Section 710 of this Resolution.

Section 102. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond", "owner", "Holder" and "persons shall

include the plural as well as the singular number, the word "person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, and the word "Holder" or "Bondholders" when used herein with respect to Bonds issued hereunder shall mean the Holder or registered owner, as the case may be, of Bonds at the time issued and outstanding hereunder. The word "may" shall mean "may, but shall not be required to" and the word "including" shall mean "including, without limitation".

Section 103. Resolution Constitutes 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 Resolution shall be deemed to be and shall constitute a contract between the City and the Bondholders. The covenants and agreements herein set forth to be performed by the City shall be for the equal benefit, protection and security of the Bondholders, and all Bonds shall be of equal rank and without preference, priority or distinction over any other thereof, except as expressly provided herein.

[END OF ARTICLE I]

ARTICLE II

FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS

Section 201. Issuance of Bonds. For the purpose of providing funds for paying all or part of the cost of acquiring and constructing the Project, Bonds of the City may be issued under and secured by this Resolution subject to the conditions hereinafter provided in Section 208 of this Article. Bonds of the City may also be issued under and secured by this Resolution, subject to the conditions hereinafter provided in Sections 209 and 210 of this Article, for the purpose of paying the cost of Improvements and refunding all or any portion of the Bonds of one or more Series issued by the City under the provisions of this Resolution. The principal of and the interest on all such Bonds shall be payable solely from the special account hereinafter created and designated "Water and Sewer Revenue Bonds Sinking Fund Account" or other separate Sinking Fund Accounts created under the provisions of Section 505 of this Resolution, such Bonds shall be secured by a lien on and pledge of the Net Revenues, and all of the covenants, agreements and provisions of this Resolution shall be for the benefit and security of all and singular the present and future Holders of the Bonds so issued or to be issued, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond by reason of priority in the issue, sale or negotiation thereof, or otherwise.

Section 202. Details of Bonds. Unless two or more Series of Bonds are to be issued at one time, each Series of Bonds issued hereunder shall be created by a different Series Resolution. The Bonds of each Series issued under the provisions of this Article shall be designated "City of Fort Lauderdale, Florida Water and Sewer Revenue Bonds, Series _____", or such appropriate variation thereof as contained herein or in any Series Resolution in each case inserting an identifying Series year, and if more than one Series are expected to be issued in a single calendar year, inserting an identifying Series letter in addition to the year. Except as otherwise provided in the Series Resolution relating to a Series of Bonds, the Bonds of any Series are issuable in fully registered form without coupons in denominations (either with respect to original principal amount or principal amount payable at maturity) of \$5,000 or any whole multiple thereof. Bonds shall be numbered consecutively from R-1 upwards except as provided by the Series Resolution for a particular Series of Bonds. Bonds of each Series shall be dated, and shall bear interest until their payment at a rate or rates, including rates which may vary, not exceeding the maximum rate then permitted by law, such interest being payable and such Bonds being subject to redemption prior to their respective maturities, all as provided in the Series Resolution for such Series.

Unless otherwise provided in the Series Resolution pursuant to which each Series of Bonds is issued, each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated upon any Interest Payment Date in which event it shall bear interest from such Interest Payment Date or (b) authenticated before the

first Interest Payment Date, in which event it shall bear interest from its date; provided, however, that if at the time of authentication of any Bond interest is in default, such Bond shall bear interest from the date to which interest has been paid; except for (i) Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption, acceleration or maturity thereof and (ii) Capital Appreciation and Income Bonds which shall bear interest as described under the defined term Appreciated Value, payable on the amount due at maturity but only from and after the Interest Commencement Date.

Both the principal of and the interest on the Bonds shall be payable in any coin or currency of the United States of America (or other coin or currency provided for in the Series Resolution applicable to any Series) that is legal tender for the payment of public and private debts on the respective dates of payment thereof.

The principal of the Bonds shall be payable upon the presentation and surrender of such Bonds as the same shall become due at the designated office of the Bond Registrar.

Unless otherwise provided in the Series Resolution pursuant to which each Series of Bonds is issued, any interest on any Bond which is payable, and is punctually paid, or for which payment is duly provided, on any Interest Payment Date shall be paid to the person in whose name the Bond is registered in the registration books provided for in Section 206 of this Resolution (hereinafter, as used in this Section, the "Holder") at the close of business on the Regular Record Date. The Bond Registrar shall pay interest which is payable on the Bonds by check or draft mailed to the persons entitled thereto on the Interest Payment Date; provided, however, that, if so provided by Series Resolution, each Holder of Bonds aggregating not less than \$1,000,000 shall be entitled to the payment of such interest by wire transfer to a bank or other financial institution within the continental United States.

Unless otherwise provided in the Series Resolution pursuant to which each Series of Bonds is issued, any interest on any Bond which is payable, but is not punctually paid, or for which payment is not duly provided, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest may be paid by the City, at its election in each case, as provided in Subsection A or B below:

A. The City may elect to make payment of any Defaulted Interest on the Bonds of any Series to the persons in whose names such Bonds are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The City shall notify the Bond Registrar in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Bond Registrar to comply with the next sentence hereof), and at the same time the City shall deposit or cause to be deposited with the Bond Registrar an amount of money equal to the aggregate

amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Bond Registrar for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as provided in this Subsection. Thereupon the Bond Registrar shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Bond Registrar of the notice of the proposed payment. The Bond Registrar shall promptly notify the City of such Special Record Date and, in the name and at the expense of the City, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at such Holder's address as it appears in the registration books provided for in Section 206 of this Resolution not less than 10 days prior to such Special Record Date. The Bond Registrar may, in its discretion, in the name and at the expense of the City, cause a similar notice to be published at least once in a Daily Newspaper of general circulation published in the County, and in a Daily Newspaper of general circulation or in a financial journal published in the Borough of Manhattan, City and State of New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds of such Series are registered on such Special Record Date and shall no longer be payable pursuant to the following Subsection B. The Bond Registrar shall pay such Defaulted Interest which is payable on the Bonds pursuant to this clause A by check or draft mailed to the persons entitled thereto on the date fixed for the payment of such Defaulted Interest pursuant to this clause A; provided, however, the City Commission, pursuant to the Series Resolution for a Series, may provide for payment of such Defaulted Interest by the Bond Registrar by wire transfer.

B. The City may make payment of any Defaulted Interest on the Bonds of any Series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed and upon such notice as may be required by such exchange, if, after notice given by the City to the Bond Registrar of the proposed payment pursuant to this Subsection, such payment shall be deemed practicable by the Bond Registrar.

Subject to the foregoing provisions of this section, each Bond delivered under this Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date, that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

22

Miami, Document #: 11152v5

denomination or denominations authorized by this Resolution or the Series Resolution relating to such Bonds and bearing interest at the same rate.

The City shall make provision for the exchange of Bonds at the principal corporate trust office of the Bond Registrar.

Section 206. Negotiability, Registration and Transfer of Bonds. The Bond Registrar shall keep books for the registration of and for the registration of transfer of Bonds as provided in this Resolution. The transfer of any Bond may be registered only upon the books kept by the Bond Registrar for the registration of and registration of transfer of Bonds upon surrender thereof to the Bond Registrar together with an assignment duly executed by the registered owner or such registered owner's attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer the City shall execute and the Bond Registrar shall authenticate and deliver in exchange for such Bond a new Bond or Bonds registered in the name of the transferee, of any denomination or denominations authorized by the Series Resolution relating to such Bonds.

In all cases in which Bonds shall be exchanged, the City shall execute and the Bond Registrar shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Bond Registrar. The City or the Bond 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 owner of Bonds for the privilege of exchanging or registering the transfer of Bonds under the provisions of this Resolution. Neither the City nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Bonds during the fifteen (15) days immediately preceding the date of first publication or mailing of notice of such redemption, or after such Bond or any portion thereof has been selected for redemption.

Section 207. Ownership of Bonds. As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and the interest on any such Bond shall be paid only to or upon the order of the registered owner thereof or such registered owner's, 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 208. Authorization of Series 2003 Bonds. There shall be initially issued at one time, under and secured by this Resolution, the Series 2003 Bonds as one Series of Bonds of the City, all as more specifically provided in this Section 208. The aggregate principal amount of the Series 2003 Bonds that may be issued hereunder shall not exceed \$90,000,000. The Series

24

Miami, Document #: 11152v5

Section 203. Execution and Form of Bonds. The Bonds shall be signed by or bear the facsimile signature of the Mayor and the City Manager and shall be signed by or bear the facsimile signature of the City Clerk and the official seal of the City or a facsimile thereof shall be impressed or imprinted on the Bonds; provided, however, that if required by State law at the time of such execution, the Bonds shall be manually executed by the Mayor and the City Manager. 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 he or she had remained in office until such delivery and also any Bond may bear the facsimile signature of, or may be signed by, such persons as at the actual time of the execution of such Bond shall be the proper officers to execute such Bond although at the date of such Bond such persons may not have been such officers. The Bonds issued under the provisions of this Article, the certificate of authentication, the statement of validation, if any, the opinion certification and the form of assignment shall be, respectively, in the forms attached hereto as Exhibit B with such appropriate variations, omissions and insertions as may be required or permitted by this Resolution or the Series Resolution pursuant to which such Bonds are issued. All Bonds shall be endorsed thereon with such legends or text as may be necessary or appropriate to conform to the applicable rules and regulations of any governmental authority or any securities exchange on which such Bonds may be listed or to any requirements of law with respect thereto.

The forms of Bonds may be changed as specified in any Series Resolution to reflect appropriate provisions for different types of Bonds authorized under this Resolution, including, without limitation, provisions for Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Interim Bonds, Variable Rate Bonds, Optional Tender Bonds and Convertible Bonds.

Section 204. Authentication of Bonds. Only such of the Bonds as shall have endorsed thereon a certificate of authentication substantially in the form set forth in Exhibit B attached hereto, duly executed by the Bond Registrar, shall be entitled to any benefit or security under this Resolution. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Bond Registrar, and such certificate of the Bond Registrar upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution and the Series Resolution relating to such Bond. The certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time.

Section 205. Exchange of Bonds. Bonds, upon surrender thereof at the principal corporate trust office of the Bond Registrar, together with an assignment duly executed by the registered owner or such registered owner's attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any

23

Miami, Document #: 11152v5

2003 Bonds shall be designated as "City of Fort Lauderdale, Florida Water and Sewer Revenue Bonds, Series 2003".

The Series 2003 Bonds shall be issued for the purpose of providing funds, together with any other available funds, (a) for paying the Costs of the Project, (b) for making a deposit to the credit of a special subaccount or subaccounts in the Construction Account, in an amount to be determined pursuant to a Series Resolution adopted prior to the issuance of the Series 2003 Bonds, for the purpose of paying interest on the Series 2003 Bonds for the period of time specified in such Series Resolution, (c) for making a deposit to the Reserve Account or subaccount created therein, in an amount equal to the Reserve Account Requirement for the Series 2003 Bonds as provided pursuant to a Series Resolution adopted prior to the issuance of the Series 2003 Bonds and (d) for paying the costs of issuing the Series 2003 Bonds. The Series Resolution specified above may provide that the deposits to the Reserve Account shall not be made or that other arrangements shall be made for satisfying such obligations.

The Series 2003 Bonds shall be issued in such aggregate principal amount, shall be dated, shall be stated to mature (subject to the right of prior redemption as hereinafter set forth) on such date or dates, in such year or years, shall bear interest at such rate or rates, fixed or variable, payable on such dates, shall have such Credit Facility, shall have such Bond Registrar, the Term Bonds of such Series shall have such Amortization Requirements and may be made redeemable at such times and prices (subject to the provisions of Article III of this Resolution), may be in the form of Current Interest Bonds or Capital Appreciation Bonds or Capital Appreciation and Income Bonds or any combination thereof, all as may be provided by the Series Resolution.

The Series 2003 Bonds shall be executed substantially in the form and manner hereinabove set forth and shall be deposited with the Bond Registrar for authentication and delivery, but prior to or simultaneously with the delivery of the Series 2003 Bonds by the Bond Registrar there shall be filed with the City the following:

- (a) a copy, certified by the City Clerk, of this Resolution;
- (b) a copy, certified by the City Clerk, of the Series Resolution awarding or providing for the award of the Series 2003 Bonds, specifying the interest rates of the Series 2003 Bonds or providing for the determination of such interest rates and directing the delivery of such Series 2003 Bonds to or upon the order of the purchasers therein named upon payment of the purchase price thereof;
- (c) an opinion of the City Attorney that the issuance of said Series 2003 Bonds has been duly authorized and that all conditions precedent to the delivery of such Series 2003 Bonds have been fulfilled; and

25

Miami, Document #: 11152v5

(d) an opinion of Bond Counsel to the effect that the interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes.

When the documents mentioned in clauses (a) to (d), inclusive, of this Section shall have been filed with the City and when the Series 2003 Bonds shall have been executed by the City and authenticated by the Bond Registrar as required by this Resolution, the Bond Registrar shall deliver said Series 2003 Bonds at one time to or upon the order of the purchasers named in the Series Resolution mentioned in clause (b) of this Section, but only upon payment to the Finance Director of the purchase price of said Series 2003 Bonds. The Finance Director shall be entitled to rely upon such Series Resolution as to all matters stated therein.

The proceeds (including accrued interest and any premium) of said Series 2003 Bonds shall be applied by the Finance Director as follows:

(1) the amount received as accrued interest on the Series 2003 Bonds and any premium shall be deposited to the credit of the Bond Service Subaccount;

(2) an amount estimated by the Finance Director to be sufficient for the purpose of paying expenses of the issuance of the Series 2003 Bonds shall be credited to a separate special expense subaccount created within the Construction Account pursuant to Section 401 hereof and applied to the payment of the expenses of issuing the Series 2003 Bonds, including, but not limited to, financial advisory, accounting and legal fees, rating agency fees, printing costs and Bond Registrar's fees and expenses, bond insurance premiums, and any other miscellaneous expenses relating to the issuance of the Series 2003 Bonds;

(3) either the amount which will equal the Reserve Account Requirement on the Series 2003 Bonds shall be deposited to the credit of the Reserve Account or any subaccount created therein for the Series 2003 Bonds, or an amount equal to any required premium or fee as shall be necessary to acquire a Reserve Account Insurance Policy or Reserve Account Letter of Credit or other similar arrangement to insure that an amount equal to the Reserve Account Requirement will be unconditionally available to the City for the purposes of the Reserve Account will be paid to the entity providing such Reserve Account Insurance Policy or Reserve Account Letter of Credit or other similar arrangement; and

(4) the balance (including capitalized interest) shall be deposited to the credit of a special subaccount in the Construction Account established by Section 401 hereof and designated the Series 2003 Water and Sewer Project Construction Subaccount, for application to the payment of the Costs of the Project.

26

Miami, Document #: 11152v5

twelve consecutive months selected by the City out of the twenty-four months preceding the delivery of such certificate, by the Maximum Principal and Interest Requirements, including the Principal and Interest Requirements with respect to the Additional Bonds then to be delivered, for any future Fiscal Year is not less than one hundred twenty-five per centum (125%) (the period during which Net Revenues are determined for purposes of this clause (c) being referred to hereinafter as the "Measurement Period"); provided, however, that if either Impact Fees or Special Assessments are legally available for application with respect to such Additional Bonds under clause "FIRST" of Section 515 in the case of Impact Fees or clause "FIRST" of Section 516 in the case of Special Assessments, then, in addition to the foregoing, the certificate shall also demonstrate that the percentage derived by dividing the Net Revenues (taking into consideration the Impact Fees and/or the Special Assessments, as applicable) for the Measurement Period, by the Maximum Principal and Interest Requirements, including the Principal and Interest Requirements with respect to the Additional Bonds then to be delivered, for any future Fiscal Year shall not be less than one hundred thirty per centum (130%);

(d) an opinion of the City Attorney that the issuance of such Additional Bonds has been duly authorized and that all conditions precedent to the delivery of such Additional Bonds have been fulfilled; and

(e) a certificate of the Finance Director to the effect that no event of default, as defined in Section 802 of this Resolution, and no event which with the passage of time, the giving of notice or both would become an event of default has occurred within the twelve (12) consecutive calendar months prior to the date of such certificate and is continuing, or, if any such event or event of default has occurred and is continuing, that the issuance of such Series of Additional Bonds will cure the same.

In determining whether to execute and deliver the certificate mentioned in clause (c) of this Section 209, the following adjustments to Net Revenues may be made:

(1) If the City, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees, rentals or other charges for the services of the Water and Sewer System, the Net Revenues for the Measurement Period shall be adjusted to show the Net Revenues which would have been derived from the Water and Sewer System in such Measurement Period as if such increased rates, fees, rentals or other charges for the services of the Water and Sewer System had been in effect during all of such Measurement Period.

(2) If the City shall have acquired or has contracted to acquire any privately or publicly owned existing water system or sewer system, then the Net Revenues derived from the Water and Sewer System during the Measurement Period shall be increased by addition to the Net Revenues for the Measurement Period of the net revenues which

28

Miami, Document #: 11152v5

Section 209. Additional Bonds. In addition to the Series 2003 Bonds authorized under the provisions of Sections 208 of this Article, Additional Bonds of the City may be issued under and secured by this Resolution, on a parity as to the pledge of the Net Revenues of the Water and Sewer System with the Bonds theretofore issued under Sections 208, 209 and 210 of this Resolution and secured by this Resolution and then Outstanding, subject to the conditions hereinafter provided in this Section, from time to time for the purpose of paying all or any part of the Cost of constructing or acquiring any Improvements.

Before any Additional Bonds shall be issued under the provisions of this Section the City Commission shall adopt a Series Resolution authorizing the issuance of such Additional Bonds, fixing or providing for the fixing of the amount and the details thereof (including the Reserve Account Requirement therefor), and describing in brief and general terms the Improvements to be constructed or acquired. The Additional Bonds of each Series issued under the provisions of this Section shall be dated, shall be stated to mature (subject to the right of prior redemption as hereinafter set forth) on such date or dates, in such year or years not more than forty (40) years after the date of the Additional Bonds, shall bear interest at such rate or rates, fixed or variable, shall have such Optional Tender features and Credit Facilities, shall have such Bond Registrar, and any Term Bonds of such Series shall have such Amortization Requirements, and may be made redeemable at such times and prices (subject to the provisions of Article III of this Resolution), all as may be provided by the Series Resolution for such Additional Bonds. Except as to any differences in the maturities thereof or the rate or rates of interest or the provisions for redemption, such Additional Bonds shall be on a parity as to the pledge of Net Revenues of the Water and Sewer System with and shall be entitled to the same benefits and security under this Resolution as all other Bonds issued under Sections 208, 209 and 210 of this Resolution. Such Additional Bonds shall be executed in the form and manner hereinabove set forth, with such changes as may be necessary or appropriate to conform to the Series Resolution therefor, and shall be deposited with the Bond Registrar for authentication and delivery, but before such Additional Bonds shall be delivered by the Bond Registrar, there shall be filed with the City the following:

(a) a copy, certified by the City Clerk, of the Series Resolution for such Series of Additional Bonds;

(b) a copy, certified by the City Clerk, of the resolution, if other than the Series Resolution for such Series of Additional Bonds, adopted by the City Commission awarding such Additional Bonds, specifying or providing for the interest rate or rates for such Additional Bonds, or the initial interest rate if such Additional Bonds bear interest at a variable rate and directing the delivery of such Additional Bonds to or upon the order of the purchasers therein named upon payment of the purchase price thereof;

(c) a certificate of the Finance Director, an Accountant or the Rate Consultant demonstrating that the percentage derived by dividing the Net Revenues for any period of

27

Miami, Document #: 11152v5

would have been derived from said existing water system or sewer system as if such existing water system or sewer system had been a part of the Water and Sewer System during the Measurement Period. For the purposes of this paragraph, the net revenues derived from said existing water system or sewer system during the Measurement Period shall be adjusted by deducting the cost of operation and maintenance of said existing water system or sewer system from the gross revenues of said existing water system or sewer system in the same manner provided in this Resolution for the determination of Net Revenues.

(3) If the City, in connection with the issuance of Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the City agrees to furnish services in connection with any water system or sewer system then the Net Revenues of the Water and Sewer System during the Measurement Period shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said services by the City, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services. Such payments shall be deemed to be Net Revenues of the Water and Sewer System and pledged for the Bonds in the same manner as other Net Revenues of the Water and Sewer System.

(4) If the City covenants to levy Special Assessments or Impact Fees against improved property to be benefitted by the improvements (which levy will be done in accordance with State law), the cost of which shall be paid from the proceeds of the proposed Additional Bonds and if such Special Assessments or Impact Fees are legally available for application with respect to such Additional Bonds as permitted under clause "FIRST" of Section 515 in the case of Impact Fees or clause "FIRST" of Section 516 in the case of Special Assessments, then, as the case may be, the Net Revenues during the Measurement Period shall be increased by an amount equal to one hundred per centum (100%) of the amount which the Consulting Engineer estimates will be received in each year from the levy of said Impact Fees or said Special Assessments (without taking into account the possibility of prepayment of Special Assessments), within three years of the date of the sale of such Additional Bonds, said amount to be the total received from the installment payments on the Special Assessments or Impact Fees, as the case may be, plus, in the case of Special Assessments, any interest paid on the unpaid portion of the Special Assessments. The estimate of the Consulting Engineer shall be based upon the preliminary assessment roll filed with the City prior to the construction of such Improvements.

When the documents mentioned above in this Section shall have been filed with the City and when the Additional Bonds described in the resolutions mentioned in clauses (a) and (b) of this Section shall have been executed by the City and authenticated by the Bond Registrar as

29

Miami, Document #: 11152v5

required by this Resolution, the Bond Registrar shall deliver such Additional Bonds at one time to or upon the order of the purchasers named in the Series Resolution mentioned in said clause (b), but only upon payment to the Finance Director of the purchase price of such Additional Bonds. The Finance Director shall be entitled to rely upon such resolutions as to all matters stated therein.

