

EXHIBIT B

PRELIMINARY OFFICIAL STATEMENT

**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER \_\_, 2014****NEW ISSUE  
BOOK-ENTRY ONLY****RATINGS: Moody's: "Aa2"  
Fitch: "AA-" (stable)  
See "RATINGS" herein**

*In the opinion of Greenberg Traurig, P.A., Bond Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes. Further, interest on the Series 2014 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for a description of the federal alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2014 Bonds. Bond Counsel is further of the opinion that the Series 2014 Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in said Chapter 220. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.*



**\$47,050,000\***  
**CITY OF HOLLYWOOD, FLORIDA**  
**WATER AND SEWER REFUNDING REVENUE BONDS,**  
**SERIES 2014**

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

The City of Hollywood, Florida Water and Sewer Refunding Revenue Bonds, Series 2014 (the "Series 2014 Bonds") will be issued by the City of Hollywood, Florida (the "City") 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 nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2014 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2014 Bonds purchased. Interest on the Series 2014 Bonds is payable commencing on April 1, 2015 and on each October 1 and April 1 thereafter. Principal, redemption premium, if any, and interest on the Series 2014 Bonds will be paid to DTC or its nominee, which will remit such payments in accordance with its normal procedures, as described herein. See "DESCRIPTION OF THE SERIES 2014 BONDS - Book-Entry-Only System" herein. While the Series 2014 Bonds are registered through the DTC Book-Entry-Only System, principal of and interest on the Series 2014 Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as Paying Agent (the "Paying Agent"), to DTC.

The Series 2014 Bonds are being issued pursuant to the Constitution and laws of the State of Florida, including Chapter 166, Florida Statutes, as amended, and the Home Rule Charter of the City and other applicable provisions of law and pursuant and subject to the terms and conditions of Ordinance No. O-91-44 enacted by the City Commission of the City (the "Commission") on July 24, 1991, as amended by Ordinance No. O-2003-33 enacted by the Commission on November 5, 2003, Ordinance No. O-2010-001 enacted by the

Commission on January 6, 2010, and supplemented by Resolution No. R-2014-\_\_\_\_ adopted by the Commission on November 5, 2014 (collectively, the "Ordinance").

The Series 2014 Bonds are not subject to redemption by the City prior to their maturity. See "DESCRIPTION OF THE SERIES 2014 BONDS — Redemption Provisions" herein.

The Series 2014 Bonds are being issued for the purpose of providing funds, together with other available funds, to (i) refund, on a current basis, all of the City's outstanding Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003 (the "Refunded Bonds"), as more specifically described herein; and (ii) pay certain costs of issuance with respect to the Series 2014 Bonds. The Series 2014 Bonds are payable solely from and secured by a lien on and pledge of certain revenues derived from the operation of the Water and Sewer Utility; subject, however, to the prior payment from revenues of the expenses of operation and maintenance of the Water and Sewer Utility (the "Net Revenues"), investment income thereon, and, to the extent permitted by law, certain Impact Fees (collectively, the "Pledged Revenues"). See "PURPOSE OF THE SERIES 2014 BONDS" and "SECURITY FOR THE SERIES 2014 BONDS" herein.

See the inside cover page for maturities, principal amounts, interest rates, prices or yields and initial CUSIP numbers.

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 CITY IS NOT OBLIGATED TO PAY THE SERIES 2014 BONDS OR THE INTEREST THEREON EXCEPT FROM THE PLEDGED REVENUES AND NEITHER THE FULL FAITH AND CREDIT NOR ANY PHYSICAL PROPERTIES OF THE CITY ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 BONDS. THE ISSUANCE OF THE SERIES 2014 BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY TO LEVY ANY AD VALOREM TAXES WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT EXCEPT FROM THE PLEDGED REVENUES. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO PAYMENT OF THE SERIES 2014 BONDS.