The proceeds (excluding accrued interest and any premium) of such Additional Bonds shall be paid to the City for deposit with one or more Depositories to the credit of a special account in the Construction Fund appropriately designated and for application to the payment of the Cost (as defined in Section 403 of this Resolution) of such Improvements, including the amount, if any, determined by the City Commission to be deposited to the credit of the Reserve Account or such subaccount therein, for such Bonds. All of the provisions of Article IV of this Resolution which relate to the Project and the Construction Fund shall apply to such Improvements and such special account to the extent that such provisions may be applicable; provided, however, that there may be included in the cost of such improvements interest accruing on such Additional Bonds prior to and during construction of such Improvements if and to the extent provided in the Series Resolution with respect thereto. The amount received as accrued interest upon the original issuance and delivery of such Bonds and any premium on such Bonds shall be deposited to the credit of the Bond Service Subaccount for application to the first interest due on such Bonds.

Section 210. Refunding Bonds. Refunding Bonds may be issued under and secured by this Resolution, subject to the conditions hereinafter provided in this Section, from time to time for the purpose of providing funds for refunding all or any portion of the Outstanding Bonds of any one or more Series by payment at maturity or redemption at a selected redemption date or dates or combination of such payment at maturity and redemption, including the payment of any redemption premium thereon and any interest which will accrue on such Bonds to such maturity dates or selected redemption date or dates or combination of maturity and redemption dates and any expenses incurred or to be incurred in connection with such refunding.

Before any Series of Refunding Bonds shall be issued under the provisions of this Section the City Commission shall adopt a Series Resolution authorizing the issuance of such Refunding Bonds, fixing or providing for the fixing of the amount and details thereof, describing the Bonds to be refunded and setting forth the determination of the City Commission that such refunding is in the best interests of the City and the users of the Water and Sewer System and stating the reasons for such determination. Such Refunding Bonds shall be dated, shall be stated to mature (subject to the right of prior redemption as hereinafter set forth) on such date or dates, in such year or years not more than forty (40) years after the date of the Refunding Bonds, shall bear interest at such rate or rates, fixed or variable, shall have such Optional Tender features, shall have such Bond Registrar, and any Term Bonds of such Series shall have such Amortization Requirements and may be made redeemable at such times and prices (subject to the provisions of Article III of this Resolution), all as may be provided by the Series Resolution for such

30

Miami, Document #: 11152v5

When the documents mentioned above in this Section shall have been filed with the City Clerk and when the Refunding Bonds described in the resolutions mentioned in clauses (a) and (b) of this Section shall have been executed by the City and authenticated by the Bond Registrar as required by this Resolution, the Bond Registrar shall deliver such Refunding Bonds at one time to or upon the order of the purchasers named in the resolution mentioned in said clause (b), but only upon payment to the Finance Director of the purchase price of such Refunding Bonds. The Finance Director shall be entitled to rely upon such resolutions as to all matters stated therein.

Simultaneously with the delivery of such Refunding Bonds, the Finance Director shall withdraw, if so provided in the Series Resolution or the resolution mentioned in clause (b) of this Section 210, from the appropriate subaccounts of the Sinking Fund Account an amount equal to the amount on deposit therein on account of the principal of, redemption premium, if any, and the interest on the Bonds to be refunded and from the Reserve Account or any subaccount therein an amount equal to the amount on deposit therein on account of the Bonds to be refunded, and apply the amount so withdrawn in accordance with the Series Resolution or the resolution mentioned in clause (b) of this Section 210. The total amount so withdrawn, if so provided in the Series Resolution or the resolution mentioned in clause (b) of this Section 210, the proceeds of such Refunding Bonds (including accrued interest and any premium) and any other moneys provided for such purpose, shall be applied by the Finance Director as follows:

(1) the accrued interest received as part of the proceeds of such Refunding Bonds shall be deposited to the credit of a special subaccount in the Bond Service Subaccount for application to the first interest due on such Refunding Bonds;

(2) an amount which, together with any income which shall be derived from the investment of such amount pursuant to this clause (2) and any other available funds, shall be sufficient to pay the principal of and redemption premium, if any, and the interest on the Bonds to be refunded hereunder, either at maturity or a selected redemption date or dates or combination of such payment and redemption, shall be deposited by the Finance Director to the credit of a special account, appropriately designated, to be held in trust by an escrow agent, for the sole and exclusive purpose of paying such principal, redemption premium, if any, and interest on the Bonds to be refunded; and moneys held for the credit of such fund shall, as nearly as may be practicable and reasonable, be invested by such escrow agent at the direction of the Finance Director in Government Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys held for the credit of such fund will be required for the purposes intended;

(3) such amount shall be applied to, or set aside for, the payment of the expenses incident to such refunding as shall be specified in the Series Resolution relating to such Refunding Bonds; and

32

Miami, Document #: 11152v5

Refunding Bonds. Except as to any differences in the maturities thereof or the rate or rates of interest or the provisions for redemption, such Refunding Bonds shall be on a parity as to the pledge of Net Revenues of the Water and Sewer System with and shall be entitled to the same benefits and security under this Resolution as all other Bonds issued under Sections 208, 209 and 210 of this Resolution. Such Refunding Bonds shall be executed substantially in the form and manner hereinabove set forth, with such changes as may be necessary or appropriate to conform to the provisions of the Series Resolution therefor, and shall be deposited with the Bond Registrar for authentication and delivery, but prior to or simultaneously with the delivery of such Refunding Bonds by the Bond Registrar, there shall be filed with the City the following:

(a) a copy, certified by the City Clerk; of the Series Resolution with respect to such Refunding Bonds;

(b) a copy, certified by the City Clerk, of the resolution, if other than the Series Resolution for such Series of Refunding Bonds, adopted by the City Commission, awarding such Refunding Bonds, specifying or providing for the interest rate or rates for such Refunding Bonds, or the initial rate if such Refunding Bonds bear interest at a variable rate, determining the disposition of the moneys on deposit in the Sinking Fund Account and any other funds and accounts on account of the Bonds to be refunded, and directing the delivery of such Refunding Bonds to or upon the order of the purchasers therein named upon payment of the purchase price thereof;

(c) an opinion of Bond Counsel to the effect that upon the issuance of such Refunding Bonds and the application of the proceeds thereof, the Bonds to be refunded will no longer be deemed to be Outstanding under this Resolution and that the issuance of the Refunding Bonds will not adversely affect the exclusion of interest on any Bonds then Outstanding from gross income for federal income tax purposes;

(d) an opinion of the City Attorney that the issuance of such Refunding Bonds has been duly authorized and that all conditions precedent to the delivery of such Refunding Bonds have been fulfilled;

(e) such documents as shall be required by the Finance Director to show that provision has been duly made in accordance with the provisions of this Resolution for the payment or redemption or combination of such payment and redemption of all of the Bonds to be refunded; and

(f) either (i) a certificate of the Finance Director that the issuance of the Refunding Bonds will result in a decrease in total Principal and Interest Requirements for all Bonds Outstanding (including the Refunding Bonds, but excluding the Bonds to be refunded), or (ii) the certificates required by clauses (c) and (e) of Section 209 of this Resolution.

31

Miami, Document #: 11152v5

(4) any balance of such proceeds shall be deposited to the credit of the Revenue Account.

Section 211. State Revolving Fund Indebtedness. In addition to the Bonds authorized pursuant to the provisions of Section 208, 209 and 210 and to the extent permitted by the law of the United States and of the State of Florida from time to time in effect, the City may incur other forms of indebtedness related to the Water and Sewer System in connection with the State Revolving Fund as follows:

(a) The City may incur State Revolving Fund Indebtedness without limit as to amount so long as such debt constitutes Additional Bonds under Section 209 of this Resolution or Utility Debt under Section 212 of this Resolution.

(b) The City may issue Additional Bonds under and subject to the conditions contained in Section 209 for the purpose of refinancing any State Revolving Fund Indebtedness.

Section 212. Other Indebtedness. In addition to the Bonds authorized pursuant to the provisions of Section 208, 209 and 210 and State Revolving Fund Indebtedness authorized pursuant to the provisions of Section 211, and to the extent permitted by the law of the State of Florida from time to time in effect, the City may incur other forms of indebtedness related to the Water and Sewer System, as follows:

(a) The City may incur Short-Term Indebtedness, payable on a parity as to the pledge of Net Revenues of the Water and Sewer System with the Bonds, if immediately after incurrence of such Short-Term Indebtedness the outstanding principal amount of all Short-Term Indebtedness does not exceed ten per centum (10%) of the Net Revenues of the Water and Sewer System as shown on the Annual Budget for the current Fiscal Year.

(b) The City may incur Subordinated Indebtedness without limit as to amount.

(c) The City may issue Convertible Bonds, secured on a parity as to the pledge of Net Revenues of the Water and Sewer System with Bonds issued hereunder, provided that such Convertible Bonds are issued under Section 209 or 210 of this Resolution and such Convertible Bonds comply with the tests of such Sections based upon the form of such Convertible Bonds at the time of their issuance.

(d) The City may issue Optional Tender Bonds, secured on a parity as to the pledge of Net Revenues of the Water and Sewer System with Bonds issued hereunder, provided that such Optional Tender Bonds comply with the test for the issuance of Bonds contained in Section 209 or 210 of this Resolution, and so long as (i) such Bonds are the subject of a remarketing agreement between the City or the trustee for such holders and

33

Miami, Document #: 11152v5

an investment banking firm with experience in marketing securities on a national basis and (ii) there is in effect with respect to such Optional Tender Bonds a Credit Facility, then the provisions with respect to Optional Tender Bonds contained in the definition of Principal and Interest Requirements shall apply to such Optional Tender Bonds. In demonstrating compliance with the test for the issuance of Additional Bonds contained in Section 209 hereof, the principal requirements for Optional Tender Bonds shall include the regularly scheduled principal payments, either upon payment at maturity or redemption in satisfaction of the Amortization Requirements for such Bonds and shall not include the payment of the purchase price of such Bonds upon their tender for purchase.

(e) The City may issue Variable Rate Bonds upon compliance with the tests for the issuance of Bonds contained in Sections 209 or 210 of this Resolution using for the purpose of demonstrating compliance with such tests the interest rate assumption with respect to Variable Rate Bonds contained in the definition of Principal and Interest Requirements.

(f) The City may issue or incur Alternative Parity Debt secured on a parity as to the pledge of the Net Revenues of the Water and Sewer System with the Bonds issued hereunder if, but only if, the following conditions are complied with:

(1) The City must satisfy the requirements set forth in Section 209, 210 or 211(b) of this Resolution pertaining to the issuance of additional parity Bonds as though such requirements were expressly applicable to Alternative Parity Debt.

(2) The instrument evidencing such Alternative Parity Debt shall include a cross default provision with this Resolution to the effect that, prior to exercising any remedies upon a default by the City under such instrument, the holders of such Alternative Parity Debt or their representative shall cooperate with the Holders of Bonds Outstanding under this Resolution or their representative so that the interest of such holders and the Holders of Bonds issued under this Resolution shall be equally and ratably protected.

(3) The City shall duly authorize the issuance or incurrence of such Alternative Parity Debt.

Upon satisfaction of the foregoing conditions the Finance Director shall certify in writing that the proposed indebtedness satisfies the conditions set forth in this Resolution to be deemed Alternative Parity Debt, and, upon such certification, such indebtedness shall be so deemed. Upon the issuance of Alternative Parity Debt, notwithstanding the provisions of Section 505 hereof, Net Revenues may be applied (on a parity basis with the

application of such revenues under Section 505 hereof) as required under the ordinance or resolution authorizing the issuance of such Alternative Parity Debt.

The City shall take such actions (including amending or supplementing this Resolution and any other collateral agreement or document) and execute, deliver, file and record such instruments of security as may be necessary or appropriate to grant or to otherwise secure for the holders of the Alternative Parity Debt a lien on the Net Revenues of the Water and Sewer System on a parity with that of all other holders of Alternative Parity Debt and Holder of Bonds.

(g) The City may enter into Credit Facilities to the extent that the Series of Bonds or portion thereof which is supported by such Credit Facilities is incurred in compliance with the provisions of this Article II.

(h) Nothing in this Resolution shall prohibit the City from entering into Interest Rate Swaps.

Section 213. Temporary Bonds. Until the definitive Bonds of any Series are ready for delivery, there may be executed by the City and authenticated by the Bond Registrar, and the City may deliver, in lieu of definitive Bonds and subject to the same limitations and conditions except as to identifying numbers, temporary printed, engraved, lithographed or typewritten Bonds in the denomination of Five Thousand Dollars (\$5,000) or any whole multiple thereof, substantially of the tenor hereinabove set forth, in fully registered form without coupons, and with appropriate omissions, insertions and variations as may be required. The City shall cause the definitive Bonds to be prepared and to be executed, endorsed and delivered to the Bond Registrar, and the Bond Registrar upon presentation of any temporary Bond shall cancel the same and authenticate and deliver, in exchange therefor, at the place designated by the Holder, without expense to the Holder, a definitive Bond or Bonds of the same Series and in the same aggregate principal amount, maturing on the same date and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall in all respects, including the privilege of registration and registration of transfer if so provided, be entitled to the same benefit of this Resolution as the definitive Bonds to be issued and authenticated hereunder, and interest on such temporary Bonds and notation of such payment shall be endorsed thereon.

Section 214. Mutilated, Stolen, Destroyed or Lost Bonds. In case any Bonds secured hereby shall become mutilated or be destroyed, lost or stolen, the City may cause to be executed, and the Bond Registrar may deliver, a new Bond of like date, number and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed, stolen or lost, upon the Holders paying the reasonable expenses and charges of the City and the Bond Registrar in connection therewith and, in the case of a Bond destroyed, stolen or lost, the Holders filing with the Bond Registrar evidence satisfactory to the

Bond Registrar that such Bond was destroyed, stolen or lost, and of his ownership thereof, and furnishing the City and the Bond Registrar with indemnity satisfactory to each of them.

Section 215. Provisions with Respect to Book-Entry System. The provisions of this Article contained in Sections 202 to 207, inclusive, may be changed or varied with respect to any Series of Bonds issued under this Article in any Series Resolution applicable to such Series of Bonds for the purposes of (1) complying with the requirements of any automated depository and clearinghouse for securities transactions and (2) effectuating any book-entry only registration and payment system.

Appropriate officers and officials of the City are hereby authorized to enter into agreements with The Depository Trust Company of New York and other depository trust companies, including but not limited to agreements necessary for wire transfers of interest and principal payments with respect to any Series of Bonds, utilization of electronic book entry data received from The Depository Trust Company of New York and other depository trust companies in place of actual delivery of Bonds and provision of notices with respect to Bonds registered by The Depository Trust Company of New York and other depository trust companies (or any of their designees identified to the City) by overnight delivery, courier service, telegram, telecopy or other similar means of communication.

Section 216. Capital Appreciation Bonds; Capital Appreciation and Income Bonds. For purposes of determining the principal amount of a Capital Appreciation Bond or a Capital Appreciation and Income Bond for redemption, acceleration or computation of the amount of Bonds held by the Holder thereof in giving to the City any notice, covenant, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value and the principal amount of a Capital Appreciation and Income Bond shall be deemed to be its Appreciated Value.

[END OF ARTICLE III]

ARTICLE III REDEMPTION OF BONDS

Section 301. Redemption Generally. The Bonds of each Series issued under the provisions of this Resolution shall be subject to redemption, either in whole or in part and at such times and prices, as may be provided by the Series Resolution relating to such Series.

Section 302. Selection of Bonds for Redemption or Purchase. The City shall, in accordance with the terms and provisions of the Bonds and of this Resolution and the Series Resolution relating to any Bonds to be redeemed, select the Bonds or portions thereof to be purchased or redeemed. The City shall promptly notify in writing the Bond Registrar of the numbers of the Bonds so selected for redemption and in making such selection, each Bond of each Series of Bonds shall be treated as representing that number of Bonds of the lowest authorized denomination of that Series as is obtained by dividing the principal amount of such Bond by such denomination.

Section 303. Redemption Notice. At least thirty (30), but not more than sixty (60), days before the redemption date, a notice of any such redemption, either in whole or in part, signed by the Finance Director, (a) shall be filed with the Bond Registrar and (b) shall be mailed, first class mail, postage prepaid, to all registered owners of Bonds to be redeemed at their addresses as they appear on the registration books hereinabove provided for, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall specify the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of a Series are to be redeemed, the numbers or other distinguishing marks of such Bonds to be redeemed in part only, such notice shall also specify the respective portions thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each of the Bonds to be redeemed the redemption price or the specified portions thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on such Bonds or portions thereof so redeemed.

In addition to the foregoing notice, further notice of the matters set forth above in this Section 303 shall be given by the City as set out in this paragraph, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption shall be sent at least 30 days before the redemption date by registered or certified mail or overnight delivery service to one or more registered securities depositories then in existence which holds a substantial amount of such Bonds subject to redemption; and to at least one national information services that disseminate notices of redemption or obligations such as the Bonds.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear a description of the issue and maturity of the Bonds being redeemed with the proceeds of such check or other transfer.

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 Bond Registrar or an escrow agent no later than the redemption date or (2) the City 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 subsection. 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 Finance Director delivers a written direction to the Bond Registrar directing the Bond Registrar to rescind the redemption notice. The Bond 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 City to make such funds available shall constitute an Event of Default. The Bond Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

The provisions concerning the manner of giving notice of redemption may be changed or varied or supplemented in any Series Resolution applicable to any Series of Bonds issued under this Resolution for the purpose of complying with any governmental or industry standards from time to time in effect.

Section 304. Partial Redemption of Bonds. In the event that only part of the principal sum of any Bond shall be called for redemption or prepaid, payment of the amount to be redeemed or prepaid shall be made only upon surrender of such Bond to the Bond Registrar. Upon surrender of such Bond, the Bond Registrar shall execute and deliver to the registered owner thereof at the designated office of the Bond Registrar, new duly executed Bonds, of authorized principal sums equal in aggregate principal amount to, and of the same maturity and interest rate as, the unredeemed portion of the Bond surrendered.

Section 305. Effect of Calling for Redemption. On the date so designated for redemption, notice having been mailed and filed in the manner and under the conditions hereinabove provided, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date, and, moneys for payment of the redemption price being held in separate accounts by the Bond Registrar or by a separate financial institution designated as escrow agent in trust for the Holders of the Bonds to be redeemed, all as provided in this Resolution, interest on the Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any lien, benefit or security under

ARTICLE IV CONSTRUCTION ACCOUNT

Section 401. Construction Account. A special account to be maintained by a Depository is hereby created and designated "Water and Sewer Construction Account" (herein sometimes called the "Construction Account"). A special subaccount within the Construction Account is hereby created and designated "Series 2003 Water and Sewer Project Construction Subaccount" in which shall be deposited the amounts specified in the Series Resolution with respect to the Series 2003 Bonds issued pursuant to Section 208 of this Resolution, and a second special subaccount within the Construction Account is hereby created and designated "Series 2003 Cost of Issuance Subaccount" in which shall be deposited the amounts as provided in Section 208(2) hereof to pay expenses relating to the issuance of the Series 2003 Bonds.

The moneys in the Construction Account shall be held in trust and applied to the payment of a portion of the Costs of the Project and if Additional Bonds are issued under Section 209 of this Resolution to the Costs of constructing or acquiring Improvements and, pending such application, shall be subject to a lien and charge in favor of the Holders of the Series of Bonds issued under this Resolution the proceeds of which were deposited to the credit of the Construction Account and for the further security of such Holders until paid out as herein provided.

For each Series of Additional Bonds issued pursuant to Section 209 of this Resolution for the purpose of payment of the Cost of Improvements, the City shall create one or more separate special subaccounts within the Construction Account, entitled "Series . . . Water and Sewer Project Construction Subaccount" to which shall be deposited the amounts provided from such Series of Additional Bonds for construction of Improvements and a second special subaccount within the Construction Account, entitled "Series . . . Cost of Issuance Subaccount" to which shall be deposited amounts to pay the expenses relating to the issuance of such Series of Additional Bonds.

Section 402. Payments from Construction Account. Payment of the Cost of the Project and any Improvements shall be made from the special subaccounts within the Construction Account as herein provided. All such payments shall be subject to the provisions and restrictions set forth in this Article and the City covenants that it will not cause or permit to be paid from the Construction Account any sums except in accordance with such provisions and restrictions. Moneys in the Construction Account shall be disbursed by check, voucher, order, draft, certificate or warrant signed by any one or more officers or employees of the City having such duties under City rules and regulations or designated by resolution of the City Commission from time to time, for such purpose or if the City shall so elect, by wire transfer. Amounts deposited in the Construction Account or a subaccount thereof for the payment of capitalized interest on a Series of Bonds shall be withdrawn therefrom and deposited in the corresponding

this Resolution, and the Holders or registered owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest thereon.

Section 306. Cancellation of Bonds. All Bonds paid, redeemed or purchased, either at or before maturity, shall be delivered to the Bond Registrar when such payment, redemption or purchase is made and such Bonds shall, except as provided by Section 304 hereof, thereupon be cancelled. The Bond Registrar shall certify to the City the details of all Bonds so cancelled. All Bonds cancelled under any of the provisions of this Resolution either shall be delivered to the City or destroyed by the Bond Registrar, as the City directs. Upon destruction of any Bonds, the Bond Registrar shall execute a certificate in duplicate, describing the Bonds so destroyed, and one executed certificate shall be filed with the City and the other executed certificate shall be retained by the Bond Registrar.

Section 307. Bonds Called for Redemption Deemed Not Outstanding. If (a) (1) Bonds shall have been duly called for redemption under the provisions of this Article or (2) irrevocable instructions have been given by the City to the Bond Registrar or to a bank, trust company or other appropriate fiduciary institution acting as escrow agent (the "escrow agent") to (i) call Bonds for redemption under the provisions of this Article, (ii) pay Bonds at their maturity or maturities or (iii) both call Bonds for redemption under the provisions of this Article and pay Bonds at their maturity or maturities in any combination (the Bonds described is clauses (a)(1) and (a)(2) are herein collectively called the "Bonds to be Paid"), and (b) cash or Sufficient Government Obligations (hereinafter defined) are held in separate accounts by the Bond Registrar or escrow agent solely for the holders of the Bonds to be Paid, then the Bonds to be Paid shall not be deemed to be Outstanding under the provisions of this Resolution and shall cease to be entitled to any benefit or security under this Resolution other than to receive payment of principal, redemption premium, if any, and interest from such moneys.