The Series 2014 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approval of legality by Greenberg Traurig, P.A., Miami, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by the Office the City Attorney, City of Hollywood, Florida. Certain matters relating to disclosure will be passed upon for the City by Bryant Miller Olive P.A., Miami, Florida, Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Moskowitz, Mandell, Salim & Simowitz, P.A., Fort Lauderdale, Florida. First Southwest Company is serving as Financial Advisor to the City. It is expected that the Series 2014 Bonds in book-entry form will be available for delivery through the facilities of DTC, New York, New York on or about November\_\_\_\_, 2014.

**BofA Merrill Lynch**

**Citigroup**

**Raymond James & Associates, Inc.**

Dated: November \_\_\_\_, 2014

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\*Preliminary, subject to change.

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

\$\_\_\_\_\_ \* Serial Bonds

<u>Year</u> <u>(October 1)*</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest Rate</u>	<u>Price</u> <u>or Yield</u>	<u>Initial</u> <u>CUSIP</u> <u>Number**</u>
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				

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\*Preliminary, subject to change.

\*\*The City is not responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the readers of this Official Statement.

RED HERRING LANGUAGE:

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of such jurisdiction. The City has deemed this Preliminary Official Statement "final," except for certain permitted omissions, within the contemplation of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

**CITY OF HOLLYWOOD, FLORIDA  
CITY COMMISSIONERS**

Peter Bober, Mayor  
Patricia Asseff, Vice Mayor — District 1  
Peter Hernandez, Commissioner — District 2  
Traci Callari, Commissioner — District 3  
Richard Blattner, Commissioner — District 4  
Kevin Biederman, Commissioner — District 5  
Linda Sherwood, Commissioner — District 6

**CITY MANAGER**  
Cathy Swanson-Riverbank

**CITY ATTORNEY**  
Jeffrey P. Sheffel

**DIRECTOR OF FINANCIAL SERVICES**  
Matthew Lalla

**PUBLIC UTILITIES DIRECTOR**  
Steve Joseph, P.E.

**BOND COUNSEL**  
Greenberg Traurig, P.A.  
Miami, Florida

**DISCLOSURE COUNSEL**  
Bryant Miller Olive P.A.  
Miami, Florida

**CONSULTING ENGINEERS**  
Hazen and Sawyer, P.C. and Arcadis U.S., Inc.  
Hollywood, Florida

**FINANCIAL ADVISOR**  
First Southwest Company  
Orlando, Florida

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SERIES 2014 BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2014 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE SERIES 2014 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, NOR HAS THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY, DTC AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITERS. THE UNDERWRITERS LISTED ON THE COVER PAGE HEREOF HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH AND AS PART OF THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THE INFORMATION AND EXPRESSIONS OF OPINION STATED HEREIN ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL CREATE, UNDER ANY CIRCUMSTANCES, ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE MATTERS DESCRIBED HEREIN SINCE THE DATE HEREOF.

IN CONNECTION WITH THIS OFFERING OF THE SERIES 2014 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2014 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

ALL SUMMARIES HEREIN OF DOCUMENTS AND AGREEMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS AND AGREEMENTS, AND ALL SUMMARIES HEREIN OF THE SERIES 2014 BONDS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE FORM THEREOF INCLUDED IN THE AFORESAID DOCUMENTS AND AGREEMENTS.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2014 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2014 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE

ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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," "BUDGET" OR OTHER SIMILAR WORDS. SUCH FORWARD-LOOKING STATEMENTS INCLUDE BUT ARE NOT LIMITED TO CERTAIN STATEMENTS CONTAINED IN THE INFORMATION UNDER THE CAPTIONS "ESTIMATED SOURCES AND USES OF FUNDS" AND "INVESTMENT CONSIDERATIONS." 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.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE CITY FOR PURPOSES OF RULE 15C2-12 PROMULGATED 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).