For purposes of this Section 307, "Sufficient Government Obligations" shall mean Government Obligations which are in such principal amounts, bear interest at such rate or rates and mature (without the option of prior redemption) on such date or dates so that the proceeds to be received upon payment of such Government Obligations at their maturity and the interest to be received thereon will provide sufficient amounts in cash on the dates required to pay the principal of and redemption premium, if any, and the interest on the Bonds to be Paid to the dates of their maturity or redemption.

[END OF ARTICLE III]

Bond Service Subaccount no later than the second Business Day immediately preceding the Interest Payment Date on which such capitalized interest is to be paid.

Section 403. Cost of Project and Improvements. For the purposes of this Article, the Cost of the Project and any Improvements to be constructed or acquired shall include, without intending thereby to limit or to restrict or to extend any proper definition of such Cost under the provisions of this Resolution, the following:

(a) obligations incurred for labor and materials and to contractors, builders and materialmen in connection with the construction of enlargements, improvements and extensions, for machinery and equipment, for demolition and removal of debris and other materials and for the restoration of property damaged or destroyed in connection with such construction;

(b) interest accruing upon any Bonds or upon any other Utility Debt of the City incurred to finance the Project or Improvements prior to any proceeding to acquire and during construction or for any additional period as may be authorized by law if so provided, and subject to any limitation, in the Series Resolution providing for the issuance of such Bonds;

(c) the cost of acquiring any privately owned waterworks or sewage system now serving any portion of the City and territory adjacent thereto, or any part of such system, either within or without or partly within or partly without the corporate limits of the City;

(d) the cost of acquiring by purchase, if such purchase shall be deemed expedient, and the amount of any award or final judgment in any proceeding to acquire by condemnation, such land, property rights, right-of-way, franchises, easements, and other interests in lands as may be deemed necessary or convenient in connection with such construction or with the operation of the Water and Sewer System, and the amount of any damages incident thereto;

(e) expenses of administration properly chargeable to such construction or acquisition, legal, architectural and engineering expenses and fees, costs of audits and of preparing and issuing the Bonds, fees and expenses of consultants, financing charges, taxes or other governmental charges lawfully assessed during construction, premiums on insurance in connection with construction, deposits to the Reserve Account, premiums for bond insurance, interest rate insurance or insurance assuring availability of the amounts required to be on deposit in the Reserve Account, initial set up fees and annual fees for letters of credit, lines of credit, standby bond purchase agreements or other similar credit enhancement or liquidity enhancement devices and tender agent fees and fees payable for remarketing Bonds during the period of construction of the Project or

any Improvements for which Bonds supported by such devices were issued and all other items of expense not elsewhere in this Section specified, incident to the financing, construction or acquisition of the Project and any Improvements and the placing of the same in operation; and

(f) any obligation or expense heretofore or hereafter incurred by the City for any of the foregoing purposes, including the cost of materials, supplies or equipment furnished by the City in connection with the construction of the Project and any Improvements and paid for by the City out of funds other than moneys in the Construction Account.

Section 404. Title to Properties Acquired. The City further covenants that the Project and any Improvements will be constructed on or under land which is owned or can be acquired by the City in fee simple or over or under which the City shall acquire or can acquire either by long term lease or by easements for the purposes of the Water and Sewer System, free from all liens, encumbrances and defects of title which would effectively prohibit the City from utilizing such lands or properties for the purposes intended or which have been adequately guarded against by a bond or other form of indemnity, or lands, including public streets and highways, the right to use and occupy which for such purposes shall be vested in the City by law or by valid rights of way, easements, franchises, licenses or agreements.

Section 405. Disposition of Construction Account Balance. When the construction of the Project or any Improvements for which a Series of Additional Bonds were issued shall have been completed (which fact shall be evidenced to the Finance Director by a certificate stating the date of such completion, approved by the City Engineer), the balance in the special account or subaccounts of the Construction Account not reserved by the City for the payment of any remaining part of the Cost of the Project or such Improvements or expenses related to the issuance of such Bonds shall be transferred by the Finance Director, in the discretion of the City, to the credit of the Renewal, Replacement and Improvement Account or to the credit of the Sinking Fund Account for the payment of principal of the Bonds of such Series or retained in the Construction Account and used to pay the Cost of a different Improvement or Improvements which have been approved by the City Commission or applied to redeem Bonds in a manner permitted under this Resolution and the applicable Series Resolution. Before undertaking any such transfer, the Finance Director shall procure an opinion of Bond Counsel to the effect that the proposed transfer will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

[END OF ARTICLE IV]

unpaid portion of the Special Assessments. The estimate of the Consulting Engineer shall be based upon the preliminary assessment roll filed with the City prior to the construction of such Improvements.

If in any Fiscal Year the Net Revenues shall be less than the amount required under the preceding paragraphs of this Section, within 30 days after the December 31 immediately succeeding such Fiscal Year, the City shall employ a Rate Consultant to review and analyze the financial status of the Water and Sewer System, to inspect the Water and Sewer System and to submit, within 60 days thereafter, a written report to the City recommending revisions of the rates, fees and charges of the Water and Sewer System and the methods of operation of the Water and Sewer System that will result in producing the amount so required in the following Fiscal Year. Promptly upon its receipt of such recommendations, the City shall transmit copies thereof to the City Manager and the Finance Director and shall revise its rates, fees and charges, or alter its methods of operation and take such other action as shall conform with such recommendations.

If the City shall fail to comply with the recommendations of the Rate Consultant, the registered owners of not less than ten per centum (10%) in principal amount of all Bonds then outstanding may institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the City to comply with the recommendations and the requirements of the preceding paragraph of this Section. So long as the issuer of a Credit Facility shall not be in default in its payment obligations under such Credit Facility, such issuer shall be deemed to be the holder of all Bonds so insured for purposes of this paragraph.

If the City shall comply with all recommendations of the Rate Consultant in respect to its rates, fees, charges and methods of operation, the failure of Net Revenues to meet the requirements in the first paragraph of this Section shall not constitute an Event of Default so long as the Revenues, together with available moneys in the Funds and Accounts created in Article V of this Resolution, are sufficient to pay in cash the Current Expenses and to pay the Principal and Interest Requirements on all Outstanding Bonds and other Utility Debt for such Fiscal Year.

Section 503. Annual Budget. The City covenants that not later than forty-five (45) days before the end of each Fiscal Year it will prepare a preliminary budget covering Revenues, Current Expenses, Capital Expenditures and all deposits to Funds and Accounts required by Section 505 of this Resolution for the ensuing Fiscal Year. Copies of each such preliminary budget shall be filed with the Finance Director.

The City further covenants that on or before the first day of each Fiscal Year it will finally adopt the budget covering the above items for such Fiscal Year (herein sometimes called the "Annual Budget"). Copies of the Annual Budget shall be filed with the Finance Director and mailed by the City to all Bondholders who shall have filed their names and addresses with the Finance Director for such purpose.

ARTICLE V REVENUES AND FUNDS

Section 501. Water and Sewer Rates. The City covenants that the schedules of rates for water and sewer service by the Water and Sewer System will not be less than the rates required to enable the City to comply with the requirements of Section 502 hereof. So long as the City is in compliance with the requirements of Section 502 hereof, the City from time to time may revise the rates for water and sewer service by the Water and Sewer System.

Section 502. Rate Covenant. The City further covenants that it will fix, charge and collect reasonable rates and charges for the use of the services and facilities furnished by the Water and Sewer System and that from time to time, and as often as it shall appear necessary, it will adjust such rates and charges by increasing or decreasing the same or any selected categories of rates and charges so that the Net Revenues received in each Fiscal Year (excluding from the computation of Current Expenses for any Fiscal Year any amount received from any source other than Revenues and applied to the payment of Current Expenses in such Fiscal Year) will be sufficient to provide an amount in such Fiscal Year at least equal to one hundred twenty-five per centum (125%) of the Principal and Interest Requirements for such Fiscal Year on account of the Bonds then Outstanding and one hundred per centum (100%) of all amounts required to be deposited to the Accounts pursuant to clauses (c), (d), (e) and (f) of Section 505 of this Resolution for such Fiscal Year; provided, however, that if either Impact Fees or Special Assessments are legally available for application with respect to any Series of Additional Bonds under clause "FIRST" of Section 515 in the case of Impact Fees or clause "FIRST" of Section 516 in the case of Special Assessments, then, in addition to the foregoing, the City further covenants that the Net Revenues received in each Fiscal Year, together with the Impact Fees and/or the Special Assessments, as applicable, will be sufficient to provide an amount in such Fiscal Year at least equal to one hundred thirty per centum (130%) of the Principal and Interest Requirements for such Fiscal Year on account of the Bonds then Outstanding.

If the City covenants to levy Special Assessments or Impact Fees against improved property to be benefitted by the Improvements (which levy will be done in accordance with State law), the cost of which shall be paid from the proceeds of the proposed Additional Bonds and if such Special Assessments or Impact Fees are legally available for application with respect to such Additional Bonds as permitted under clause "FIRST" of Section 515 in the case of Impact Fees or clause "FIRST" of Section 516 in the case of Special Assessments, then, as the case may be, Net Revenues for purposes of this Section 502 shall be increased by an amount equal to one hundred per centum (100%) of the amount which the Consulting Engineer estimates will be received in each year from the levy of said Impact Fees or Special Assessments, as applicable (without taking into account the possibility of prepayment of Special Assessments), said amount to be the total received from the installment payments on the Special Assessments or Impact Fees, as the case may be, plus, in the case of Special Assessments, any interest paid on the

If for any reason the City shall not have adopted the Annual Budget before the first day of any Fiscal Year, the Annual Budget for the preceding Fiscal Year shall, until the adoption of the Annual Budget, be deemed to be in force and shall be treated as the Annual Budget under the provisions of this Article.

The City may at any time adopt an amended or supplemental Annual Budget for the remainder of the then current Fiscal Year and the Annual Budget so amended or supplemented shall be treated as the Annual Budget under the provisions of this Article. There shall be no limitation on the nature or amount covered by any such amendment to the Annual Budget.

The City further covenants that the amount expended for Current Expenses in any Fiscal Year will not exceed the reasonable and necessary amount therefor, and that it will not expend any amount for maintenance, repair and operation of the Water and Sewer System in excess of the total amount provided for Current Expenses in the Annual Budget. Nothing in this Section contained shall limit the amount which the City may expend for Current Expenses in any Fiscal Year provided any amounts expended therefor in excess of the total amount provided in the Annual Budget shall be received by the City from some source other than the Revenues of the Water and Sewer System.

Section 504. Enterprise Fund; Revenue Account. A special fund is hereby created and designated the "Water and Sewer Enterprise Fund" (herein called the "Enterprise Fund"). A special account is hereby created within the Enterprise Fund and designated "Water and Sewer Revenue Account" (herein called the "Revenue Account"). Except as provided in Article VI of this Resolution with respect to investment income on certain Funds and Accounts, the City covenants that all Revenues will be collected by the City and deposited as received with a Depository or Depositories to the credit of the Revenue Account. All moneys in the Enterprise Fund and the Accounts and Subaccounts therein shall be held by the City in trust and applied as provided in this Article.

Section 505. Sinking Fund Account and Other Accounts. A special account is hereby created within the Enterprise Fund and designated "Water and Sewer Revenue Bonds Sinking Fund Account" (herein called the "Sinking Fund Account"). There are hereby created in the Sinking Fund Account two separate subaccounts designated "Bond Service Subaccount" and "Redemption Subaccount". Five additional special accounts are hereby created within the Enterprise Fund and designated "Water and Sewer Revenue Bonds Reserve Account" (herein called the "Reserve Account"), "Water and Sewer Rate Stabilization Account" (hereinafter called the "Rate Stabilization Account"), "Water and Sewer Subordinated Indebtedness Account" (herein called the "Subordinated Indebtedness Account"), "Water and Sewer Renewal, Replacement and Improvement Account" (herein called the "Renewal, Replacement and Improvement Account"), and "Water and Sewer General Reserve Account" (herein called the "General Reserve Account").

If required by the terms of any Series of Additional Bonds issued pursuant to Sections 209 or 211(b) of this Resolution or any series of Refunding Bonds issued pursuant to Section 210 of this Resolution, the City hereby covenants to establish and maintain, pursuant to the resolution awarding such Additional Bonds and Refunding Bonds to the original purchasers thereof, a separate Sinking Fund Account to provide for the payment of the principal of, redemption premium, if any, and interest on such Series of Bonds or to provide within the Sinking Fund Account and the subaccounts therein separate subaccounts as required by the terms of such Bonds. To the extent required in the applicable Series Resolution, the City hereby covenants to establish and maintain, pursuant to the Series Resolution for each Series of Additional Bonds, a separate subaccount in the Reserve Account to be maintained solely for the benefit of the Holders of such Series of Bonds; otherwise, all Bonds Outstanding shall be secured by amounts on deposit to the credit of the Reserve Account (except for amounts to the credit of any subaccount established solely for the benefit of a particular Series of Bonds) or unless the Series Resolution for a particular Series of Bonds expressly provides that such Series of Bonds is not to be secured by the Reserve Account or any subaccount therein. If any separate Sinking Fund Accounts or separate subaccounts within the Sinking Fund Account or the subaccounts therein or if any separate reserve accounts are created pursuant to this paragraph, such Sinking Fund Accounts, separate subaccounts or separate reserve accounts shall be funded in the manner and at the times required by such award resolution or Series Resolution, as the case may be, and shall be held by the Finance Director separate and apart from the Sinking Fund Accounts or the Reserve Account or other separate reserve accounts with respect to any other Series of Bonds issued under this Resolution, and shall be held solely for the benefit and security of the Series of Bonds with respect to which such separate Sinking Fund Account, separate subaccounts or separate reserve accounts were created. Each such separate Sinking Fund Account or separate subaccounts with respect to a Series shall be designated "Series ____ Sinking Fund Account" or "Series ____ Subaccount," as the case may be, and each such separate reserve account shall be designated "Series ____ Reserve Account" (inserting an identifying Series year, and if more than one Series is to be issued in a single calendar year, an identifying Series letter).

The moneys in each of said Funds and Accounts shall be held in trust and applied as hereinafter provided with regard to each such Fund and Account and, pending such application, shall be subject to a lien and charge in favor of the Holders of the Bonds issued and Outstanding under this Resolution and for the further security of such Holders until paid out or transferred as herein provided.

The City shall, on or before the 20th day of the month next succeeding the month in which Bonds are issued under the provisions of Section 208 of this Resolution and not later than the 20th day of each month thereafter, withdraw the balance remaining in the Revenue Account, less an amount (to be held for the payment of Current Expenses) equal to the amount shown by the Annual Budget to be necessary for Current Expenses during the next ensuing two (2) months, and deposit the sum so withdrawn to the credit of the following Accounts or Subaccounts in the following order:

46

Miami, Document #: 11152v5

may be required to make the amount deposited in such month to the credit of the Renewal, Replacement and Improvement Account equal to one-twelfth (1/12) of the difference between any lesser amount on deposit therein and the Renewal, Replacement and Improvement Account Requirement for such Fiscal Year.

(g) To the credit of the General Reserve Account, the balance, if any, remaining after making the deposits under clauses (a), (b), (c), (d), (e) and (f) above.

The amount of the Impact Fees shall be deposited as received directly to the credit of the Impact Fee Account and applied as set forth in Section 515 of this Resolution.

If the amount deposited in any month to the credit of any of the Accounts or Subaccounts shall be less than the amount required to be deposited under the foregoing provisions of this Section, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited in each month thereafter until such time as all such deficiencies have been made up.

Section 506. Payment of Current Expenses. The Current Expenses shall be paid from the Revenue Account as the same become due and payable. Payments from the Revenue Account shall be made in accordance with procedures established by the City from time to time, the Annual Budget and the covenants in Section 503 of this Article.

Section 507. Application of Moneys in Bond Service Subaccount. The City shall on the business day immediately preceding each Interest Payment Date withdraw from the Bond Service Subaccount and deposit in trust with the Bond Registrar to enable the Bond Registrar to remit by mail to each registered owner of Bonds the amount required for paying the interest on such Bonds as such interest becomes due and payable. The Bond Registrar shall be permitted to transfer by wire to owners of at least \$1,000,000 principal amount of the Bonds the amounts required for paying the interest on such Bonds as such interest becomes due and payable, as more specifically set forth in the corresponding Series Resolution. The City shall on the business day immediately preceding a date on which principal is due on Serial Bonds withdraw from the Bond Service Subaccount and deposit in trust with the Bond Registrar the amounts required for paying the principal of all Serial Bonds as such principal becomes due and payable. The City, in its discretion, may make the deposits required in this Section with the Bond Registrar by wire transfer.

Section 508. Application of Moneys in Redemption Subaccount. Moneys held for the credit of the Redemption Subaccount shall be applied to the retirement of the Bonds issued under the provisions of this Resolution as follows:

(a) Subject to the provisions of paragraph (c) of this Section, the City shall endeavor to purchase any Bonds secured hereby and then Outstanding, whether or not

48

Miami, Document #: 11152v5

(a) To the credit of the Bond Service Subaccount of the Sinking Fund Account, an amount equal to one-sixth (1/6) of the amount of interest payable on the Bonds of each Series on the next succeeding Interest Payment Date and an amount equal to one-twelfth (1/12) or, if principal is payable semiannually, one-sixth (1/6) of the next maturing installment of principal on all Serial Bonds then Outstanding; provided, however, that in each month intervening between the date of delivery of Bonds pursuant to Sections 208, 209, 210 or 211(b) of this Resolution (beginning with the month following the month in which such delivery takes place) and the next succeeding Interest Payment Date and the next succeeding principal payment date, respectively, the amount specified in this subparagraph shall be that amount which when multiplied by the number of deposits to the credit of the Bond Service Subaccount required to be made during such respective periods as provided above will equal the amounts required (in addition to any amounts received as accrued interest or capitalized interest from the proceeds of such Bonds) for such next succeeding interest payment and next maturing installment of principal, respectively.

(b) To the credit of the Redemption Subaccount of the Sinking Fund Account, an amount equal to one-twelfth (1/12) or, if any Bonds are required to be retired semi-annually in satisfaction of the Amortization Requirements therefor, one sixth (1/6) of the principal amount of Term Bonds of each Series then Outstanding required to be retired, in satisfaction of the Amortization Requirements, if any, for such Fiscal Year.

(c) To the credit of the Reserve Account, such amount, if any, of any balance remaining after making the deposits under clauses (a) and (b) above (or the entire balance if less than the required amount) as may be required to make the amount deposited to the credit of the Reserve Account in such month equal to the Reserve Account Deposit Requirement for such month.

(d) To the credit of the Rate Stabilization Account such amounts as shall be determined from time to time by the City Commission for crediting thereto.

(e) To the credit of the Subordinated Indebtedness Account, an amount, if any, of any balance remaining after making the deposits under clauses (a), (b), (c) and (d) above (or the entire balance if less than the required amount) equal to the sum of one-twelfth (1/12) of the principal of, redemption premium, if any, and interest coming due on any Subordinated Indebtedness during the next succeeding twelve month period and the amount, if any, required to be deposited in any special reserve subaccount established within the Subordinated Indebtedness Account as provided in Section 511 hereof.

(f) To the credit of the Renewal, Replacement and Improvement Account, such amount, if any, of any balance remaining after making the deposits under clauses (a), (b), (c), (d) and (e) above (or the entire balance if less than the required amount) as

47

Miami, Document #: 11152v5

such Bonds shall then be subject to redemption, on the most advantageous terms obtainable with reasonable diligence. The City shall pay the interest accrued on such Bonds to date of settlement therefor from the Bond Service Subaccount and the purchase price from the Redemption Subaccount, but no such purchase shall be made by the City within the period of forty-five (45) days next preceding any Interest Payment Date on which such Bonds are subject to call for redemption under the provisions of this Resolution, except from moneys other than moneys set aside or deposited for the redemption of Bonds.

(b) Subject to the provisions of Article III of this Resolution and paragraph (c) of this Section, the City may call for redemption on each Interest Payment Date on which Bonds are subject to redemption such amount of such Bonds as, with the redemption premium, if any, will exhaust the moneys which will be held for the credit of the Redemption Subaccount on said Interest Payment Date as nearly as may be; provided, however, that not less than Fifty Thousand Dollars (\$50,000) principal amount of Bonds shall be called for redemption at any one time unless a lesser amount shall be required to satisfy the Amortization Requirement for any Fiscal Year. Such redemption shall be made pursuant to the provisions of Article III of this Resolution. The City shall during the period of five (5) business days prior to the Redemption Date withdraw from the Bond Service Subaccount and the Redemption Subaccount and set aside in separate accounts or deposit with the Bond Registrar the respective amounts required for paying the interest on, and the principal of and redemption premium, if any, the Bonds so called for redemption.

(c) Moneys held in the Redemption Subaccount shall be applied by the City each Fiscal Year to the retirement of Bonds of each Series then Outstanding in the following order:

First: the Term Bonds of each such Series to the extent of the Amortization Requirements, if any, for such Fiscal Year for such Term Bonds, plus the applicable redemption premium, if any, and any deficiency in any preceding Fiscal Years in the purchase or redemption of such Term Bonds under the provisions of this subdivision and, if the amount available in such Fiscal Year shall not be sufficient therefor, then in proportion to the Amortization Requirements, if any, for such Fiscal Year for the Term Bonds of each such Series then Outstanding, plus the applicable redemption premium, if any, and any such deficiency;

Second: Term Bonds of each Series, if any, in proportion (as nearly as practicable) to the aggregate principal amount of the Bonds of each such Series originally issued; and

49

Miami, Document #: 11152v5

Third: after the retirement of all Term Bonds, if any, Serial Bonds issued under the provisions of this Resolution in such order as the City shall select and, to the extent that Serial Bonds of different Series mature on the same date, in proportion (as nearly as practicable) to the principal amount of Bonds of each Series maturing on such date.

Upon the retirement of any Bonds by purchase or redemption there shall be filed with the Finance Director a statement briefly describing such Bonds and setting forth the date of their purchase or redemption, the amount of the purchase price or the redemption price of such Bonds and the amount paid as interest thereon. The expenses in connection with the purchase or redemption of any Bonds shall be paid by the City from the General Reserve Account.