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**OFFICIAL STATEMENT  
OF  
CITY OF HOLLYWOOD, FLORIDA**

**\$47,050,000\*  
Water and Sewer Refunding Revenue Bonds,  
Series 2014**

**INTRODUCTION**

The purpose of this Official Statement, including the cover page, the inside cover page, and all appendices, is to set forth certain information in connection with the sale by the City of Hollywood, Florida (the "City") of its \$47,050,000\* principal amount of Water and Sewer Refunding Revenue Bonds, Series 2014 (the "Series 2014 Bonds").

The Series 2014 Bonds are being issued pursuant to the Constitution and laws of the State of Florida (the "State"), including Chapter 166, Florida Statutes, as amended, and the Home Rule Charter of the City (collectively, the "Act") and other applicable provisions of law and pursuant and subject to the terms and conditions of Ordinance No. O-91-44 enacted by the City Commission of the City (the "Commission") on July 24, 1991, as amended by Ordinance No. O-2003-33 enacted by the Commission on November 5, 2003 (collectively, the "Original Ordinance") and Ordinance No. O-2010-001 enacted by the Commission on January 6, 2010 (the "Amending Ordinance" and, together with the Original Ordinance, the "Bond Ordinance") and Resolution No. R-2014-\_\_\_ adopted by the Commission on November 5, 2014 (the "Series Resolution" and, together with the Bond Ordinance, the "Ordinance"). The Series 2014 Bonds are payable solely from and secured by a lien on and pledge of certain revenues derived from the operation of the City's water and sewer system (the "Water and Sewer Utility"), as more particularly described herein under the heading "SECURITY FOR THE SERIES 2014 BONDS;" subject, however, to the prior payment from such revenues of the expenses of operation and maintenance of the Water and Sewer Utility (the "Net Revenues"), investment income thereon, and, to the extent permitted by law, certain Impact Fees (collectively, the "Pledged Revenues"). See "SECURITY FOR THE SERIES 2014 BONDS" herein. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Ordinance.

The Series 2014 Bonds are being issued for the purpose of providing funds, together with other available funds, to (i) refund, on a current basis, all of the City's outstanding Water and Sewer Refunding and Improvement Revenue Bonds, Series 2003 (the "Refunded Bonds"), as more specifically described herein; and (ii) pay certain costs of issuance with respect to the Series 2014 Bonds.

The City has previously issued, pursuant to the Bond Ordinance and Resolution No. R-2010-013, adopted by the Commission on January 6, 2010, original principal amount of \$48,160,000 Water and Sewer Improvement Revenue Bonds, Series 2010B (Build America Bonds - Direct Payment), currently outstanding in the principal amount of \$48,160,000 (the "Series 2010B Bonds"). The Series 2014 Bonds are payable from and secured by the Pledged Revenues on a parity with the Series 2010B Bonds, any Additional Bonds issued pursuant to the Bond Ordinance and any Alternative Parity Debt as authorized

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\*Preliminary, subject to change.

by the Bond Ordinance. The Series 2014 Bonds, the Series 2010B Bonds and any bonds issued on a parity therewith are referred to collectively herein as the "Bonds."

The City has not provided information regarding The Depository Trust Company, New York, New York ("DTC") and does not certify as to the accuracy or sufficiency of the disclosure practices of or content provided by DTC, and is not responsible for the information provided by DTC.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Descriptions of the Series 2014 Bonds, the Bond Ordinance, the Series Resolution and other agreements and documents contained herein constitute summaries of certain provisions thereof, and do not purport to be complete. Reference is made to the Bond Ordinance, the Series Resolution and such other agreements and documents for a more complete description of such provisions, copies of which are on file at the offices of the Director of Financial Services, City of Hollywood, 2600 Hollywood Boulevard, Hollywood, Florida 33020.

## **PURPOSE OF THE SERIES 2014 BONDS**

### **General**

The Series 2014 Bonds are being issued for the purpose of providing funds, together with other available funds, to (i) refund, on a current basis, the Refunded Bonds; and (ii) pay certain costs of issuance with respect to the Series 2014 Bonds.

### **Plan of Refunding**

Concurrently with delivery of the Series 2014 Bonds, a portion of the proceeds of the Series 2014 Bonds, together with other legally available funds of the City, shall be deposited into an escrow deposit trust fund (the "Escrow Fund") pursuant to the terms and provisions of an escrow deposit agreement dated as of November \_\_, 2014 (the "Escrow Deposit Agreement"), between the City and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent. The moneys deposited into the Escrow Fund shall be held in cash uninvested and used to pay the principal of and interest on the Refunded Bonds as the same become due and payable. Upon the deposit of such moneys and the application thereof all in accordance with the Escrow Deposit Agreement, the Refunded Bonds will be deemed defeased and no longer outstanding for purposes of the Bond Ordinance pursuant to which they were issued and the holders of the Refunded Bonds shall be entitled to payment solely out of the moneys deposited in the Escrow Fund pursuant to the Escrow Deposit Agreement. [See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.] The current refunding of the Refunded Bonds is being undertaken to effect debt service savings to the City.

The Refunded Bonds will be called for redemption prior to their maturities on December 26, 2014 at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date and paid from the Escrow Fund. In the opinion of Bond Counsel, [rendered in reliance on the report of \_\_\_\_\_ (see "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein) or a letter from the paying agent for the Refunded Bonds], the Refunded Bonds will no longer be Outstanding under the resolution which authorized the Refunded Bonds.

The moneys held pursuant to the Escrow Deposit Agreement will not be available to pay debt service on the Series 2014 Bonds, the Series 2010B Bonds and any Additional Bonds.

## DESCRIPTION OF THE SERIES 2014 BONDS

### General

The Series 2014 Bonds are being issued pursuant to the Act, and are subject to the terms and conditions of the Bond Ordinance and Series Resolution. The Series 2014 Bonds are being issued as "Additional Bonds" within the meaning of the Bond Ordinance.

### Authorized Denominations; Interest Payment Dates

The Series 2014 Bonds are being issued as fully registered bonds, in denominations of \$5,000 or any multiple thereof and when issued, will be registered in the name of Cede & Co., as nominee for DTC, which will act as securities depository for the Series 2014 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2014 Bonds purchased. The Series 2014 Bonds will be dated their date of delivery and will bear interest at the rates, and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2014 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Series 2014 Bonds is payable commencing on April 1, 2015 and semiannually thereafter on each October 1 and April 1. The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, shall serve as the Paying Agent and Bond Registrar for the Series 2014 Bonds.

### Redemption Provisions

The Series 2014 Bonds are not subject to redemption prior to their maturity.

### Book-Entry-Only System

The Series 2014 Bonds will be available only in book-entry form in authorized denominations of \$5,000 and any integral multiple thereof. Purchasers of the Series 2014 Bonds will not receive certificates representing their interests in the Series 2014 Bonds purchased. The City has entered into a letter of representations with DTC providing for such book-entry system.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014 Bond certificate will be issued for each maturity of the Series 2014 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all the Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Ordinance. For example, Beneficial Owners of the Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 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 Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest, distributions, and dividend payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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, interest, distributions, and dividend payments 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2014 Bond certificates are required to be printed and delivered to DTC.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2014 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2014 BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE SERIES 2014 BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

### ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds associated with the issuance of the Series 2014 Bonds:

#### Sources of Funds

Principal Amount of Series 2014 Bonds	\$
[Less: Original Issue Discount][Plus: Net Original Issue Premium]	_____
Other legally available funds	_____
 Total Estimated Sources of Funds	 \$ _____

#### Use of Funds

Deposit to Escrow Deposit Fund	\$
Underwriters' Discount	_____
Cost of Issuance <sup>(1)</sup>	_____
 Total Estimated Uses of Funds	 \$ _____

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<sup>(1)</sup> Includes financial advisory fees, legal fees, rating agency fees, printing costs and other miscellaneous costs of issuance.

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### DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements for the Series 2010B Bonds and the Series 2014 Bonds.