Section 509. Application of Moneys in Reserve Account. The Reserve Account shall be held for the benefit of all Bonds Outstanding except that: (i) the Series Resolution for a particular Series of Bonds may provide that such Series of Bonds is not to be secured by the Reserve Account and, in such event, such Series of Bonds shall not be secured by the Reserve Account and the moneys held for the credit of the Reserve Account shall not be applied for the benefit of such Series of Bonds, and (ii) the Series Resolution for one or more particular Series of Bonds may establish a separate subaccount within the Reserve Account for such particular Series of Bonds and, in such event, such Series of Bonds shall be secured only by the moneys held for the credit of such subaccount and by no other amounts held for the credit of the Reserve Account, and the Bonds Outstanding of any other Series shall have no claim whatsoever on the moneys held for the credit of such separate subaccount in the Reserve Account. Moneys held for the credit of the Reserve Account shall first be used for the purpose of paying the interest on and the principal of the Bonds which are secured by the Reserve Account whenever and to the extent that the moneys held for the credit of the Bond Service Subaccount shall be insufficient for such purpose and thereafter for the purpose of making deposits to the credit of the Redemption Subaccount in respect of such Bonds pursuant to the requirements of clause (b) of Section 505 of this Resolution whenever and to the extent that withdrawals from the Revenue Account are insufficient for such purposes; provided, however, that moneys held for the credit of a separate subaccount in the Reserve Account shall be applied to the foregoing purposes and in the foregoing manner, but only for the benefit of the Series of Bonds for which such separate subaccount was established. If at any time the moneys held for the credit of the Reserve Account shall exceed the Reserve Account Requirement, such excess shall be withdrawn and deposited to the credit of the Revenue Account; provided, however, the City Commission, pursuant to the Series Resolution or the resolution awarding any Series of Bonds hereunder to the original purchasers thereof, may provide for a different disposition of any such excesses which relate to such Series of Bonds.

Notwithstanding the foregoing, in lieu of the required deposit into the Reserve Account (or any subaccount therein), the City may, with the consent of any applicable issuer of a Credit Facility or Liquidity Facility then in effect, cause to be deposited into such Reserve Account (or

50

Miami, Document #: 11152v5

Redemption Subaccount an amount sufficient to make up any such deficiency; provided, however, that no such transfer shall be made unless the moneys then held for the credit of the Bond Service Subaccount are at least equal to the maximum requirement therefor under clause (a) of said Section 505.

Section 511. Application of Moneys in Subordinated Indebtedness Account. The City shall on the business day immediately preceding the date on which any payment in respect of principal of, redemption premium, if any, or interest on any Subordinated Indebtedness shall become due withdraw from the Subordinated Indebtedness Account and deposit in trust with the paying agent for such Subordinated Indebtedness to enable such paying agent to pay to the holders of such Subordinated Indebtedness the amount required to pay such principal, redemption premium or interest becoming due and payable, all as provided in the ordinance, resolution or other instrument pursuant to which such Subordinated Indebtedness has been incurred (the "Subordinated Indebtedness Instrument").

The City may, pursuant to the Subordinated Indebtedness Instrument relating to any Subordinated Indebtedness, establish within the Subordinated Indebtedness Account a special reserve subaccount for such Subordinated Indebtedness. Moneys deposited to the credit of the Subordinated Indebtedness Account with respect to any reserve subaccount deposit requirement established in a Subordinated Indebtedness Instrument shall be deposited in said subaccount and held as a reserve for the corresponding Subordinated Indebtedness, as shall be more fully set forth in such Subordinated Indebtedness Instrument.

If at any time the moneys held for the credit of the Bond Service Subaccount and the Reserve Account shall be insufficient for the purpose of paying the interest on and the principal of the Bonds as such interest and principal become due and payable, then the City shall withdraw from any moneys held for the credit of the Subordinated Indebtedness Account and deposit to the credit of the Bond Service Subaccount an amount sufficient to make up any such deficiency.

Section 512. Application of Moneys in Renewal, Replacement and Improvement Account. Except as hereinafter provided in this Section, or except in case of an emergency caused by some extraordinary occurrence, so characterized in a certificate signed by the Finance Director, and an insufficiency of moneys held for the credit of the Revenue Account to meet such emergency, moneys held for the credit of the Renewal, Replacement and Improvement Account shall be disbursed, subject to the provisions of the third paragraph of this Section 512, only for the purpose of paying the costs of unusual or extraordinary maintenance or repairs, the cost of renewals and replacements, the cost of acquiring, installing or replacing equipment, the cost of Improvements and engineering expenses related to the foregoing and the cost of providing a local share of moneys required to entitle the City to receive Federal or State grants or to participate in Federal or State assistance programs related to the Water and Sewer System.

52

Miami, Document #: 11152v5

the applicable subaccount therein) a Reserve Account Insurance Policy or Reserve Account Letter of Credit for the benefit of the Holders of the Bonds either in substitution for the full amount then on deposit therein, or in an amount equal to the difference between the amount required to be deposited in such Reserve Account (or the applicable subaccount therein) and the sum, if any, then on deposit in such Reserve Account (or the applicable subaccount therein), which Reserve Account Insurance Policy or Reserve Account Letter of Credit shall be payable (upon the giving of notice as required thereunder) on any Interest Payment Date on which a deficiency exists for the Bonds or the Series of Bonds for which such Reserve Account Insurance Policy or Reserve Account Letter of Credit was issued, which cannot be cured by moneys in any other Fund, Account or Subaccount held pursuant to this Resolution and available for such purpose. If any such Reserve Account Insurance Policy or Reserve Account Letter of Credit is substituted for moneys on deposit in the Reserve Account (or the applicable subaccount therein), the excess moneys in the Reserve Account (or the applicable subaccount therein) shall be applied to satisfy any such deficiency in any of the Funds, Accounts or Subaccounts under this Resolution, and any remaining balance shall be deemed surplus, shall be released from the lien of this Resolution and may be used by the City for any lawful purpose. If a disbursement is made from a Reserve Account Insurance Policy or Reserve Account Letter of Credit, the City shall be obligated to either reinstate the maximum limits of such Reserve Account Insurance Policy or Reserve Account Letter of Credit immediately following such disbursement or to deposit into the Reserve Account (or the applicable subaccount therein), as provided in Section 505 (c), funds in the amount of the disbursement made under such Reserve Account Insurance Policy or Reserve Account Letter of Credit.

In the event that all or a portion of the Reserve Account Requirement for any Series shall be provided by a Reserve Account Insurance Policy or Reserve Account Letter of Credit, the City shall do all things necessary to receive in a timely fashion from the provider of such Reserve Account Insurance Policy or Reserve Account Letter of Credit amounts required to be expended pursuant to this Section.

Section 510. Application of Moneys in Rate Stabilization Account. Moneys held for the credit of the Rate Stabilization Account shall be disbursed, upon the written direction of the Finance Director, for transfer to the Revenue Account, at such times and in such amounts as the Finance Director shall determine, and may be used to pay Current Expenses and for the following additional purposes. If at any time the moneys held for the credit of the Bond Service Subaccount and the Reserve Account shall be insufficient for the purpose of paying the interest on and the principal of the Bonds as such interest and principal become due and payable, then the City shall withdraw from any moneys held for the credit of the Rate Stabilization Account and deposit to the credit of the Bond Service Subaccount an amount sufficient to make up any such deficiency. If at any time the Net Revenues and the moneys held for the credit of the Reserve Account shall be insufficient for making the deposits to the credit of the Redemption Subaccount required by clause (b) of Section 505 of this Article, then the City shall withdraw from any moneys held for the credit of the Rate Stabilization Account and deposit to the credit of the

51

Miami, Document #: 11152v5

Payments from the Renewal, Replacement and Improvement Account, except the withdrawal which the City is authorized to make as hereinafter provided in this Section, shall be made in accordance with the provisions of Section 402 of this Resolution for payments from the Construction Account to the extent that such provisions may be applicable.

If at any time the moneys held for the credit of the Bond Service Subaccount and the Reserve Account shall be insufficient for the purpose of paying the interest on and the principal of the Bonds as such interest and principal become due and payable, then the City shall withdraw from any moneys held for the credit of the Renewal, Replacement and Improvement Account and deposit to the credit of the Bond Service Subaccount an amount sufficient to make up any such deficiency. If at any time the Net Revenues and the moneys held for the credit of the Reserve Account shall be insufficient for making the deposits to the credit of the Redemption Subaccount required by clause (b) of Section 505 of this Article, then the City shall withdraw from any moneys held for the credit of the Renewal, Replacement and Improvement Account and deposit to the credit of the Redemption Subaccount an amount sufficient to make up any such deficiency; provided, however, that no such transfer shall be made unless the moneys then held for the credit of the Bond Service Subaccount are at least equal to the maximum requirement therefor under clause (a) of said Section 505. Any moneys so withdrawn from the Renewal, Replacement and Improvement Account and deposited to the credit of the Bond Service Subaccount or the Redemption Subaccount shall be restored from available moneys in the Revenue Account, subject to the same conditions as are prescribed for deposits to the credit of the Renewal, Replacement and Improvement Account under the provisions of Section 505 of this Article.

Section 513. Application of Moneys in General Reserve Account. Moneys held for the credit of the General Reserve Account may at the election of the City be applied:

- (a) to pay the Cost of Improvements,
- (b) to purchase or redeem Bonds,
- (c) to make up deficiencies in any of the Accounts and Funds created by this Resolution,
- (d) to pay the Cost of any item qualifying as an authorized expenditure from the Renewal, Replacement and Improvement Account,
- (e) to make payments required under Interest Rate Swap agreements, and
- (f) for any other lawful purpose of the City.

53

Miami, Document #: 11152v5

Section 514. Application of Moneys in Sinking Fund Account. Subject to the terms and conditions set forth in this Resolution, moneys held for the credit of the Sinking Fund Account shall be held in trust and disbursed for (a) the payment of interest on the Bonds issued under the provisions of Sections 208, 209, 210 and 211(b) of this Resolution as such interest becomes due and payable, or (b) the payment of the principal of such Bonds at their maturities, or (c) the payment of the purchase or redemption price of such Bonds before their maturity and such moneys are hereby pledged to and charged with the payments mentioned in this Section.

Section 515. Impact Fee Account. A special account is hereby created within the Enterprise Fund and designated "Water and Sewer Impact Fee Account" (herein called the "Impact Fee Account"). To the extent required by law and imposed by the City pursuant to Series Resolution to secure a Series of Bonds hereunder, for so long as there are any Bonds Outstanding which are secured by such Impact Fees, there shall be deposited into the Impact Fee Account all Impact Fees, if any, charged and collected by the City. The moneys, if any, on deposit in the Impact Fee Account, together with investment earnings thereon, shall be used by the City, to the extent permitted by State law, in the following manner and order of priority:

FIRST, for deposit into the Bond Service Subaccount and the Redemption Subaccount of the Sinking Fund Account, as needed, in order to make payments of principal of, redemption premium, if any, and interest on the Series of Bonds issued to finance the Costs of Improvements in respect of which the Impact Fees have been imposed; and

SECOND, to pay the Costs of expanding, oversizing, separating or constructing Improvements in respect of which the Impact Fees have been imposed.

Moneys on deposit in the Impact Fee Account may also be pledged to the payment of principal of, redemption premium, if any, and interest on Subordinated Indebtedness but only to the extent permitted by law and only on a basis of such pledge being subordinate and junior to the pledge made to secure any Series of Bonds.

Section 516. Special Assessment Account. A special account is hereby created within the Enterprise Fund and designated "Water and Sewer Special Assessment Account" (herein called the "Special Assessment Account"). To the extent required by law and levied by the City and pledged pursuant to Series Resolution to secure a Series of Bonds hereunder, for so long as there are any Bonds Outstanding which are secured by such Special Assessments, there shall be deposited into the Special Assessment Account all Special Assessments, if any, levied and collected by or on behalf of the City and pledged with respect to a Series of Bonds. The moneys, if any, on deposit in the Special Assessment Account, together with investment earnings thereon, shall be used by the City, to the extent permitted by State law, in the following manner and order of priority:

FIRST, for deposit into the Bond Service Subaccount and the Redemption Subaccount of the Sinking Fund Account, as needed, in order to make payments of principal of, redemption premium, if any, and interest on the Series of Bonds issued to finance the Costs of Improvements in respect of which the Special Assessments have been levied; and

SECOND, to pay the Costs of Improvements in respect of which the Special Assessments have been levied.

Moneys on deposit in the Special Assessment Account may also be pledged to the payment of principal of, redemption premium, if any, and interest on Subordinated Indebtedness but only to the extent permitted by law and only on a basis of such pledge being subordinate and junior to the pledge made to secure any Series of Bonds.

Section 517. Money Held in Trust. All moneys which the City shall have withdrawn from the Sinking Fund Account or shall have received from any other source and deposited with the Bond Registrar, for the purpose of paying any of the Bonds hereby secured, either at the maturity thereof or upon call for redemption, or for the purpose of paying any interest on any of the Bonds hereby secured, shall be held in trust for the respective Holders of such Bonds. But any moneys which shall be so set aside or deposited and which shall remain unclaimed by the Holders of such Bonds for the period of four (4) years after the date on which such Bonds or the interest thereon shall have become due and payable shall upon request in writing be paid to the City or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the Holders of such Bonds shall look only to the City or to such officer, board or body, as the case may be, for the payment and then only to the extent of the amounts so received without any interest thereon, and the Bond Registrar shall have no responsibility with respect to such moneys.

Section 518. Cancellation of Bonds. All Bonds, paid, redeemed or purchased either at or before maturity shall be cancelled upon the payment, redemption or purchase of such Bonds and shall be delivered to the Bond Registrar when such payment, redemption or purchase is made. All Bonds cancelled under any of the provisions of this Resolution shall be destroyed by the Bond Registrar, which shall execute a certificate in duplicate describing the Bonds so destroyed, and one executed certificate shall be filed with the Finance Director and the other executed certificate shall be retained by the Bond Registrar.

[END OF ARTICLE V]

54

Miami, Document #: 11152v5

ARTICLE VI

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 601. Security for Deposits. All moneys received by the City under the provisions of this Resolution shall be held either in accordance herewith or shall be deposited with a Depositary or Depositaries, shall be held in trust, shall be applied only in accordance with the provisions of this Resolution and shall not be subject to lien or attachment by any creditor of the City.

All moneys held by the City or deposited with any Depositary hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other Federal agency shall be continuously secured for the benefit of the City and the Holders of the Bonds, either (a) by lodging with a bank or trust company approved by the City as custodian, or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit as collateral security, Government Obligations, or, with the approval of the City, other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States or applicable State of Florida laws or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or, if the furnishing of security as provided in (a) of this Section is not permitted by applicable law, (b) in such other manner as may then be required or permitted by applicable State of Florida or Federal law or regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Bond Registrar to give security for the deposits of any moneys with them for the payment of the principal of or the redemption premium or the interest on any Bonds issued hereunder, or for the City to give security for any moneys which shall be represented by obligations purchased under the provisions of this Article as an investment of such moneys.

All moneys held by the City and deposited with each Depositary shall be credited to the particular Fund or Account to which such moneys belong.

Section 602. Investment of Moneys. Moneys held for the credit of the Construction Account, the Revenue Account, the Sinking Fund Account, the Bond Service Subaccount, the Redemption Subaccount, the Reserve Account, the Rate Stabilization Account, the Renewal, Replacement and Improvement Account, the General Reserve Account, the Impact Fee Account and the Special Assessment Account shall, as nearly as may be practicable, be continuously invested and reinvested in Investment Obligations which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when moneys held for the credit of said Funds, Accounts and Subaccounts will be required for the purposes intended; provided, however, that amounts on deposit in the Reserve Account or

56

Miami, Document #: 11152v5

55

Miami, Document #: 11152v5

subaccount therein shall be invested in Investment Obligations which mature not later than the final maturity date of the Bonds Outstanding to which such account or subaccount relates.

Investment Obligations so purchased as an investment of moneys in any such Fund or Account shall be deemed at all times to be part of such Fund or Account. The interest accruing thereon and any profit realized from such investment shall be credited to such Fund or Account and any loss resulting from such investment shall be charged to such Fund or Account.

Investment earnings on moneys on deposit to the credit of the following Funds and Accounts shall be applied as follows:

(a) Investment earnings on moneys on deposit to the credit of the Bond Service Subaccount and the Redemption Subaccount may, at the option of the City, be retained in said Accounts if the amounts are required for paying interest on the Bonds on the next Interest Payment Date and principal of Serial Bonds or the Amortization Requirements for Term Bonds when due, and to the extent that earnings are so retained, the City shall receive a credit against the amounts required to be deposited to said Accounts pursuant to Section 505 of this Resolution or the City may withdraw such earnings and deposit them to the credit of the Revenue Account.

(b) Investment earnings on money on deposit in a subaccount of the Reserve Account or the Reserve Account shall be retained in said Account or subaccount at any time that the amounts on deposit to the credit of said Account or subaccount are less than the Reserve Account Requirement for the Bonds or for the Series of Bonds for which such subaccount was created, as applicable, or if moneys on deposit therein are sufficient for such purpose, then such earnings shall be withdrawn and deposited to the credit of the Revenue Account.

(c) Investment earnings on moneys on deposit to the credit of the Rate Stabilization Account and the Renewal, Replacement and Improvement Account may, at the option of the City, be retained in said Account or withdrawn and deposited to the credit of the Revenue Account.

(d) Investment earnings on moneys on deposit to the credit of the General Reserve Account may, at the option of the City be retained in said Account or withdrawn and deposited to the credit of the Revenue Account.

(e) Investment earnings on moneys held for the credit of the Subordinated Indebtedness Account for the purpose of payment of the principal of, redemption premium, if any and interest on Subordinated Indebtedness shall be applied in accordance with the corresponding Subordinated Indebtedness Instrument.

57

Miami, Document #: 11152v5

(f) Investment earnings on moneys on deposit to the credit of the Construction Account may, at the option of the City, be retained in said Account or, if deemed to be surplus to the requirements of the Construction Account, withdrawn and deposited to the credit of the Revenue Account. Anything in this clause (f) to the contrary notwithstanding, no transfer of investment earnings to the Revenue Account as permitted herein shall affect the definition of Revenues contained in this Resolution.

(g) Investment earnings on moneys on deposit to the credit of the Impact Fee Account and the Special Assessment Account shall be retained therein until applied pursuant to Section 515 and Section 516, respectively, of this Resolution.

The City shall sell or present for payment or redemption any Investment Obligations so acquired whenever it shall be necessary so to do in order to provide moneys to meet any payment from such Fund or Account. Neither the City nor any agent thereof shall be liable or responsible for any loss resulting from any investment.

Section 603. Valuation of Investment Obligations. In computing the amount in any Fund or Account created pursuant to the provisions of this Resolution, obligations purchased as an investment of moneys therein shall be valued at par if purchased at the lower of (i) par or at amortized value if purchased at other than par, or (ii) market value, plus, in each case, accrued interest. Amortized value, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (1) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Valuation on any particular date shall include the amount of interest then earned or accrued to such date or any moneys or investments in such Fund or Account. The computation of the amount on deposit in or credited to the Funds and Accounts created under this Resolution and the valuation of the investments of such amount shall be performed by the City on the last day of each Fiscal Year, and such computation and valuation shall not be required to be performed at other times.

Section 604. Accounting for Funds and Accounts. For the purposes of this Resolution, each Fund and Account created hereunder shall be a series of self-balancing accounts within the book of accounts of the Water and Sewer System and shall connote a segregation of accounts, which will support special purpose disclosure reports, not to be construed as a separate set of books of accounts.

For the purpose of investing or reinvesting, the City may commingle moneys in the Funds and Accounts created and established hereunder in order to achieve greater investment

income; provided that the City shall separately account for the amounts so commingled. The amounts required to be accounted for in each of the Funds and Accounts designated herein may be deposited in a single bank account for the Water and Sewer System provided that adequate accounting procedures are maintained to reflect and control the restricted allocations of the amounts on deposit therein for the various purposes of such Funds and Accounts as herein provided. The designation and establishment of funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent funds and accounts but rather is intended solely to constitute an allocation of certain revenues and assets of the Water and Sewer System for certain purposes and to establish such certain priorities for application of certain revenues and assets as herein provided.

Section 605. Tax Covenants. The City covenants to the Holders of Bonds that it will not make or direct the making of any investment or other use of the proceeds of any Series of Bonds issued hereunder which would cause such Bonds to be "private activity bonds" as that term is defined in Section 141 of the Code, "arbitrage bonds" as that term is defined in Section 148 of the Code or "hedge bonds" as that term is defined in Section 149(g)(3) of the Code, and that it will comply with all the requirements of such Code sections and related regulations throughout the term of such Bonds. The City also covenants that it will not take or fail to take any action that would adversely affect the exclusion from gross income of interest on any Series of Bonds to the extent that such Bonds were initially issued as Bonds the interest on which is to be excluded from the gross income of the Holders thereof for Federal income tax purposes. The City shall not direct the making of any investment inconsistent with the foregoing covenants.

The City covenants and agrees that so long as any Bonds remain outstanding, it shall comply with the requirements of the Code, including any arbitrage rebate covenants contained in any rebate instructions or agreement entered into by and between the City and any Depository in connection with the issuance of any Series of Bonds, except to the extent to so comply would not, in the opinion of counsel of recognized standing in the field of law relating to municipal bonds, result in the interest payable on such Bonds being included in gross income for Federal income tax purposes to the Holders thereof under the Code. Notwithstanding anything to the contrary contained herein or otherwise, the City shall not be required to comply with the covenants herein contained to the extent that interest on any Bonds issued hereunder shall be intended by the City, on the date of issuance of such Bonds, to be included in gross income for Federal income tax purposes to the Holders thereof under the Code.

[END OF ARTICLE VI]

ARTICLE VII PARTICULAR COVENANTS

Section 701. Payment of Principal, Interest and Premium; Pledge of Net Revenues. The City covenants that it will promptly pay the principal of and the interest on each and every Bond and all other Utility Debt issued under the provisions of this Resolution at the places, on the dates and in the manner specified herein and in said Bonds or Utility Debt, and any premium required for the retirement of said Bonds and Utility Debt by purchase or redemption, according to the true intent and meaning thereof. Such principal, interest and premium will be payable solely from and secured by a lien on and pledge of the Net Revenues and, to the extent provided herein, from Impact Fees and Special Assessments, and said Net Revenues, Impact Fees and Special Assessments are hereby pledged to the payment thereof in the manner and to the extent hereinabove particularly specified.