<u>Bond Year</u> <u>(October 1)</u>	<u>Debt Service<sup>(1)</sup></u> <u>on Outstanding</u>	<u>Series 2014 Bonds</u>		<u>Total</u>	
	<u>Series 2010B Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service*</u>	<u>Debt Service*</u>
2015	\$3,340,002				
2016	3,339,381				
2017	3,339,517				
2018	3,340,693				
2019	3,339,384				
2020	3,335,530				
2021	3,339,070				
2022	3,338,143				
2023	3,339,026				
2024	3,337,369				
2025	3,337,378				
2026	3,338,817				
2027	3,336,447				
2028	3,335,268				
2029	3,330,042				
2030	3,330,769				
2031	3,329,870				
2032	3,329,108				
2033	3,323,240				
2034	3,322,267				
2035	3,320,702				
2036	3,318,302				
2037	3,314,823				
2038	3,315,023				
2039	3,308,415				
Total	<u>\$83,278,588</u>				

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<sup>(1)</sup> The debt service shown for the Series 2010B Bonds is net of the federal subsidy and sequestration adjustment of 7.3% for all years due to the federal government's sequester of budgeted funds. See "INVESTMENT CONSIDERATIONS-Sequestration" herein.

## AMENDMENT TO ORIGINAL ORDINANCE

[On January 6, 2010, the City enacted Ordinance No. O-2010-01 (the "Amending Ordinance") which amended Ordinance No. O-91-44. The Amending Ordinance amends the definition of "Revenues" as follows:

"Revenues" shall mean all moneys received by the City under the Large User Agreements or otherwise in connection with or as a result of its ownership or operation of the Water and Sewer Utility, 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 Utility, any proceeds of use and occupancy insurance on the Water and Sewer Utility or any part thereof, Hedge Receipts, all credits and cash subsidy payments paid by the United States Treasury to the City on account of the issuance of any Bonds or Utility Debt as Build America Bonds (Direct Payment), as Recovery Zone Economic Development Bonds (Direct Payment) or as any other Bond or Utility Debt with respect to which such credits and cash subsidy payments shall be so paid by the United States Treasury, income from investments made under this Ordinance and amounts transferred or to be transferred from the Rate Stabilization Account to the Revenue Account pursuant to the Section 510 of this Ordinance; provided, however, Revenues do not include grants, contributions or donations, investment income from investment of moneys on deposit in the Construction Fund and the Impact Fee Account, proceeds of insurance (except use and occupancy insurance) and condemnation awards, moneys held in any Arbitrage Rebate Funds created pursuant to Section 605 of this Ordinance, proceeds of sales of property constituting a part of the Water and Sewer Utility, special assessments, the proceeds of Bonds or other Utility Debt and Impact Fees. For purposes of Section 209 and 502 of this Ordinance, "Revenues" shall not include amounts deposited or to be deposited pursuant to Section 505(d) of this Ordinance to the credit of the Rate Stabilization Account.

Additionally, effective \_\_\_, 2010, Section 701 of the Original Ordinance was amended to provide for the use of all credits and cash subsidy payments paid by the United States Treasury to the City on account of the issuance of any Bonds in the manner and to the extent specified by the Bond Ordinance.

As set forth in Section 3 of the Amending Ordinance, and in accordance with Section 1002 of the Original Ordinance, the amendment of the definition of "Revenues" (the "Amendment") will take effect upon obtaining the consent of the Holders of not less than a majority of the Bonds Outstanding. The Holders of the Series 2014 Bonds will have consented to and approved the Amendment upon the execution and delivery by Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and the other underwriters identified on the cover page of this Official Statement, as the initial purchasers of the Series 2014 Bonds, on the date of delivery of the Series 2014 Bonds, of a written instrument consenting to and approving the Amendment. All subsequent Holders of the Series 2014 Bonds will, by acceptance of the Series 2014 Bonds, be bound by such consent and approval and by the terms of the Amending Ordinance. Upon issuance of the Series 2014 Bonds, a majority of the Holders of the Bonds then Outstanding will have consented to and approved the Amendment. **Therefore, the Amendment shall take effect on the date of delivery of the Series 2014 Bonds.**

Until such time as the above described definition of "Revenues" is amended, the City has covenanted in the Amending Ordinance that all BAB Refundable Credits paid by the United States Treasury will be deposited to the credit of the Bond Service Subaccount to be used for the payment of interest on the Bonds, as set forth in the Bond Ordinance.]