Bonds and other Utility Debt issued under the provisions of this Resolution shall not be deemed to constitute a debt of the City, Broward County, Florida, the State of Florida or any political subdivision thereof or a pledge of the faith and credit of the City, Broward County, Florida, the State of Florida or any political subdivision thereof, but such Bonds and other Utility Debt shall be payable solely from the Funds and Accounts provided therefor from Net Revenues and, to the extent provided herein, from Impact Fees and Special Assessments and the Bonds and other Utility Debt shall not directly or indirectly or contingently obligate the City, Broward County, Florida, the State of Florida or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, nor shall any such Bonds and other Utility Debt constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City, Broward County, Florida, the State of Florida or any political subdivision thereof.

Section 702. Construction of Project and Improvements; Operation of Water and Sewer System. The City further covenants that it will construct the Project and all Improvements for the construction or acquisition of which Bonds or other Utility Debt shall be issued under the provisions of this Resolution, or for which moneys repayable from the proceeds of Bonds or other Utility Debt issued under the provisions of this Resolution shall have been advanced to the City, in accordance with the plans theretofore approved by the Consulting Engineers and that upon the completion of the Project and such Improvements it will operate and maintain the same as a part of the Water and Sewer System. The City further covenants that any contract with any person for the construction of all or a portion of the Project or any Improvements shall provide for such performance and payment bonds or security in lieu thereof and for such retainages as shall be in compliance with the laws of the State of Florida and the normally established practices of the City from time to time in effect.

The City further covenants that it will establish and enforce reasonable rules and regulations governing the use of the Water and Sewer System and the operations thereof, that all

compensation, salaries, fees and wages paid by it in connection with the maintenance, repair and operation of the Water and Sewer System will be reasonable, that it will operate the Water and Sewer System in an efficient and economical manner, that it will at all times maintain the Water and Sewer System or any part thereof in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, that it will duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Water and Sewer System, that it will not create or suffer to be created any lien or charge upon the Water and Sewer System or any part thereof or upon the Net Revenues ranking equally with or prior to the Bonds, and that, out of the Net Revenues, it will pay or cause to be discharged, within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Water and Sewer System or any part thereof or upon the Revenues; provided, however, that nothing contained in this Section shall require the City to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Section 703. Employment of Consulting Engineers. The City covenants and agrees that so long as any Bonds are Outstanding under this Resolution, it will employ an independent engineer or engineering firm or corporation having a favorable reputation for skill and experience in the construction and operation of waterworks and sewer systems. Except for any fees and expenses incurred under the provisions of Section 403 of this Resolution, the cost of employing Consulting Engineers shall be treated as a part of the cost of operation and maintenance of the Water and Sewer System.

Upon the request of the City not less than bi-annually, it shall be the duty of the Consulting Engineers to prepare and file with the City a report setting forth such advice and recommendations as they may deem desirable in respect of the Water and Sewer System.

The City further covenants that the Consulting Engineers shall at all times have free access to all properties of the Water and Sewer System and every part thereof for the purposes of inspection and examination and that its books, records and accounts may be examined by the Consulting Engineers at all reasonable times.

Section 704. Employment of Accountant. The City covenants and agrees that it will for the purpose of performing and carrying out the duties imposed on the Accountant by this Resolution employ an independent certified public accountant or firm of independent certified public accountants of suitable experience and responsibility, having a favorable reputation for skill and experience in the auditing of water and sewer utility systems.

Section 705. Insurance. The City covenants that it will at all times carry insurance, in a responsible insurance company or companies authorized and qualified under the laws of the State of Florida to assume the risk thereof, covering such properties belonging to the Water and

Sewer System as are customarily insured, and against loss or damage from such causes as are customarily insured against by companies engaged in similar business.

All such policies shall be for the benefit of the City, shall be made payable to the City and shall be deposited with the City, and the City shall have the sole right to receive the proceeds of such policies and to collection and receipt for claims thereunder. The proceeds of any and all such insurance shall be deposited in the name of the City in a Depositary.

The City covenants that, immediately after any loss or damage to any properties of the Water and Sewer System resulting from any cause, whether or not such loss or damage shall be covered by insurance, it will cause its engineers to prepare plans and specifications for repairing, replacing or reconstructing (either in accordance with the original or a different design) the damaged or destroyed property, and that it will forthwith commence and diligently prosecute the repair, replacement or reconstruction of the damaged or destroyed property unless it shall determine that the repair, replacement or reconstruction of such property is not essential to the efficient or economic operation of the Water and Sewer System. In the event that the City shall determine that the repair or replacement of such damaged or destroyed property is not essential to the efficient or economic operation of the Water and Sewer System, the proceeds of such insurance received by the City, at the option of the City, shall be deposited to the credit of either the Redemption Subaccount or the Renewal, Replacement and Improvement Account.

The proceeds of all insurance referred to in this Section shall be available for and shall, to the extent necessary, be applied to the repair, replacement or reconstruction of the damaged or destroyed property, and shall be paid out in the manner hereinabove provided for payments from the Construction Account. If such proceeds are more than sufficient for such purpose, the balance remaining shall be deposited to the credit of the Renewal, Replacement and Improvement Account. If such proceeds shall be insufficient for such purpose, the deficiency may be supplied out of any moneys in the Renewal, Replacement and Improvement Account or the General Reserve Account.

All insurance policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times. The Finance Director is hereby authorized in the name of the City to demand, collect, sue and receive the insurance money which may become due and payable under any policies payable to it. Any appraisal or adjustment of any loss or damage and any settlement or payment of indemnity therefor which may be agreed upon between the City and any insurer shall be evidenced to the Finance Director by a certificate signed by the officer or officers of the City responsible for managing the Water and Sewer System.

Notwithstanding the foregoing provisions of this Section, the City may institute self-insurance programs with regard to such risks as shall be consistent with the practices of municipally owned utilities operating in a manner similar to the Water and Sewer System.

62

Miami, Document #: 11152v5

Section 710. Separate System. The City Commission may by resolution determine to own and/or operate, either solely or jointly, Separate Systems or to cause Separate Systems to be operated on its behalf; provided, however, that prior to the adoption of any such resolution designating any facilities as a separate system, there shall be delivered to the City Manager a certificate of the Finance Director containing his determination that the ownership and operation of such Separate System will not have a material adverse impact on the Net Revenues of the Water and Sewer System and stating his reasons for such determination.

The City may incur Utility Debt to acquire or improve Separate Systems without compliance with any test or limit contained in the Resolution so long as such is payable solely from the revenues generated by such Separate System and the holders of such Utility Debt have no recourse and are in no way payable from the Revenues of the Water and Sewer System. The revenues, current expenses and debt service associated with such Separate System and any Utility Debt of the City incurred therefor shall not be included in Revenues, Current Expenses and Principal and Interest Requirements, each as defined in this Resolution.

Any such Separate System may be consolidated with the Water and Sewer System upon demonstration of compliance with the tests for the incurrence of Additional Bonds contained in clause (c) of Section 209 of this Resolution. In determining compliance with the test mentioned above, the revenues and current expenses of the Water and Sewer System and the debt service on any Utility Debt payable from revenues of such Separate Systems shall be included in Principal and Interest Requirements. Prior to any such consolidation, compliance with the tests set forth in clause (c) of Section 209 shall be demonstrated regardless of whether there shall be any Utility Debt outstanding with respect to such Separate System.

Section 711. No Free Service. To the extent permitted by law, the City will not render or cause to be rendered any free services of any nature by the facilities of the Water and Sewer System nor will any preferential rates be established for users of the same class, except that the City including its departments, agencies and instrumentalities, may avail itself of the facilities of the Water and Sewer System free of rates, fees or charges applicable to other customers receiving like services.

Section 712. Failure to Pay for Services. To the extent permitted by law, upon failure of any user to pay for water services rendered, the City shall shut off the connection of such user to the Water and Sewer System in accordance with applicable City ordinances and resolutions, but no later than sixty (60) days. This covenant shall not, however, prevent the City from causing any connection to be shut off sooner if permitted by law.

Section 713. Enforcement of Collections. The City will diligently enforce and collect the rates, fees and other charges for the services of the Water and Sewer System; will take all steps, actions and proceedings for the enforcement and collection of such rates, fees and charges as shall become delinquent to the full extent permitted or authorized by law; and will maintain

64

Miami, Document #: 11152v5

Section 706. Use of Revenues. The City covenants and agrees that, so long as any of the Bonds secured hereby shall be outstanding, none of the Revenues will be used for any purpose other than as provided in this Resolution, and that no contract or contracts will be entered into or any action taken by which the rights of Holders of the Bonds might be impaired or diminished.

Section 707. Records, Accounts and Audits. The City covenants that it will keep the funds and accounts of the Water and Sewer System separate from all other funds and accounts of the City or any of its departments, and that it will keep accurate records and accounts of all items of costs and of all expenditures relating to the Water and Sewer System and of the Revenues collected and the application of such Revenues, and of the number of users of the Water and Sewer System in each classification. Such records and accounts shall be open to the inspection of all interested persons.

The City further covenants that within six months after the close of each Fiscal Year it will cause an audit to be made of its books and accounts pertaining to the Water and Sewer System by the Accountant. Within a reasonable time thereafter reports of each audit shall be filed with the City Commission and the Finance Director, and copies of such report shall be mailed to any Bondholder who shall have filed his name and address with the Finance Director for such purpose. Such audit reports shall be open to the inspection of all interested persons.

The City further covenants that it will cause any additional reports or audits relating to the Water and Sewer System to be made as required by law or by any applicable rules or regulations of any governmental authority or of any securities exchange on which the Bonds may be listed or traded. Such reports or audits may be extracted from the portions of the Financial Statements relating to the Water and Sewer System. The cost of such audits shall be treated as a part of the cost of operation.

Section 708. Franchises. Except as provided in Section 710 hereof and to the extent permitted by law, the City will not grant a franchise to any person for the operation of a water and sewer system or a water system or a sewer system which would be in competition with the Water and Sewer System so long as any Bonds are Outstanding under this Resolution. Nothing in this Section 708 or elsewhere contained in this Resolution shall prevent the City from granting a franchise to any person for the operation of a water and/or sewer system for any area within the City currently not served by the Water and Sewer System.

Section 709. Supervisory Personnel. The City in operating the Water and Sewer System will employ or designate one or more of its qualified employees as manager who has demonstrated ability and experience in operating similar facilities, and will require all employees who may have possession of money derived from the operation of the Water and Sewer System to be covered by a fidelity bond, written by a responsible indemnity company in amounts fully adequate to protect the City from loss.

63

Miami, Document #: 11152v5

accurate records with respect thereto. All such rates, fees, charges and revenues herein pledged shall, as collected, be held in trust to be applied as provided in this Resolution and not otherwise.

Section 714. Sale or Other Disposition of the Water and Sewer System. Except as provided in this Section, the City shall not sell or otherwise dispose of all or any part of the Water and Sewer System.

(a) To the extent permitted by law, the City, without restriction, may in any Fiscal Year sell, lease or otherwise dispose of assets forming a part of the Water and Sewer System, the aggregate value of which in each such Fiscal Year does not exceed the greater of \$1,000,000 or one half of one per centum (1/2 of 1%) of the book value of the net property, plant and equipment of the Water and Sewer System as shown on the audited financial statements of the Water and Sewer System for the latest Fiscal Year for which such audited statements are available. The proceeds of a sale pursuant to this clause (a) shall be: (i) deposited into the Bond Service Subaccount to be used for the purposes permitted under Section 507 of this Resolution; (ii) deposited into the Redemption Subaccount to be used for the purposes permitted under Section 508 of this Resolution; or (iii) applied in such manner as will result in the defeasance of Bonds pursuant to Section 1101 of this Resolution.

(b) To the extent permitted by law, the City may in any Fiscal Year sell, lease or otherwise dispose of assets forming a part of the Water and Sewer System in excess of the amount set forth in clause (a) of this Section, if, before any such transfer, there is delivered to the City Manager a report of the Consulting Engineer or Rate Consultant demonstrating that the sale, lease or other disposition of such property will not have an adverse impact on the Net Revenues, the Special Assessments or the Impact Fees and stating his reasons therefor. In determining whether to render such report, the Consulting Engineer shall consider the usefulness of the assets to be disposed of to the operations of the Water and Sewer System, the uses to be made of any proceeds of a sale and the rental income to be received with respect to any lease thereof. The proceeds of a sale pursuant to this clause (b) shall be: (i) deposited into the Bond Service Subaccount to be used for the purposes permitted under Section 507 of this Resolution; (ii) deposited into the Redemption Subaccount to be used for the purposes permitted under Section 508 of this Resolution; or (iii) applied in such manner as will result in the defeasance of Bonds pursuant to Section 1101 of this Resolution.

(c) To the extent permitted by law, the City may in any Fiscal Year sell, lease or otherwise dispose of any assets forming a part of the Water and Sewer System without regard to the limitations and conditions in paragraphs (a) and (b) above if the City Commission by resolution declares that such assets are not needed or serve no useful purpose in connection with the maintenance and operation of the Water and Sewer System. The proceeds of a sale pursuant to this clause (c) shall be: (i) deposited into the

65

Miami, Document #: 11152v5

Bond Service Subaccount to be used for the purposes permitted under Section 507 of this Resolution; (ii) deposited into the Redemption Subaccount to be used for the purposes permitted under Section 508 of this Resolution; or (iii) applied in such manner as will result in the defeasance of Bonds pursuant to Section 1101 of this Resolution.

(d) To the extent permitted by law, the City may sell, lease or otherwise dispose of the assets of the entire Water and Sewer System, if, upon the application of the proceeds of any such sale as hereinafter required, there shall be no Bonds deemed to be Outstanding under the provisions of this Resolution and the City shall have paid or made full provision for the payment of all other obligations of the City payable from the Revenues of the Water and Sewer System, including but not limited to, Current Expenses then due and payable or to become due and payable, and all other Utility Debt payable in any way from the Revenues of the Water and Sewer System and all fees then due and owing or to become due in the future with respect to Credit Facilities. The proceeds of any sale, lease or other disposition permitted by this clause (d) shall be applied first to the payment or provision for payment of the obligations, including the Bonds, set forth above, and only after all such obligations shall have been paid or full provision for their payment been made, shall the City apply any of such proceeds to any other lawful purpose of the City.

No sale or any other disposition of assets of the Water and Sewer System shall be consummated nor shall the proceeds of any such sale be applied unless prior to such consummation or application, there shall be delivered an opinion of Bond Counsel to the effect that such sale and the application of the proceeds as required herein will have no adverse impact on the exclusion of interest on any of the Bonds or other Utility Debt from gross income for Federal income purposes (except that such opinion shall not be required with respect to any Bonds issued with the intention that the interest thereon be included in gross income for Federal income tax purposes to the Holders thereof under the Code).

[END OF ARTICLE VII]

66

Miami, Document #: 11152v5

property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within ninety (90) days from the date of entry thereof; or

(g) the City shall file a petition or answer seeking reorganization or any arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property, and such custody or control shall not be terminated within ninety (90) days from the date of assumption of such custody or control; or

(i) the City shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution or in the Series Resolution on the part of the City to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the holders of not less than ten per centum (10%) in aggregate principal amount of the Bonds then Outstanding; provided, however, if the default specified in this clause (i) shall be of a type which cannot be remedied within thirty (30) days, its shall not constitute an event of default if the City shall begin to remedy such default within such thirty-day period and shall diligently pursue such remedy.

Section 803. Acceleration of Maturities. Upon the happening and continuance of any Event of Default specified in clauses (a) through (i) of Section 802 of this Article, then and in every such case the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding may, by a notice in writing to the City, declare the principal of all of the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in this Resolution to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment of decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Resolution, moneys shall have accumulated in the Sinking Fund Account sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bonds not then due except by virtue of such declaration and the interest accrued on such Bonds since the last Interest Payment Date), and all amounts then payable by the City hereunder shall have been paid or a sum sufficient to pay the same have been deposited with the Bond Registrar, and every other default in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in this Resolution (other than a default in the payment of the principal of such Bonds then due only

68

Miami, Document #: 11152v5

ARTICLE VIII REMEDIES

Section 801. Extension of Interest Payment. In case the time for the payment of any interest on any Bond shall be extended, whether or not such extension be by or with the consent of the City, such interest so extended shall not be entitled, in case of default hereunder, to the benefit or security of this Resolution except subject to the prior payment in full of the principal of all Bonds then Outstanding and all interest the time for the payment of which shall not have been extended.

Section 802. Events of Default. Each of the following events is hereby declared an "Event of Default":

(a) payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) payment of any installment of interest on any of the Bonds shall not be made when the same shall become due and payable; or

(c) the City shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(d) final judgment for the payment of money shall be rendered against the City as a result of the ownership, control or operation of the Water and Sewer System and any such judgment shall not be discharged within sixty (60) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(e) the City admits in writing its inability to pay its debts generally as they become due, or files a petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of a receiver or trustee for itself or for the whole or any part of the Water and Sewer System or a receiver or trustee for such purpose is appointed without the consent of the City; or

(f) the City is adjudged insolvent by a court of competent jurisdiction, or is adjudged a bankrupt on a petition in bankruptcy filed against the City, or an order, judgment or decree is entered by a court of competent jurisdiction appointing, without the consent of the City, a receiver or trustee of the City or of the whole or any part of its

67

Miami, Document #: 11152v5

because of a declaration under this Section) shall have been remedied, then and in every such case the Holders of not less than a majority in aggregate principal amount of the Bonds not then due except by virtue of such declaration and then Outstanding may, by written notice to the City, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Section 804. Enforcement of Remedies. Upon the happening and continuance of any Event of Default then and in every such case the Holders of not less than ten per centum (10%) in aggregate principal amount of the Bonds then Outstanding hereunder may proceed to protect and enforce the rights of the Bondholders under state law, or under this Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as such Bondholder shall deem most effectual to protect and enforce such rights. Such Holders of Bonds, or any trustee appointed to represent Bondholders as hereinafter provided, shall be entitled as of right to the appointment of a receiver of the Water and Sewer System in an appropriate judicial proceeding in a court of competent jurisdiction, whether or not such Holder or trustee is also seeking or shall have sought to enforce any other right or exercise any other remedy in connection with Bonds issued pursuant to this Resolution.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of the Water and Sewer System, and each and every part thereof, and shall hold, operate and maintain, manage and control the Water and Sewer System, and each and every part thereof, and in the name of the City shall exercise all the rights and powers of the City with respect to the Water and Sewer System as the City itself might do. Such receiver shall collect and receive all Revenues and maintain and operate the Water and Sewer System in the manner provided in this Resolution and comply under the jurisdiction of the court appointing such receiver, with all of the provisions of this Resolution.

Whenever all that is due upon the Bonds, and interest thereon, and under any covenants of this Resolution for the Funds and Accounts, and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the Water and Sewer System and the Special Assessments and the Impact Fees shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the Water and Sewer System shall be surrendered to the City upon the entry of an order of the court to that effect. Upon any subsequent Event of Default, any Holder of Bonds issued pursuant to this Resolution or any trustee appointed for Bondholders as hereinafter provided, shall have the right to secure the further appointment of a receiver.

Such receiver shall in the performance of the powers hereinabove conferred upon him be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor

69

Miami, Document #: 11152v5

receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the Water and Sewer System in the name of the City and for the joint protection and benefit of the City and the Holders of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the Water and Sewer System, except as provided herein, but the authority of such receiver shall be limited to the possession, operation and maintenance of the Water and Sewer System for the sole purpose of the protection of both the City and the Bondholders.

The Holder or Holders of Bonds in an aggregate principal amount of more than fifty per centum (50%) of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to this Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders. Such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the City Clerk of the City.

Notwithstanding anything in this Resolution to the contrary, so long as the issuer of a Credit Facility shall not be in default in its payment obligations under such Credit Facility, such issuer shall be deemed to be the holder of all Bonds so insured for all purposes of this Article VIII.

Section 805. Pro Rata Application of Funds. Anything in this Resolution to the contrary notwithstanding, if at any time the moneys in the Sinking Fund Account shall not be sufficient to pay the principal of or the interest on the Bonds as the same become due and payable (either by their terms or by acceleration of maturities under the provisions of Section 803 of this Article), such moneys, together with any moneys then available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

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

First: to the payment of the persons entitled thereto of all installments of interest then due and payable, in the order in which such installments become due and payable, and, if the amount available shall not be sufficient to pay in full, any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or

preference except as to any difference in the respective rates of interest specified in the Bonds;

Second: to the payment of the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which sufficient moneys are held pursuant to the provisions of this Resolution), in the order of their due dates, with interest upon such Bonds at the respective rates specified therein from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full the principal of Bonds due on any particular date, together with such interest, then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

Third: to the payment of the interest on and the principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of Article V of this Resolution.

(b) If the principal of all the Bonds shall have become due and payable or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 803 of this Article, then, subject to the provisions of paragraph (b) of this Section, in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys remaining in and thereafter accruing to the Sinking Fund Account shall be applied in accordance with the provisions of paragraph (a) of this Section.

The provisions of this Section are in all respects subject to the provisions of Section 801 of this Article.

Whenever moneys are to be applied by the City pursuant to the provisions of this Section, such moneys shall be applied by the City at such times, and from time to time, as the City in its sole discretion 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; the deposit of such moneys with the Bond Registrar, or otherwise setting aside such moneys, in trust for the proper purpose, shall constitute proper application by the City; and the City shall incur no liability whatsoever to any Bondholder or to any other person for any delay in applying any such funds, so long as the City acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application. Whenever the City shall exercise such discretion in applying such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The City shall give such notice as it may deem appropriate and as otherwise required herein of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be surrendered to it for appropriate endorsement.

Section 806. Effect of Discontinuance of Proceedings. In case any proceeding taken by any Bondholder on account of any default shall have been discontinued or abandoned for any reason, then and in every such case the City and the Bondholder shall be restored to their former positions and rights hereunder, respectively, and all rights and remedies of the Bondholders shall continue as though no such proceeding had been taken.

Section 807. Restrictions on Individual Bondholder Actions. No Holder or Holders of any of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the benefit of all Holders of such Bonds.

Section 808. No Remedy Exclusive. No remedy herein conferred upon the Bondholders is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder.

Section 809. Delay Not a Waiver. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Article to the Bondholder may be exercised from time to time and as often as may be deemed expedient.

Section 810. Right to Enforce Payment of Bonds. Nothing in this Article shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bond, or the obligation of the City to pay the principal of and interest on each Bond to the Holder thereof at the time and place in said Bond expressed.

[END OF ARTICLE VIII]

ARTICLE IX EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOF OF OWNERSHIP OF BONDS

Section 901. Execution of Instruments by Bondholders and Proof of Ownership of Bonds. Any request, direction, consent or other instrument in writing required or permitted by this Resolution to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders or their attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the City with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

(b) The fact of the ownership of Bonds shall be proved by the registration books required to be maintained pursuant to Article II of this Resolution.

Nothing contained in this Article shall be construed as limiting the City to such proof, it being intended that the City may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond in respect of anything done by the City in pursuance of such request or consent.

Notwithstanding any of the foregoing provisions of this Section, the City shall not be required to recognize any person as a Holder of any Bond or to take any action at his request unless such Bond shall be deposited with it.

[END OF ARTICLE IX]

ARTICLE X
SUPPLEMENTAL RESOLUTIONS

Section 1001. Supplemental Resolution without Bondholders' Consent. The City Commission may, from time to time and at any time adopt such resolutions supplemental hereto as shall not be inconsistent with the terms and provisions hereof (which supplemental resolution shall thereafter form a part hereof):

- (a) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or in any supplemental resolution, or
- (b) to grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders, or
- (c) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed, or
- (d) to add to the covenants and agreements of the City in this Resolution other covenants and agreements thereafter to be observed by the City or to surrender any right or power herein reserved to or conferred upon the City, or
- (e) to permit the issuance of Bonds in coupon form, if as a condition precedent to the adoption of such supplemental resolution, there shall be delivered to the City an opinion of Bond Counsel to the effect that the issuance of Bonds in coupon or bearer form are then permitted by law to be issued and that the interest on such Bonds would be exempt from Federal income taxation, or
- (f) to permit the City to issue Bonds the interest on which is not exempt from Federal income taxation, or
- (g) to qualify the Bonds or any of them for registration under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or
- (h) to qualify this Resolution as an "indenture" under the Trust Indenture Act of 1939, as amended, or
- (i) to create additional Sinking Fund Accounts for Series of Additional Bonds as permitted by Section 505 hereof, or
- (j) to permit Bonds to be issued in denominations smaller than \$5,000, or

74

Miami, Document #: 11152v5

Manhattan, City and State of New York, and, on or before the date of the first publication of such notice, it shall also cause a similar notice to be mailed, postage prepaid, to all registered owners of Bonds then Outstanding at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that the copies thereof are on file at the office of the City Clerk for inspection by all Bondholders. The City shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section to be mailed and any such failure shall not affect the validity of such supplemental resolution when consented to and approved as provided in this Section.

Whenever, at the time within one year after the date of the first publication of such notice, the City shall deliver to the Finance Director an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed supplemental resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City Commission may adopt such supplemental resolution in substantially such form, without liability or responsibility to any holder of any Bond, whether or not such Holder shall have consented thereto; provided, however, the City may adopt such supplemental resolution prior to the time such requisite consents are obtained, provided that such supplemental resolution shall not become effective prior to the time which the City has obtained the requisite consents.

If the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding at the time of the adoption or effective date of such supplemental resolution shall have consented to and approved the adoption or effectiveness thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption or effectiveness of such supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption or effectiveness thereof, or to enjoin or restrain the City Commission from adopting the same, having the supplemental resolution take effect or from taking any action pursuant to the provisions thereof.

Upon the effective date of any supplemental resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the City and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

Section 1003. Amendment with Consent of Credit Facility Provider in Lieu of Bondholders. If any Bonds Outstanding under this Resolution shall have, when issued, been secured by a Credit Facility to provide security for the payment of principal and interest when due, and if such Credit Facility is still in effect at the time of the proposed supplemental

- (k) to comply with requirements of entities providing Credit Facilities, Reserve Account Insurance Policies and Reserve Account Letters of Credit.

At least thirty (30) days prior to the adoption of any supplemental resolution for any of the purposes of this Section, the City shall cause a notice of the proposed adoption of such supplemental resolution to be published once in each week for two (2) successive weeks in a Daily Newspaper of general circulation published in the County, and in a Daily Newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the office of the City Clerk for inspection by all Bondholders.

Section 1002. Supplemental Resolution with Bondholders' Consent. Subject to the terms and provisions contained in this Section and Section 1003 hereof, and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such resolution or resolutions supplemental hereto as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution or in any supplemental resolution; provided, however, that nothing herein contained shall permit, or be construed as permitting, without the consent of the Holders of all of the Bonds Outstanding, (a) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of Revenues other than the lien and pledge created by this Resolution, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the adoption of any supplemental resolution as authorized in Section 1001 of this Article.

The consent of the Holders of any Series of Additional Bonds to be issued hereunder shall be deemed given if the underwriters or initial purchasers for resale consent in writing to such supplemental resolution and the nature of the amendment effected by such supplemental resolution is disclosed in the official statement or other offering document pursuant to which such Series of Additional Bonds is offered and sold to the public.

If at any time the City shall determine that it is necessary or desirable to adopt any supplemental resolution for any of the purposes of this Section, the City shall cause notice of the proposed adoption of such supplemental resolution to be published once in each week for two (2) successive weeks in a Daily Newspaper of general circulation published in the County, and in a Daily Newspaper of general circulation or a financial journal published in the Borough of

75

Miami, Document #: 11152v5

resolution amending this Resolution and the issuer of such Credit Facility is not in default in its payment obligations under such Credit Facility, and if the credit of the Credit Facility provider is of sufficient quality to entitle debt backed by the Credit Facility to be rated in one of the two highest rating categories by a Rating Agency, the City may amend all or any part of this Resolution without the consent of any Holder of any Bond secured by such Credit Facility but with the written consent of the Credit Facility provider in lieu of the Holders of the Bonds secured by such Credit Facility (and the acknowledgement by that Credit Facility provider that the Credit Facility will remain in full force and effect). The consent and acknowledgment of the Credit Facility provider shall be filed with the Bond Registrar. The foregoing right of amendment, however, does not apply to any amendment with respect to the exclusion of interest on the Bonds from the gross income of their owners for purposes of Federal income taxation nor may any amendment deprive the owner of any Bond of the right to payment of the Bonds from the Net Revenues or to any amendment prohibited by clauses (a) through (e) of the first paragraph of Section 1002 of this Article without the consent of the Holders of all of the Bonds Outstanding (as provided for in Section 1002 hereof).

Section 1004. Supplemental Resolutions Part of Resolution. Any supplemental resolution adopted in accordance with the provisions of this Article and approved as to legality by the City Attorney shall thereafter form a part of this Resolution, and all of the terms and conditions contained in any such supplemental resolution as to any provision authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes. In case of the adoption and approval of any supplemental resolution, express reference may be made thereof in the text of any Bonds issued thereafter, if deemed necessary or desirable by the City.

[END OF ARTICLE X]

76

Miami, Document #: 11152v5

77

Miami, Document #: 11152v5

ARTICLE XI DEFEASANCE

Section 1101. Cessation of Interests of Bondholders. If, when the Bonds (or any Series of Bonds or portion thereof) secured hereby (a) shall have become due and payable in accordance with their terms or (b) shall have been duly called for redemption or (c) irrevocable instructions to call the Bonds (or any Series of Bonds or portion thereof) for redemption or to pay such Bonds at their respective maturities or combination of such payment and redemption shall have been given by the City, the whole amount of the principal and the interest and premium, if any, so due and payable upon all of the Bonds (or any Series of Bonds or portion thereof) then Outstanding shall be paid or sufficient moneys, or Government Obligations the principal of and the interest (which with respect to any Variable Rate Bonds shall be assumed to be the maximum interest rate permitted under the documents governing such Variable Rate Bonds) on which when due will provide sufficient moneys (as evidenced by a verification report of an independent nationally recognized person or firm which has a favorable reputation for skill and experience to verify the sufficiency of such deposits), shall be held by the Bond Registrar or other bank, trust company or other appropriate financial institution, acting as escrow agent, for such purpose under the provisions of this Resolution, and provision shall also be made for paying all other sums payable hereunder by the City in connection with such Bonds, then and in that case the right, title and interest of the Holders of such Bonds secured hereby in the Net Revenues, Funds and Accounts mentioned in this Resolution shall thereupon cease, determine and become void, the City shall have no obligation with respect to such Bonds except for the payment of the principal of, redemption premium, if any, and interest thereon solely from the moneys or Government Obligations deposited pursuant to this Section, and the City Commission in such case, shall repeal and cancel this Resolution as to such Bonds and may apply any surplus in any subaccount in the Sinking Fund Account and all balances remaining in any other Funds or Accounts other than moneys held for the redemption or payment of Bonds or the interest thereon to any lawful purpose of the City as the City Commission shall determine; otherwise this Resolution shall be, continue and remain in full force and effect; provided, however, that in the event Government Obligations shall be deposited with and held by the Bond Registrar or other bank, trust company or other appropriate financial institution, acting as escrow agent, as hereinabove provided, and in addition to the requirements set forth in Article III of this Resolution, the City shall within thirty (30) days after such Government Obligations shall have been deposited with the Bond Registrar or other bank, trust company or other appropriate financial institution, acting as escrow agent, cause a notice to be published in a Daily Newspaper of general circulation published in the City, and in a Daily Newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, setting forth (a) the date, if any, designated for the redemption of the Bonds or if a portion of the Outstanding Bonds are not being redeemed prior to their maturities or mandatory redemption dates, a statement to the effect that such Bonds are being paid at maturity and any Term Bonds are being redeemed in amounts and at times which will satisfy the Amortization Requirements

78

Miami, Document # 11152v5

applied to the payment, when due, of the principal of, and the interest and the premium, if any, on the Bonds payable therefrom.

[END OF ARTICLE XI]

80

Miami, Document # 11152v5

therefor, (b) a description of the Government Obligations so held by the Bond Registrar or other bank, trust company or other appropriate financial institution, acting as escrow agent, and (c) that this Resolution has been repealed and cancelled in accordance with the provisions of this Section.

With respect to Variable Rate Bonds or Optional Tender Bonds, prior to the release of this Resolution, there shall be filed with the Finance Director, the following: (i) a resolution adopted by the City Commission determining (which determination may be based upon opinions of Bond Counsel or investment bankers) that the rights of the owners of such Variable Rate Bonds or Optional Tender Bonds to receive payment of interest at the Variable Rate as provided in the documents pursuant to which such Bonds were issued and the right to receive payment of the purchase price of such Bonds upon tender for purchase, as provided in the documents pursuant to which such Bonds were issued, either pursuant to a Credit Facility provided therefor or otherwise will not be materially adversely impaired by the release of this Resolution pursuant to this Article XI; (ii) a resolution, adopted by the City Commission, which may be the same resolution specified in clause (i) above, specifying the uses to which any Current Excess Interest Earnings (as hereinafter defined) may be applied, which may include the financing of Improvements or Capital Expenditures, as defined in this Resolution, for the Water and Sewer System or Current Expenses of the Water and Sewer System to the extent that expenditure of such sums for such purpose reduces the required Revenues, or, if the City no longer owns the Water and Sewer System, the capital expenditures for other lawful purposes of the City, in each event, such uses shall be for facilities the construction or acquisition of which would, but for the receipt of such Current Excess Interest Earnings, have been constructed or acquired using proceeds of unissued Bonds or other bonds of the City or paid from future revenues of the City; and (iii) there shall have been furnished to the City, as a condition of the release of this Resolution, an opinion of Bond Counsel to the effect that such release will not have an adverse effect on the Federal income tax exemption of interest on any of such Bonds as are then exempt from such taxation.

For the purposes of this Section, "Current Excess Interest Earnings" shall mean for each period for which interest is received by the escrow agent on the Government Obligations held in escrow for the Holders of the defeased Bonds, the excess, if any, of interest received on such Government Obligations over the amount of interest paid on the Variable Rate Bonds in such period. The agreement pursuant to which such Government Obligations are held by the escrow agent shall provide for withdrawal of such Current Excess Interest Earnings when received by the escrow agent and payment of such sums to the City for expenditure in the manner provided in the resolution mentioned in clause (ii) of the preceding paragraph.

All moneys and obligations held by the Bond Registrar or other bank, trust company or other appropriate financial institution, acting as escrow agent, pursuant to this Section shall be held in trust and the principal of and interest on said obligations when received, and said moneys,

79

Miami, Document # 11152v5

ARTICLE XII MISCELLANEOUS PROVISIONS

Section 1201. Effect of Covenants. All covenants, stipulations, obligations and agreements of the City contained in this Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the City and of the City Commission and of each department and agency of the City to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall bind or inure to the benefit of the successor or successors thereof from time to time and any officer, board, body or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City or upon the City Commission by the provisions of this Resolution shall be exercised or performed by the City Commission, or by such other officers, board, body or commission as may be required by law to exercise such powers or to perform such duties.

No covenant, stipulation, obligation or agreement herein contained shall be deemed to be a covenant, stipulation, obligation or agreement of any member, agent or employee of the City Commission in his individual capacity, and neither the members of the City Commission nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 1202. Manner of Giving Notice. Any notice, demand, direction, request or other instrument authorized or required by this Resolution to be given to or filed with the City shall be deemed to have been sufficiently given or filed for all purposes of this Resolution if and when sent by registered mail, return receipt requested, to the City at:

City of Fort Lauderdale, Florida
100 North Andrews Avenue
Fort Lauderdale, Florida 33302
Attention: Director of Finance

All documents received by the City and the City Commission under the provisions of this Resolution shall be retained in their possession, subject at all reasonable times to the inspection of the City, any Bondholder, and the agents and representatives thereof.

Section 1203. Successorship of Bond Registrar. To the extent that the Bond Registrar is other than the City, any bank or trust company with or into which the Bond Registrar may be merged or consolidated, or to which the assets and business of such Bond Registrar may be sold, shall be deemed the successor of such Bond Registrar for the purposes of this Resolution. If the

81

Miami, Document # 11152v5

position of the Bond Registrar shall become vacant for any reason, the City Commission shall, within thirty (30) days thereafter, appoint a bank or trust company as the Bond Registrar to fill such vacancy. The City shall have the right at any time to remove the Bond Registrar and to appoint a successor Bond Registrar; provided, however, that no such removal and appointment shall cause a delay in the payment of principal of, redemption premium, if any, or interest on any Bond Outstanding under this Resolution.

Section 1204. Successorship of City Officers. In the event that the offices of Mayor, Finance Director, City Manager, City Clerk or City Attorney shall be abolished or any two or more of such offices shall be merged or consolidated, or in the event of a vacancy in any such office by reason of death, resignation, removal from office or otherwise, or in the event any such officer shall become incapable of performing the duties of his office by reason of sickness, absence from the City or otherwise, all powers conferred and all obligations and duties imposed upon such officer shall be performed by the officer succeeding to the principal functions thereof or by the officer upon whom such powers, obligations and duties shall be imposed by law.

Section 1205. Substitute Publication. If, because of the temporary or permanent suspension of publication of any Daily Newspaper or financial journal or for any other reason, the Finance Director or the City shall be unable to publish in a Daily Newspaper or financial journal any notice required to be published by any provision of this Resolution, the City shall give such notice in such other manner as in its judgment shall most effectively approximate such publication, and the giving of such notice in such manner, for all purposes of this Resolution shall be deemed to be in compliance with the requirement for the publication thereof.

Section 1206. Inconsistent Resolutions. All resolutions and parts thereof which are inconsistent with any of the provisions of this Resolution are hereby declared to be inapplicable to the provisions of this Resolution.

Section 1207. Further Acts. The officers and agents of the City are hereby authorized and directed to do all the acts and things required of them by the Bonds and this Resolution, for the full, punctual and complete performance of all of the terms, covenants, provisions and agreements contained in the Bonds and this Resolution.

Section 1208. Headings Not Part of Resolution. Any headings preceding the texts of the several Articles and Sections hereof and any table of contents, marginal notes or footnotes appended to copies hereof shall be solely for convenience of reference, and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect.

Section 1209. Beneficiaries under Resolution. Except as herein otherwise expressly provided, nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the City, the Holders of the Bonds issued under and secured by this Resolution and the issuer of any Credit Facility or Liquidity Facility,

82

Miami, Document #: 11152v5

EXHIBIT A

THE PROJECT

The Project shall consist of Improvements to the City's Water System, including the construction of wellfield upgrades, construction of new membrane softening treatment facilities at the Peele-Dixie Water Treatment Plant and the Fiveash Water Treatment Plant, construction and reconstruction of Improvements to the Fiveash Water Treatment Plant, the construction of new pipelines and storage tanks for the water distribution system, the construction of new wells at the Prospect Wellfield and the rehabilitation of existing wells and generators at both the Prospect Wellfield and the Dixie Wellfield, the construction of new injection wells and pump stations at the Fiveash Water Treatment Plant; and Improvements to the City's Sewer System, including the acquisition and construction of extensions to the sewer collection system into previously unsewered areas, modifications, repairs and improvements to the existing sewer collection system, the construction, reconstruction and Improvements to the sewer transmission system, consisting of the replacement of pumps and the construction of a force main along Davie Boulevard, and the construction of Improvements to the Regional Wastewater Treatment Plant.

Miami, Document #: 11152v5

any right, remedy or claim, legal or equitable, under or by reason of the Resolution or any provisions hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the City and the Holders from time to time of the Bonds issued hereunder and the issuer of any Credit Facility and Liquidity Facility.

Section 1210. Effect of Partial Invalidity. In case any one or more of the provisions of this Resolution or of any Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution or of the Bonds, but this Resolution and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. The Bonds are issued and this Resolution is adopted with the intent that the laws of the State of Florida shall govern their construction.

Section 1211. Repeal of Resolution No. 93-46. Resolution No. 93-46 of the City Commission adopted on March 15, 1993 is hereby repealed in its entirety and is of no further force or effect.

Section 1212. Resolution Effective. This Resolution shall be effective immediately upon its adoption.

ADOPTED this the 18th day of February, 2003.

/s/ Jim Naugle

Mayor

ATTEST:

/s/ Lucy Kisela

City Clerk

83

Miami, Document #: 11152v5

EXHIBIT B

FORM OF BOND

No. R-_____ \$ _____

UNITED STATES OF AMERICA
STATE OF FLORIDA
CITY OF FORT LAUDERDALE
WATER AND SEWER REVENUE BOND
SERIES _____

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Date of Original Issuance</u>	<u>CUSIP</u>
_____, 1, ____	_____%	_____, __, ____	_____

Registered Holder:

Principal Amount:

The City of Fort Lauderdale (herein called the "City"), a municipal corporation in Broward County, Florida, duly organized and operating under the Constitution and laws of the State of Florida, is justly indebted and for value received hereby promises to pay to the registered holder shown above or to the registered assigns or legal representative thereof on the date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof, at the office of the Director of Finance of the City as registrar for the Bonds (the "Bond Registrar"), the principal sum shown above, and to pay to the registered owner hereof, by check or draft mailed to the registered owner at such registered owner's address as it appears on the bond registration books of the City, or by wire transfer to the registered owner of at least \$1,000,000 principal amount of the Bonds, interest on such principal sum from the date hereof or from the March 1 or September 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a March 1 or September 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable on March 1 and September 1 in each year, commencing _____ 1, ____, at the rate per annum specified above, until payment of such principal sum. The interest so payable and punctually paid, or duly provided for, on any interest payment date will be paid to the person in whose name this bond is registered at the close of business on the Regular Record Date for such

Miami, Document #: 11152v5

interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered holder on such Regular Record Date, and may be paid to the person in whose name this bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Bond Registrar, notice whereof being given to the holders not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds of this series may be listed and upon such notice as may be required by such exchange, or as more fully provided in the Resolution under which this Bond is issued hereinafter mentioned or by wire transfer as mentioned above. Such payment of interest shall be by check mailed to the holder at such holder's address as it appears on the bond registration books maintained by the Bond Registrar. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This bond shall not be deemed to constitute an indebtedness of the City, Broward County, Florida, the State of Florida or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation and the City, Broward County, Florida, the State of Florida or any political subdivision thereof is not obligated to pay the principal of, the premium, if any, or the interest on this bond except for the City's obligation to pay the same from the special fund hereinafter mentioned, and the faith and credit of the City, Broward County, Florida, the State of Florida or any political subdivision thereof are not pledged to the payment of the principal of, the premium, if any, or the interest on this bond. The issuance of this bond shall not directly, indirectly or contingently obligate the City, Broward County, Florida, the State of Florida or any political subdivision thereof to levy or to pledge any taxes whatever therefor or to make any appropriation for the payment of the principal of, the premium, if any, or the interest on this bond except as provided in the hereinafter described Resolution.

This bond is one of a series of bonds designated "Water and Sewer Revenue Bonds, Series ____" and issued by the City for the purpose of providing funds, with any other available funds, to (i) finance the construction and acquisition of certain improvements to the City's Water and Sewer System (as defined in the Resolution), (ii) fund a deposit to the Reserve Account established under the Resolution or pay the costs of a Reserve Account Insurance Policy, and (iii) pay the costs of issuance of the bonds. This bond is issued under and pursuant to Resolution No. 03-____, adopted by the City Commission of the City (the "City Commission") on February 18, 2003 (the "Bond Resolution") and Resolution No. 03-____, adopted by the City Commission in furtherance of the Bond Resolution on February 18, 2003 (the "Series Resolution" and, together with the Bond Resolution, the "Resolution").

The bonds of this series consist of bonds maturing on September 1 and March 1, of the years ____ to ____, inclusive, and _____ 1, ____.

subject to certain conditions provided in the Resolution, bonds of this series may be exchanged for an equal aggregate principal amount of bonds of the same maturity, or authorized denomination and bearing interest at the same rate.

The Bond Registrar is required to keep at its designated office the books of the City for the registration of and for the registration of transfers of bonds. The transfer of this bond may be registered only upon such books and as otherwise provided in the Resolution upon the surrender hereof to the Bond Registrar together with an assignment fully executed by the registered owner hereof or such registered owner's attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer, the Bond Registrar shall deliver in exchange for this bond a new bond or bonds, registered in the name of the transferee, of authorized denominations, and in aggregate principal amount equal to the unredeemed principal amount of this bond, of the same maturity and bearing interest at the same rate.