## SECURITY FOR THE SERIES 2014 BONDS

### General

The Series 2014 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 Utility. "Net Revenues" are defined in the Bond Ordinance as being, for any particular period, the excess of the Revenues for such period over the Current Expenses for such period. See "Additional Bonds" herein, for a discussion of the treatment of certain special assessments and Impact Fees in computing Net Revenues for the purposes of the Additional Bonds test.

"Revenues" consist of all moneys received by the City in connection with or as a result of its ownership or operation of the Water and Sewer Utility, 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 Utility, any proceeds of use and occupancy insurance on the Water and Sewer Utility or any part thereof, Hedge Receipts, income from investments made under the Bond Ordinance and amounts transferred or to be transferred from the Rate Stabilization Account to the Revenue Account pursuant to the Bond Ordinance; provided, however, Revenues do not include grants, contributions or donations, investment income from investment of moneys on deposit in the Construction Fund and the Impact Fee Account established under the Bond Ordinance, proceeds of insurance (except use and occupancy insurance) and condemnation awards, moneys held in any Arbitrage Rebate Funds created pursuant to the Bond Ordinance, proceeds of sales of property constituting a part of the Water and Sewer Utility, special assessments, the proceeds of Bonds or other Water and Sewer Utility Debt and Impact Fees. [Upon issuance of the Series 2014 Bonds, the definition of "Revenues" will be amended to include all credits and cash subsidy payments paid by the United States Treasury to the City. See "AMENDMENT TO ORIGINAL ORDINANCE" above.]

"Current Expenses" are defined in the Bond Ordinance to be the City's reasonable and necessary current expenses of maintenance, repair and operation of the Water and Sewer Utility and 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 and any reasonable payments to pension or retirement funds properly chargeable to the Water and Sewer Utility, insurance premiums, engineering expenses relating 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 Utility, any taxes which may be lawfully imposed on the Water and Sewer Utility 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 (as defined in the Bond Ordinance), payments due from the City under a Hedge Agreement and any other expenses required to be paid by the City under the provisions of the Bond Ordinance or by law, including any amounts required from time to time to fund the Arbitrage Rebate Fund established under the Bond Ordinance, but do not include any reserves for extraordinary maintenance or repair, or any allowance for depreciation, or any deposits or transfers to the credit of the Sinking Fund Account, the Reserve Account, the Rate Stabilization Account, the Renewal, Replacement and Improvement Account, the General Reserve Account or the Impact Fee Account established under the Bond Ordinance.

The Bond Ordinance provides that Impact Fees are also to be pledged to the payment of the principal of, redemption premium, if any, and the interest on Bonds, but only to the extent such Bonds

were issued to finance the costs of Improvements in respect of which the Impact Fees have been imposed. The Net Revenues and Impact Fees, to the extent they may be lawfully pledged, and investment income thereon are referred to herein as the "Pledged Revenues." The Impact Fees are not includable in the calculation of Net Revenues for purposes of the rate covenant or the Additional Bonds test. No special assessments or Impact Fees are contemplated to be available to pay the Series 2014 Bonds.

Additional Bonds having a first lien on the Pledged Revenues on a parity with the Series 2014 Bonds and the Series 2010B Bonds may also be issued from time to time under the Bond Ordinance. See "SECURITY FOR THE SERIES 2014 BONDS — Additional Bonds" herein.