The Bond Registrar shall not be required to exchange or register any transfer of this bond during the 15 days immediately preceding the date of mailing of a notice of redemption or after this bond or any portion thereof has been selected for redemption.

This bond is issued and the Resolution was adopted under and pursuant to the City Charter of the City and the laws of the State of Florida. The Resolution provides for the creation of a special account designated "Water and Sewer Revenue Bonds Sinking Fund Account", which fund is pledged to and charged with the payment of the principal of, premium, if any, and the interest on all bonds issued and outstanding under the Resolution, and the City has covenanted in the Resolution to deposit to the credit of said special fund a sufficient amount of the Net Revenues (as defined in the Resolution) of the City's Water and Sewer System to provide for the payment of the principal of, premium, if any, and interest on the bonds issued under the provisions of the Resolution as the same shall become due and to create a reserve for such purpose.

All acts, conditions and things required by the Constitution and laws of the State of Florida and the ordinances and resolutions of the City to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed as so required.

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

The bonds maturing prior to March 1, ____ are not subject to redemption prior to maturity. The bonds of this series at the time outstanding which mature on and after September 1, ____ may be redeemed prior to their respective maturities, at the option of the City, from any moneys that may be made available for such purpose, either in whole, on any date not earlier than March 1, ____, or in part, in any order of maturity selected by the City and by lot within a maturity, on the first Business Day of any calendar month not earlier than March 1, ____, at the following redemption dates and at the following redemption prices (expressed as percentages of principal amount to be redeemed) plus accrued interest to the redemption date as follows:

<u>Redemption Period (inclusive)</u>	<u>Redemption Price</u>
September 1, ____ to August 31, ____	____ %
September 1, ____ and thereafter	____

If less than all of the bonds of any one maturity shall be called for redemption, the particular bonds to be redeemed shall be selected by lot as provided in the Resolution.

At least thirty (30), but not more than sixty (60) days before the redemption date of any bonds to be redeemed, whether such redemption be in whole or in part, the City shall cause a notice of such redemption to be filed with the Bond Registrar, mailed, first class postage prepaid, to all registered owners of bonds to be redeemed in whole or in part at their last addresses appearing upon the registration books of the City. The failure to mail such notice shall not affect the validity of such redemption. Such further notice of redemption shall be given as provided in the Resolution. On the date fixed for redemption, notice having been given as aforesaid, the bonds or portions thereof so called for redemption shall be due and payable at the redemption price provided for the redemption of such bonds or portion thereof and, if moneys for payment of such redemption price and the accrued interest are held by the Bond Registrar or any appropriate fiduciary institution acting as escrow agent, as provided in the Resolution, interest on the bonds or the portions thereof so called for redemption shall cease to accrue. If a portion of this bond shall be called for redemption a new bond or bonds in principal amount equal to the unredeemed portion hereof will be issued to the registered owners hereof or his legal representative upon the surrender hereof.

The holder of this bond shall have no right to enforce the provisions of the Resolution, or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Resolution, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Resolution.

Modifications or alterations of the Resolution or of any resolution supplemental thereto may be made only to the extent and in the circumstances permitted by the Resolution.

The bonds are issuable as fully registered bonds in the denomination of \$5,000 or any whole multiple thereof. At the designated office of the Bond Registrar, in the manner and

IN WITNESS WHEREOF, said City of Fort Lauderdale, by resolution duly adopted by its City Commission, has caused this bond to bear the signature of its Mayor and its City Manager and to bear the signature of its Clerk and the official seal of the City to be imprinted hereon.

Mayor

City Manager

[SEAL]

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds of the series designated herein and issued under the provisions of the Resolution.

CITY OF FORT LAUDERDALE, FLORIDA
as Bond Registrar

By: _____
Director of Finance

Date of authentication: _____

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(please print or typewrite name and address of transferee)
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints
_____ Attorney to transfer the within Bond on the books kept
for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTICE: Signatures must be guaranteed by a member firm or the New York Stock Exchange or a commercial bank or a trust company.

FORM OF ABBREVIATIONS FOR BONDS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT - _____	Custodian _____
TEN ENT	- as tenants by the entireties	(Cust)	(Minor)
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____	(State)

Additional abbreviations may also be used though not in the above list.

[THIS PAGE INTENTIONALLY LEFT BLANK]

RESOLUTION NO. 12-75

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF FORT LAUDERDALE, FLORIDA, AUTHORIZING THE ISSUANCE AND SALE OF WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2012, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$75,000,000 FOR THE PURPOSE OF, TOGETHER WITH OTHER LEGALLY AVAILABLE FUNDS, (i) REFUNDING ON AN ADVANCED BASIS A PORTION OF THE CITY'S \$90,000,000 ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS, SERIES 2003 AND (ii) PAYING THE COST OF ISSUANCE OF THE SERIES 2012 BONDS; FIXING THE FORM AND DENOMINATIONS OF SAID SERIES 2012 BONDS AND PROVIDING FOR THE FIXING OF THE PRINCIPAL AMOUNTS, DATES, RATES OF INTEREST, MATURITY DATES AND REDEMPTION PROVISIONS OF SAID SERIES 2012 BONDS AND THE DETERMINATION OF THE BONDS TO BE REFUNDED BY THE CITY MANAGER WITHIN THE PARAMETERS SET FORTH HEREIN; AUTHORIZING THE EXECUTION AND DIRECTING THE AUTHENTICATION AND DELIVERY OF SAID SERIES 2012 BONDS; AUTHORIZING THE PUBLIC SALE BY COMPETITIVE BID OF SUCH SERIES 2012 BONDS; APPROVING THE FORM OF OFFICIAL NOTICE OF BOND SALE; AUTHORIZING THE CITY MANAGER TO AWARD THE SERIES 2012 BONDS WITHIN THE PARAMETERS SET FORTH HEREIN; APPOINTING A PAYING AGENT AND BOND REGISTRAR FOR ALL OUTSTANDING BONDS; PROVIDING FOR THE APPOINTMENT OF AN ESCROW AGENT AND VERIFICATION AGENT; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT; AUTHORIZING THE USE OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT WITH RESPECT TO SAID SERIES 2012 BONDS; APPROVING UNCERTIFICATED, BOOK-ENTRY ONLY REGISTRATION OF SAID SERIES 2012 BONDS WITH THE DEPOSITORY TRUST COMPANY; AUTHORIZING MUNICIPAL BOND INSURANCE FOR SAID SERIES 2012 BONDS, IF IN THE BEST INTERESTS OF THE CITY; PROVIDING FOR THE APPLICATION OF THE PROCEEDS OF SAID SERIES 2012 BONDS; COVENANTING TO PROVIDE CONTINUING DISCLOSURE IN CONNECTION WITH

SUCH SERIES 2012 BONDS IN ACCORDANCE WITH RULE 15c2-12 AND AUTHORIZING THE EXECUTION OF A COMMITMENT WITH RESPECT THERETO; AUTHORIZING OTHER REQUIRED ACTIONS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, on February 18, 2003, the City Commission (the "City Commission") of the City of Fort Lauderdale, Florida (the "City") adopted Resolution No. 03-29 (the "Bond Resolution"), providing for the issuance of its Water and Sewer Revenue Bonds, including Refunding Bonds, as described therein; and

WHEREAS, the City has determined to issue its Water and Sewer Revenue Refunding Bonds, Series 2012, in the aggregate principal amount of not exceeding \$75,000,000 (the "Series 2012 Bonds"), in order to provide funds, together with other legally available moneys, to (i) refund on an advanced basis a portion of the City's outstanding \$90,000,000 original aggregate principal amount of Water and Sewer Revenue Bonds, Series 2003 (the "Series 2003 Bonds") and (ii) pay the costs of issuance of the Series 2012 Bonds and the refunding of the Refunded Bonds, as described herein; and

WHEREAS, the Bond Resolution provides that certain details of the Series 2012 Bonds issued under the Bond Resolution and certain other matters relating to said Series 2012 Bonds shall be determined in a Series Resolution; and

WHEREAS, the City now desires to (i) provide for the issuance of the Series 2012 Bonds and the fixing of the terms, provisions and other matters relating to the Series 2012 Bonds within the parameters set forth herein, (ii) provide for the refunding and defeasance of a portion of the Series 2003 Bonds to be determined by the City Manager in accordance with Section 3 herein (the "Refunded Bonds"), (iii) provide for the public sale by competitive bid of the Series 2012 Bonds and the form of the Official Notice of Bond Sale, (iv) authorize the use and distribution of a Preliminary Official Statement relating to the Series 2012 Bonds and the execution and delivery of an Official Statement (as such terms are defined herein), (v) provide for the execution and delivery of an Escrow Deposit Agreement, as described herein and (vi) the taking of such other actions as may be required in connection with the issuance and delivery of the Series 2012 Bonds and the refunding and defeasance of the Refunded Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF FORT LAUDERDALE, FLORIDA:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to the provisions of the Act and the Bond Resolution. This resolution constitutes a "Series Resolution" with respect to the Series 2012 Bonds, as contemplated by the Bond Resolution.

SECTION 2. DEFINITIONS. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Bond Resolution, unless otherwise provided or unless the context otherwise clearly requires. Any reference in this resolution to the Mayor shall mean either the Mayor or the Vice Mayor of the City. Any reference in this resolution to the City

MIAMI/4275021.3

Manager shall mean either the City Manager or an Assistant City Manager designated by the City Manager.

SECTION 3. AUTHORIZATION THE REFUNDING OF THE REFUNDED BONDS AND THE ISSUANCE OF THE SERIES 2012 BONDS; AUTHORIZATION OF ESCROW DEPOSIT AGREEMENT.

The refunding of the Refunded Bonds is hereby authorized. Subject and pursuant to the provisions hereof, Series 2012 Bonds to be known as "City of Fort Lauderdale, Florida, Water and Sewer Revenue Refunding Bonds, Series 2012" are hereby authorized to be issued at one time or as needed in one or more series in an aggregate principal amount of not exceeding Seventy-five Million Dollars (\$75,000,000) with the exact aggregate principal amount of said Series 2012 Bonds to be determined by the City Manager prior to the awarding of the Series 2012 Bonds, for the purpose of refunding on an advanced basis the Refunded Bonds and paying the costs of issuance of the Series 2012 Bonds and the refunding of the Refunded Bonds. Prior to the issuance of the Series 2012 Bonds, the City Manager is hereby authorized and directed to determine, upon the advice of the City's financial advisor, which maturities shall be refunded as is in the best interest of the City. The Series 2012 Bonds shall not be issued unless the issuance thereof and the refunding of the Refunded Bonds results in a net present value savings on the difference between such debt service divided by the par amount of the Refunded Bonds of at least three percent (3%).

The form of the Escrow Deposit Agreement shall be substantially in the form approved at this meeting and attached hereto as Exhibit "A". The City hereby approves (i) the execution and delivery of the Escrow Deposit Agreement with the Escrow Agent by the Mayor, and the City Clerk is hereby authorized and directed to attest to the execution by the Mayor and affix the seal of the City, with such variations, omissions and insertions as may be approved by the City Manager, upon the advice of the City's financial advisor and Bond Counsel, (ii) the deposit and pledge of a portion of the proceeds of the Series 2012 Bonds in an amount which, together with interest earnings thereon, and certain other legally available funds of the City, if necessary, shall be sufficient to pay the principal of and interest on the Refunded Bonds, (iii) the investment and reinvestment of a portion of the proceeds from the sale of Series 2012 Bonds in Government Obligations for the purpose of effecting the defeasance of the Refunded Bonds, (iv) the calling for redemption of the Refunded Bonds prior to their dates of maturity as set forth in the call schedule in the Escrow Deposit Agreement, (v) the disbursement of unneeded principal and interest, if any, from the funds and accounts created and established pursuant to the Escrow Deposit Agreement to the City and the application of those funds for the payment of the principal of or interest on or for the redemption of Series 2012 Bonds. The execution and delivery of the Escrow Deposit Agreement by the Mayor and City Clerk shall be deemed to be conclusive evidence of the City's approval by the City Manager of any variations, omissions and insertions to the form of Escrow Deposit Agreement attached hereto as Exhibit "A".

SECTION 4. SALE AND AWARD OF SERIES 2012 BONDS; TERMS; REDEMPTION AND FORM OF SERIES 2012 BONDS.

(a) The City Manager is hereby authorized and directed to provide for the public sale of the Series 2012 Bonds by competitive bid in the manner provided in Section 218.385, Florida

Statutes, at an aggregate purchase price as approved by the City Manager of not less than 98% of the original principal amount of the Series 2012 Bonds (including underwriter's discount, but not including original issue discount or original issue premium) and at a true interest cost rate ("TIC"), as approved by the City Manager, but not to exceed 4.0% (the "Maximum TIC"). Without limiting the generality of the foregoing, such public sale may be conducted by an internet bidding process through Bidcomp/Parity Competitive Bidding System or other similar website. The City Manager is hereby authorized to determine the most advantageous date and time of sale and to publish the Official Notice of Bond Sale, or a summary thereof, in one or more newspapers of general circulation or financial journals published within or without the State of Florida, as he shall deem appropriate, such publication to be not less than ten (10) days prior to the date of sale; and if all bids received are rejected, such Series 2012 Bonds may again be offered for sale. The Official Notice of Bond Sale shall be in substantially the form thereof attached hereto as Exhibit "B", and the Official Bid Form shall be in the form provided by Bidcomp/Parity Competitive Bidding or other internet bidding service, with such deletions, changes, revisions or modifications as may be approved by the City Manager, including, without limitation, such changes as may be required to provide for public sale by competitive bids through an internet bidding process. The City Manager is further authorized to award the Series 2012 Bonds to the bidder(s) naming the lowest TIC (but not in excess of the Maximum TIC) in the Official Bid Form and who otherwise meets and satisfies the terms and conditions of the Official Notice of Bond Sale.

(b) The Series 2012 Bonds are issuable only in fully registered form and shall be in substantially the form thereof provided for in Section 203 of the Bond Resolution, with such appropriate variations, omissions and insertions as may be required therein and approved by the Mayor, with the Mayor's execution of the Series 2012 Bonds being conclusive evidence of his approval and the City's approval of such variations, omissions and insertions. The Series 2012 Bonds shall be issued in denominations of \$5,000 or any multiple thereof. The Series 2012 Bonds shall be dated such date as the City Manager shall determine, and shall bear interest from their dated date as set forth in the Bond Resolution. Interest on the Series 2012 Bonds shall be payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2012. The Series 2012 Bonds shall be numbered consecutively from R-1 and upwards. The Series 2012 Bonds shall mature semiannually on March 1 and September 1, subject to prior redemption, in such years as shall be determined by the City Manager, provided that the final maturity date shall be not later than September 1, 2031. Subject to the foregoing, the aggregate principal amount, maturities, interest rates and other terms of the Series 2012 Bonds and the determination of the successful bidder(s) shall be as approved and determined by the City Manager and set forth in a certificate of the City Manager delivered on or prior to the date of issuance (the "Certificate of the City Manager"). The execution and delivery of the Certificate of the City Manager shall be conclusive evidence of the City's approval of the final details and prices of the Series 2012 Bonds.

The Series 2012 Bonds shall be initially issued as uncertificated, book-entry only bonds through the book-entry only system maintained by The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2012 Bonds.

(c) **Optional Redemption.** The Series 2012 Bonds are subject to redemption prior to maturity at the option of the City, in whole or in part at any time, at such times, and at the

redemption prices, as approved and determined by the City Manager, as set forth in the Certificate of the City Manager referred to above; provided, however, that the first optional redemption date shall not be later than ten (10) years after the date of issuance of the Series 2012 Bonds and the redemption price of the Series 2012 Bonds shall not exceed one hundred percent (100%) of the principal amount of the Series 2012 Bonds to be redeemed. The execution and delivery of the Series 2012 Bonds by the City Manager shall be conclusive evidence of the City's approval of the optional redemption provisions relating to the Series 2012 Bonds.

(d) Mandatory Sinking Fund Redemption. The Series 2012 Bonds consisting of Term Bonds, if any, shall be subject to mandatory redemption prior to maturity to the extent of the Amortization Requirements therefor at the principal amount of such Series 2012 Bonds to be redeemed, plus accrued interest to the date fixed for redemption, but without premium, on each March 1 and September 1 for which there is an Amortization Requirement due on such Series 2012 Bonds. The Amortization Requirements for the Series 2012 Bonds consisting of Term Bonds shall be as approved and determined by the City Manager, as set forth in the Certificate of the City Manager referred to above. The execution and delivery of the Series 2012 Bonds by the City Manager shall be conclusive evidence of the City's approval of the mandatory sinking fund redemption provisions relating to the Series 2012 Bonds.

(e) Cost of Issuance Account. A special Account is hereby created and designated "Series 2012 Cost of Issuance Account" in which shall be deposited the amount specified in a certificate of the Finance Director delivered on the date of closing of the Series 2012 Bonds to pay expenses relating to the issuance of the Series 2012 Bonds and the refunding of the Refunded Bonds.

(f) Establishment of Reserve Account Requirement for Series 2012 Bonds. The Reserve Account Requirement for the Series 2012 Bonds (the "2012 Reserve Account Requirement") is hereby established for the Series 2012 Bonds in the amount of zero dollars (\$0.00). The Series 2012 Bonds shall not be secured by the Reserve Account or any subaccount therein.

SECTION 5. AUTHORIZATION OF EXECUTION, AUTHENTICATION AND DELIVERY OF SERIES 2012 BONDS. The Mayor and the City Manager are hereby authorized and directed to cause the Series 2012 Bonds to be signed with their manual or facsimile signatures and the City Clerk is hereby authorized and directed to attest to the execution of the Series 2012 Bonds by the Mayor and the City Manager with her manual or facsimile signature and is hereby directed and authorized to cause the corporate seal of the City or a facsimile thereof to be imprinted on each of the Series 2012 Bonds, and the Series 2012 Bonds shall thereupon be delivered to the Bond Registrar for authentication. The Bond Registrar is hereby authorized and directed to authenticate and deliver the Series 2012 Bonds at one time to or upon the order of the successful bidder(s) upon payment therefor.

SECTION 6. PRELIMINARY OFFICIAL STATEMENT; OFFICIAL STATEMENT. The form, terms and provisions of the Official Statement relating to the Series 2012 Bonds shall be substantially as set forth in the Preliminary Official Statement concerning the offering of the Series 2012 Bonds in the form approved at this meeting and attached hereto as Exhibit "C". The use and distribution of the Preliminary Official Statement in connection with

No amount of proceeds from the Series 2012 Bonds or otherwise shall be deposited in or to the credit of the Reserve Account upon the issuance of the Series 2012 Bonds.

SECTION 10. INTEREST PAYMENT BY WIRE TRANSFER. If the DTC system of book-entry only registration for the Series 2012 Bonds is discontinued, any registered owner of at least \$1,000,000 in principal amount of the Series 2012 Bonds shall be entitled, upon giving appropriate notice, to receive periodic payments of interest on such registered owner's Series 2012 Bonds by wire transfer to a bank located within the continental United States.

SECTION 11. APPOINTMENT OF PAYING AGENT AND BOND REGISTRAR; APPOINTMENT OF ESCROW AGENT AND VERIFICATION AGENT. The City hereby designates and appoints Regions Bank as the initial Paying Agent and the initial Bond Registrar for the Series 2012 Bonds and as the Paying Agent and Bond Registrar for all Bonds currently Outstanding under the Bond Resolution. The City hereby designates and appoints Regions Bank as Escrow Agent for the Refunded Bonds. The City hereby designates and appoints Robert Thomas CPA, LLC, as Verification Agent for the Refunded Bonds.

SECTION 12. CONTINUING DISCLOSURE. For the benefit of the holders and beneficial owners from time to time of the Series 2012 Bonds, the City agrees, in accordance with and as the only obligated person with respect to the Series 2012 Bonds under the Rule, to provide or cause to be provided such financial information and operating data, financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5) of the Rule. In order to describe and specify certain terms of the City's continuing disclosure agreement, including provisions for enforcement, amendment and termination, the Finance Director is hereby authorized and directed to sign and deliver, in the name and on behalf of the City, a Continuing Disclosure Commitment (the "Continuing Disclosure Commitment"), in substantially the form attached hereto as Exhibit "D", with such changes, insertions and omissions and such filling in of blanks therein as may be approved by the Finance Director. The execution of the Continuing Disclosure Commitment, for and on behalf of the City by the Finance Director, shall be deemed conclusive evidence of the City's approval of the Continuing Disclosure Commitment. The agreement formed by this paragraph and the Continuing Disclosure Commitment shall be the City's continuing disclosure agreement for purposes of the Rule, and its performance shall be subject to the availability of funds to meet costs the City would be required to incur to perform it. Notwithstanding any other provisions of this Series Resolution or the Bond Resolution, any failure by the City to comply with any provisions of the Continuing Disclosure Commitment or this Section 12 shall not constitute a default under the Bond Resolution and the remedies therefor shall be solely as provided in the Continuing Disclosure Commitment.

The Finance Director is further authorized and directed to establish, or cause to be established, procedures in order to ensure compliance by the City with the Continuing Disclosure Commitment, including the timely provision of information and notices. Prior to making any filing in accordance with such agreement, the Finance Director shall consult with, as appropriate, the City Attorney, the City's bond counsel or the City's disclosure counsel. The Finance Director, acting in the name and on behalf of the City, shall be entitled to rely upon any legal advice provided by the City Attorney, the City's bond counsel or the City's disclosure counsel in determining whether a filing should be made.

the sale of the Series 2012 Bonds is hereby approved. The Finance Director is hereby authorized and directed to execute and deliver to the successful bidder(s) in connection with the actual Preliminary Official Statement issued and distributed in connection with the sale of the Series 2012 Bonds a certificate deeming said Preliminary Official Statement "Final" for purposes of subsection (b)(1) of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The Mayor, the City Manager and the Finance Director are hereby authorized and directed to execute and deliver said Official Statement in the name and on behalf of the City, and thereupon to cause said Official Statement to be delivered to the successful bidder(s) within seven business days of the award, with such variations, omissions and insertions as may be approved by said Mayor, City Manager and Finance Director. Said Official Statement, including any such variations, omissions and insertions as approved by the Mayor, City Manager and Finance Director and the information contained therein are hereby authorized to be used in connection with the sale of the Series 2012 Bonds to the public. Execution by the Mayor, City Manager and Finance Director of the Official Statement shall be deemed to be conclusive evidence of their approval and the City's approval of any variations, omissions and insertions in the Official Statement.

SECTION 7. SYSTEM OF UNCERTIFICATED REGISTRATION. There is hereby established a system of registration with respect to the Series 2012 Bonds as permitted by Chapter 279, Florida Statutes, pursuant to which both certificated and uncertificated registered Series 2012 Bonds are issued. The system shall be as described in the Official Statement. The City reserves the right to amend, discontinue or reinstitute this system from time to time subject to the covenants with the beneficial owners of the Series 2012 Bonds.

Neither the City nor the Paying Agent (as specified in Section 11 hereof) shall be liable for the failure of the depository of the Series 2012 Bonds to perform its obligations as described in the Official Statement, nor for the failure of any participant in the system maintained by the depository to perform any obligation the participant may have or incur to a beneficial owner of any Series 2012 Bonds.

SECTION 8. MUNICIPAL BOND INSURANCE. In order to produce the lowest true interest cost possible for the Series 2012 Bonds, the Finance Director is hereby authorized to secure a municipal bond insurance policy with respect to the Series 2012 Bonds, if the Finance Director determines that obtaining such municipal bond insurance policy is in the best interests of the City. The City is hereby authorized to provide for the payment of any premium on such municipal bond insurance policy from the proceeds of the Series 2012 Bonds and enter into such agreements as may be necessary to secure such municipal bond insurance policy, with the City Manager's (or such other official of the City as may be required) execution of any such agreement to be conclusive evidence of the City's approval thereof.

SECTION 9. APPLICATION OF BOND PROCEEDS AND OTHER AVAILABLE MONIES. The proceeds of the Series 2012 Bonds shall be applied for the purposes stated in and in a manner consistent with the Estimated Sources and Uses of Funds section of the Official Statement. The specific amounts to be deposited in the funds and accounts established by the Bond Resolution shall be set forth in a certificate to be delivered by the Finance Director simultaneously with the delivery of the Series 2012 Bonds.

The City Commission hereby authorizes and approves the appointment of Digital Assurance Certification, Inc. (the "DAC"), as dissemination agent under the Continuing Disclosure Commitment, if the Finance Director determines it is in the best interests of the City to have DAC serve in such capacity, and authorizes and approves the execution and delivery by the Finance Director of any agreement necessary with respect to such of appointment.

SECTION 13. GENERAL AUTHORITY. The members of the City Commission, the City Manager, the Finance Director, the City Attorney and the officers, attorneys and other agents or employees of the City are hereby authorized to do all acts and things required of them by this resolution, the Bond Resolution, the Official Statement, the Official Notice of Bond Sale, the Escrow Deposit Agreement or the Continuing Disclosure Commitment or desirable or consistent with the requirements of this resolution, the Bond Resolution, the Official Statement, the Official Notice of Bond Sale, the Escrow Deposit Agreement or the Continuing Disclosure Commitment for the full, punctual and complete performance of all the terms, covenants and agreements contained herein or therein, including, but not limited to obtaining Government Obligations for deposit with the Escrow Agent pursuant to the Escrow Deposit Agreement, and each member, employee, attorney and officer of the City Commission, the City Manager, the Finance Director and the City Attorney is hereby authorized and directed to execute and deliver any and all papers and instruments and to do and to cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated hereunder.

SECTION 14. HEADINGS FOR CONVENIENCE ONLY. The headings preceding the texts of the several sections and subsections hereof shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect.

SECTION 15. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof.

SECTION 16. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

[Signatures for this Appendix Intentionally Omitted]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

Proposed Form of Opinion of Bond Counsel

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

[PROPOSED FORM OF BOND COUNSEL OPINION]

May __, 2012

Upon the delivery of the Series 2012 Bonds, Squire Sanders (US) LLP is prepared to render its approving opinion with respect to the Series 2012 Bonds in substantially the following form:

City Commission of the
City of Fort Lauderdale, Florida

We have served as bond counsel to our client the City of Fort Lauderdale, Florida (the “City”) and not as counsel to any other person in connection with the issuance by the City of its \$_____ aggregate principal amount of Water and Sewer Revenue Refunding Bonds, Series 2012 (the “Series 2012 Bonds”), dated the date of this letter.

The Series 2012 Bonds are issued pursuant to the Constitution and laws of the State of Florida, particularly Chapter 166, Florida Statutes, as amended, the Charter of the City and other applicable provisions of law (the “Act”) and Resolution No. 03-29 adopted by the City Commission on February 18, 2003, as supplemented by Resolution No. 12-75 adopted by the City Commission on April 17, 2012 (collectively, the “Bond Resolution”), to provide funds, together with other legally available funds, to refund on an advanced basis a portion of the City’s outstanding \$90,000,000 original aggregate principal amount of Water and Sewer Revenue Bonds, Series 2003, as described in the Official Statement (the “Refunded Bonds”) and to pay the cost of issuance of the Series 2012 Bonds and the refunding of the Refunded Bonds. The Series 2012 Bonds are issuable as fully registered bonds in authorized denominations of \$5,000 and integral multiples thereof. The Series 2012 Bonds mature at the times and bear interest payable at the times and at the rates determined, all in the manner provided in the Bond Resolution and as set forth in the Official Statement relating thereto. Capitalized terms not otherwise defined in this letter are used as defined in the Bond Resolution.

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2012 Bonds, the signed and authenticated Series 2012 Bond of the first maturity and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The City is a municipal corporation organized and existing under the laws of the State of Florida with the power to adopt the Bond Resolution, to perform its obligations thereunder and to issue the Series 2012 Bonds.

2. The Series 2012 Bonds constitute valid and binding limited obligations of the City and are equally and ratably payable from, and secured by, a valid pledge of and lien upon the Net Revenues. The Series 2012 Bonds and the payment of debt service thereon are not secured by an obligation or pledge of any moneys raised by taxation, and the Series 2012 Bonds do not represent or constitute a general obligation, a debt or pledge of the full faith and credit or taxing power of the City, Broward County, Florida, the State of Florida, or any political subdivision thereof.

3. Interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, portions of the interest on the Series 2012 Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. The Series 2012 Bonds and the income thereon are exempt from all taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. We express no opinion as to any other tax consequences regarding the Series 2012 Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the City.

In rendering those opinions with respect to the treatment of the interest on the Series 2012 Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the City. Failure to comply with certain of those covenants subsequent to issuance of the Series 2012 Bonds may cause interest on the Series 2012 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Series 2012 Bonds and the enforceability of the Series 2012 Bonds are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or

City Commission of the
City of Fort Lauderdale, Florida
May __, 2012
Page 3

transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series 2012 Bonds has concluded on this date.

Respectfully submitted,

[To be signed "Squire Sanders (US) LLP"]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

Proposed Form of Opinion of Disclosure Counsel

[THIS PAGE INTENTIONALLY LEFT BLANK]

Date of Delivery

City Commission of the
City of Fort Lauderdale, Florida
100 North Andrews Avenue
Fort Lauderdale, Florida 33301

\$ _____
City of Fort Lauderdale, Florida
Water and Sewer Revenue Refunding Bonds
Series 2012

Ladies and Gentlemen:

We have served as Disclosure Counsel in connection with the issuance by the City of Fort Lauderdale, Florida (the "City") of its \$ _____ in aggregate principal amount of Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds are being issued with the terms, for the purposes and subject to the conditions set forth in Resolution No. 03-29 adopted by the City Commission of the City (the "City Commission") on February 18, 2003 (the "Bond Resolution"), as supplemented by Resolution No. 12-75 adopted by the City Commission on April 17, 2012 (the "Series Resolution" and, together with the Bond Resolution, the "Resolution"), as described in the Official Statement dated May ___, 2012 relating to the Series 2012 Bonds (the "Official Statement"). All capitalized terms used in this opinion that are not defined herein and not normally capitalized shall have the meaning ascribed to such terms in the Official Statement.

In connection with the issuance and delivery of this opinion, we have considered such matters of law and fact and have relied upon such certificates and other information furnished to us as we have deemed appropriate. We are not expressing any opinion or views herein on the authorization, issuance, delivery or validity of the Series 2012 Bonds. To the extent that the opinions expressed herein relate to or are dependent upon the determination that the proceedings and actions related to the authorization, issuance and sale of the Series 2012 Bonds are lawful and valid under the laws of the State of Florida, or that the Series 2012 Bonds are valid and binding obligations of the City enforceable in accordance with their terms, or that interest on the Series 2012 Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, we understand that you are relying upon the opinions delivered on the date hereof of Squire Sanders (US) LLP and no opinion is expressed herein as to such matters.

The scope of our engagement with respect to the issuance of the Series 2012 Bonds was not to establish factual matters and, because of the wholly or partially non-legal character of many of the determinations involved in the preparation of the Official Statement, we are not passing on and do not assume any responsibility for, except as set forth in the last sentence of this paragraph, the accuracy or completeness of the contents of the Official Statement (including, without limitation, its appendices) and we make no representation that we have independently verified the accuracy, completeness or fairness of such contents. As your counsel, we have participated in the preparation of the Official Statement and in discussions and conferences with officials of the City, Bond Counsel for the City, the Feasibility Consultants for the City and the Financial Advisor for the City, in which the contents of the Official Statement and related matters were discussed. Solely on the basis of our participation in the preparation of the Official Statement, our

examination of certificates, documents, instruments and records relating to the City and the issuance of the Series 2012 Bonds and the above-mentioned discussions, nothing has come to our attention which would lead us to believe that the Official Statement (except for the financial, statistical and demographic data and information in the Official Statement, including, without limitation, the appendices thereto, and the information relating to DTC, its operations and the book-entry only system, as to which no opinion is expressed) contains an untrue statement of a material fact or omits to state a material fact that is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We are also of the opinion that the continuing disclosure undertaking set forth in the Resolution and in the Continuing Disclosure Commitment of the City dated May ___, 2012 and delivered at the closing for the Series 2012 Bonds, satisfies the requirements set forth in Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission, as such requirements apply to the issuance of the Series 2012 Bonds.

In reaching the conclusions expressed herein we have, with your concurrence, assumed and relied on, without independent verification, the genuineness and authenticity of all signatures not witnessed by us, the authenticity of all documents, records, instruments and letters submitted to us as originals, the conformity to originals of all items submitted to us as certified or photostatic copies, the legal capacity and authority of the persons who executed such items, the accuracy of all warranties, representations and statements of fact contained in the documents and instruments submitted to us, and the continuing accuracy on this date of any certificates or other items supplied to us regarding the matters addressed herein. As to questions of fact material to our opinions, we have relied upon and assumed the correctness of the public records and certificates by, and representations of, public officials and other officers, and representatives of the parties to this transaction. We have no actual knowledge of any factual information that would lead us to form a legal opinion that the public records or certificates which we have relied upon contain any untrue statement of a material fact.

The opinions expressed herein are based upon existing law as of the date hereof and we express no opinion herein as of any subsequent date or with respect to any pending legislation. We assume no obligation to supplement this opinion if any applicable laws change after the date hereof or if we become aware of any facts that might change the opinions expressed herein after the date hereof. The opinions expressed herein represent our professional judgment, are not a guarantee of result, and are limited to the laws of the State of Florida and the United States of America.

The opinions expressed herein are furnished by us as Disclosure Counsel to our client, the City, and solely for the use of the addressee named above. Such opinions shall not extend to, and may not be relied upon by, any other persons, firms, or corporations without our express prior written consent. The opinions expressed herein are limited to the matters set forth herein, and to the documents referred to herein, and do not extend to any other agreements, documents or instruments executed by the City. No other opinion should be inferred beyond the matters expressly stated herein.

Respectfully submitted,

LAW OFFICES OF STEVE E. BULLOCK, P.A.

APPENDIX G

Form of Continuing Disclosure Commitment

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE COMMITMENT

This CONTINUING DISCLOSURE COMMITMENT dated as of May ___, 2012 is executed and delivered by the CITY OF FORT LAUDERDALE, FLORIDA (the "City"), a municipal corporation and public body corporate and politic, duly organized and existing under the Constitution and laws of the State of Florida in connection with the issuance of \$_____ in aggregate principal amount of City of Fort Lauderdale, Florida Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds are being issued pursuant to Resolution No. 03-29 adopted by the City Commission of the City (the "City Commission") on February 18, 2003 (the "Bond Resolution"), as supplemented by Resolution No. 12-75 adopted by the City Commission on April 17, 2012 (the "Series Resolution" and, together with the Bond Resolution, the "Resolution"). The City covenants and agrees as follows:

SECTION 1. Purpose of Disclosure Commitment. This Disclosure Commitment is being executed and delivered by the City in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC"). This Disclosure Commitment, together with Section 12 of the Series Resolution (collectively, the "Disclosure Agreement") shall constitute the continuing disclosure agreement of the City in accordance with the requirements of the Rule for the benefit of the Beneficial Owners.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Commitment, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Commitment.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2012 Bonds (including persons holding Series 2012 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2012 Bonds for federal income tax purposes.

"Business Day" shall mean any day other than a Saturday, Sunday or a day when banks in the City of New York, New York, or in the City of Fort Lauderdale, Florida, or in the city in which the principal offices of the Bond Registrar are required or authorized by law to be closed or on which the New York Stock Exchange is closed.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C., or any successor or alternate Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Dissemination Agent or the MSRB is located, or acts of any government, regulatory

or any other competent authority the effect of which is to prohibit the Dissemination Agent from the performance of its obligations under the Disclosure Agreement.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Commitment.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2012 Bonds required to comply with the Rule in connection with the offering of the Series 2012 Bonds.

“Repository” shall mean any municipal securities information repository approved from time to time by the SEC, or otherwise established by law or regulation, where information is required to be filed in accordance with the Rule and initially shall constitute the entity set forth on Exhibit A of this Disclosure Commitment.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the 243rd day following the end of each Fiscal Year, commencing with the Fiscal Year ending September 30, 2012, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Commitment (provided, however, that the information referred to in Section 4(b) may be provided no later than September 1 of each year, commencing September 1, 2013 with respect to the report for the 2011-2012 Fiscal Year). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Commitment; provided, however, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if the audited financial statements are not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than ten (10) Business Days prior to the date the Annual Report is to be filed with each Repository, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the Repository an Annual Report by the date required in subsection (a) of this Section, or if the City shall fail to provide the Annual Report to the Dissemination Agent in time for the Dissemination Agent to deliver the Annual Report to the Repository by the date required in subsection (a) of this Section, the City or the Dissemination Agent, as applicable, shall send a notice to each Repository in substantially the form attached as Exhibit B to this Disclosure Commitment.

(c) In addition to filing the notice required by subsection (b) of this Section, as applicable, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each Repository and verify the filing specifications of such Repository; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided and listing each Repository to which it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, which may be a part of the City's comprehensive audited financial report. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report may contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement for the Series 2012 Bonds, if available, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Any portion of an annual report of the Consulting Engineers relating to the Water and Sewer System, prepared in accordance with Section 703 of the Bond Resolution (or pursuant to any other requirements of the Water and Sewer System for the preparation of a similar study or report), to the extent such report or a portion thereof (i) updates information provided in the Official Statement prepared in connection with the issuance of the Series 2012 Bonds and (ii) is filed with the City (the "Engineer's Report").

(c) To the extent such information is not otherwise included as part of the annual audited financial statements of the City or the Engineer's Report, updated information from that set forth in the Official Statement for the Series 2012 Bonds under the subheadings "History," "Organizational Structure" and "Governmental Regulations" of the section "WATER AND SEWER SYSTEM," the annual pension cost and funding status information under the caption "PENSION PLANS" and the annual cost and contribution information under the caption "GASB STATEMENT NO. 45."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each Repository or to the SEC. If the document included by reference is a final official statement, such final official statement must be available in electronic format from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2012 Bonds within ten (10) Business Days of the occurrence of the event:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;

4. unscheduled draws on the credit enhancements reflecting financial difficulties.
5. substitution of the credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012 Bonds, or other material events affecting the tax status of the Series 2012 Bonds;
7. modifications to rights of Bondholders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Series 2012 Bonds, if material;
11. rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the City;

Note: for the purposes of the event identified in this subsection 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City 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 City, or if such jurisdiction has been assumed by leaving the existing governmental 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 City.

13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional Bond Registrar, Paying Agent or trustee or the change of name of a Bond Registrar, Paying Agent or trustee, if material.

(b) Notice to the Dissemination Agent of any Listed Event shall be in writing. Such notice shall (i) identify the Listed Event that has occurred; (ii) include the text of the disclosure that the City desires to make; (iii) contain the written authorization of the City for the Dissemination Agent to disseminate such information, and (iv) identify the date the City desires the Dissemination

Agent to disseminate the information (provided that such date is not later than the tenth (10th) Business Day after the occurrence of the Listed Event).

(c) The Dissemination Agent is not obligated to notify the City of an event that may constitute a Listed Event. In the event the Dissemination Agent so notifies the City, the City shall, within two (2) Business Days of receipt of such notice (but in any event not later than the tenth (10th) Business Day after the occurrence of the Listed Event, if the City determines that a Listed Event has occurred), instruct the Dissemination Agent that a Listed Event either (i) has not occurred and no filing is to be made or (ii) has occurred and the Dissemination Agent shall be provided notice thereof in the manner provided in Section 5(b).

SECTION 6. Termination of Reporting Obligation. The obligations of the City under the Disclosure Agreement shall remain in effect only for such period that the Series 2012 Bonds are outstanding in accordance with their terms and the terms of the Resolution and the City remains an obligated person with respect to the Series 2012 Bonds within the meaning of the Rule. The obligation of the City to provide the Annual Report and notices of Listed Events shall terminate if and when the City no longer remains such an obligated person. The Disclosure Agreement also shall terminate upon the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Agreement, the City may amend the Disclosure Agreement, and non-compliance with any provision of the Disclosure Agreement may be waived, provided the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) hereof (unless the amendment or waiver is necessary or appropriate for the City to achieve compliance with any applicable federal law or rule, or to cure any ambiguity, inconsistency, formal defect or omission in the provisions of the Disclosure Agreement), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2012 Bonds, or the type of business conducted;

(b) The Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2012 Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2012 Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in

narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in the Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Commitment or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Agreement, the City shall have no obligation under the Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Remedy for Breach. The Disclosure Agreement shall be solely for the benefit of the Beneficial Owners from time to time of the Series 2012 Bonds. The exclusive remedy for any breach of the Disclosure Agreement by the City shall be limited, to the extent permitted by law, to a right of Beneficial Owners to institute and maintain, or to cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by the City of its obligations under the Disclosure Agreement. Any holder or beneficial owner may exercise individually any such right to require the City to specifically perform its obligation to provide or cause to be provided a pertinent filing if such a filing is due and has not been made. Notwithstanding any other provisions of the Resolution or the Disclosure Agreement, any failure by the City to comply with any provision of the Disclosure Agreement shall not constitute a default under the Series 2012 Bonds or under the Resolution.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The services provided by the Dissemination Agent under or pursuant to the Disclosure Agreement shall solely relate to the execution of instructions received by the Dissemination Agent from the City and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). The Dissemination Agent shall not provide any advice or recommendation to the City or anyone on the City’s behalf regarding the “issuance of municipal securities” or any “municipal financial product,” as such terms are defined in Dodd-Frank, and nothing in the Disclosure Agreement shall be interpreted to the contrary.

(b) For purposes of satisfying the reporting requirements of the Disclosure Agreement, the City has delegated to the Dissemination Agent the duties, functions and responsibilities of disclosing information undertaken by the City in the Disclosure Agreement. The City may, from time to time, appoint or engage an alternate or substitute Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor, alternate or substitute Dissemination Agent. The Dissemination Agent (other than the City) shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Disclosure Agreement.

(c) Any information received by the Dissemination Agent before 6:00 p.m. Eastern time on any Business Day that it is required to file with the MSRB pursuant to the terms of the Disclosure Agreement will be filed by the Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same Business Day; provided, however, the Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event, provided that the Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

(d) The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2012 Bonds.

SECTION 11. Extent of Covenants; No Personal Liability. All covenants, stipulations, obligations and agreements of the City contained in the Disclosure Agreement are and shall be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized by law. No covenant, stipulation, obligation or agreement of the City contained in the Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the City in other than that person's official capacity.

SECTION 12. Obligated Persons. If any person, other than the City, becomes an "obligated person" with respect to the Series 2012 Bonds within the meaning of the Rule, the City shall use its best efforts to require such "obligated person" to comply with all provisions of the Rule applicable to such "obligated person."

SECTION 13. Electronic Filing. Any filing under the Disclosure Agreement with a Repository shall be made in compliance with the formal rules, notices or releases for such filings, as established by the SEC or the MSRB and, until established otherwise by such rules, notices or releases, any filing under the Disclosure Agreement shall be made electronically at <http://emma.msrb.org/> in accordance with the procedures of the MSRB for such filings.

SECTION 14. Beneficiaries. The Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 15. Severability. In case any section or provision of the Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 16. Headings. The headings preceding the text of the sections of this Disclosure Commitment are solely for convenience of reference and shall not affect the meaning, construction or effect of any of the provisions of the Disclosure Agreement.

IN WITNESS WHEREOF, the City has caused this Disclosure Commitment to be executed by its duly authorized officer and delivered to the Participating Underwriter in connection with the original issuance and delivery of the Series 2012 Bonds, all as of the date set forth above, and the Beneficial Owners and Holders of the Series 2012 Bonds from time to time shall be deemed to have accepted the Disclosure Agreement, as contained in Section 12 of the Series Resolution and further described and specified herein, in accordance with the Rule.

CITY OF FORT LAUDERDALE, FLORIDA

By: _____
DOUGLAS R. WOOD
Director of Finance

EXHIBIT A

Municipal Securities Information Repositories approved by the United States Securities and Exchange Commission:

Municipal Securities Rulemaking Board:

<http://emma.msrb.org/>

A list of names and addresses of all designated Municipal Securities Information Repositories as of any point in time is available by visiting the SEC's website at <http://www.sec.gov/info/municipal.shtml>.

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Fort Lauderdale, Florida

Name of Bond Issue: Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds")

Date of Issuance: May ___, 2012

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the Series 2012 Bonds as required by Section 12 of the Series Resolution adopted by the City Commission of the City in connection with the issuance of the Series 2012 Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

[Dissemination Agent]

By: _____
Name:
Title:

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