The City is not obligated to pay the Series 2014 Bonds or the interest thereon except from the Pledged Revenues and neither the full faith and credit nor any physical properties of the City are pledged to the payment of the principal of, redemption premium, if any, or interest on the Series 2014 Bonds. The issuance of the Series 2014 Bonds does not directly or indirectly or contingently obligate the City to levy any ad valorem taxes whatsoever therefore or to make any appropriation for their payment except from Pledged Revenues. Neither the full faith and credit nor the taxing power of the City, the State of Florida or any political subdivision thereof is pledged to the payment of the Series 2014 Bonds.

### **Flow of Funds**

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

The Bond Ordinance provides that the City must deposit all Revenues collected from the Water and Sewer Utility's operations into the Revenue Account of the Enterprise Fund. The Bond Ordinance further provides that each month the City must withdraw the balance remaining in the Revenue Account (except for an amount equal to two month's Current Expenses under the Annual Budget) and deposit the funds withdrawn to the credit of the following Accounts and Subaccounts in the following order:

- (a) to the Bond Service Subaccount of the Sinking Fund Account, one-sixth (1/6) 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; such amounts to be adjusted after Bonds are issued to equal the amounts required for the first interest and principal payments;
- (b) to the Redemption Subaccount of the Sinking Fund Account, one-twelfth (1/12) (or, if any Bonds are retired semiannually, one-sixth (1/6)) of the principal amount of Term Bonds of each Series to be retired for such Fiscal Year;
- (c) to the Reserve Account, if necessary, the amount to restore the Reserve Account to its required level;
- (d) to the Rate Stabilization Account, amounts determined by the Commission;

(e) to the Subordinated Indebtedness Account, one-twelfth (1/12) of the amount required to satisfy principal and interest requirements of Subordinated Indebtedness for the succeeding calendar year;

(f) to the Renewal, Replacement and Improvement Account, one-twelfth (1/12) of the amount required to restore the Renewal, Replacement and Improvement Account to its required level; and

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

All Revenues received by the City resulting from the termination provision of any of the Large User Agreements requiring the terminating Large User to pay allocable debt service charges (or any similar termination provision in any Large User Agreement), shall be applied, at the direction of the Director of Financial Services, toward one or more of the following: (i) for deposit into the Bond Service Subaccount to pay interest on the Bonds and principal of Serial Bonds; (ii) for deposit into the Redemption Subaccount to redeem or purchase Term Bonds; or (iii) to defease Bonds. All Revenues received by the City resulting from the termination provision of any of the Large User Agreements requiring the terminating Large User to pay the present value of five (5) years of non-debt service charges (or any similar termination provision in any Large User Agreement), shall be applied, at the direction of the Director of Financial Services, toward one or more of the purposes permitted in the preceding sentence, or for deposit into the Revenue Account to pay Current Expenses. Any such application of moneys from Large User terminations shall require an opinion of Bond Counsel that such application will not affect adversely the exclusion of interest on Bonds from gross income for federal income tax purposes.

### **Reserve Account**

Under the Bond Ordinance, the City is entitled to establish separate Reserve Accounts within the Enterprise Fund. Pursuant to the Bond Ordinance and Series Resolution for the Series 2014 Bonds, the City has determined to establish a separate Reserve Subaccount designated the "2014 Reserve Subaccount," to be maintained solely for the benefit of the Holders of the Series 2014 Bonds. The City is required to deposit in the 2014 Reserve Subaccount for the Series 2014 Bonds, an amount (in respect of the Series 2014 Bonds, the "Reserve Account Requirement") of \$0. Therefore, no proceeds of the Series 2014 Bonds will be used to fund the 2014 Reserve Subaccount. Accordingly, holders of Series 2014 Bonds shall not have any security interest in nor right to any funds on deposit in the Reserve Account or any Reserve Subaccount therein.

### **Rate Covenant**

The City has covenanted in the Bond Ordinance 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 Utility 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 (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 each Fiscal Year at least equal to 110% of Principal and Interest Requirements on all Bonds, for such Fiscal Year and 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.

Rates and charges for Large Users shall be adjusted as provided in the Large User Agreement to provide for sufficient debt service coverage for indebtedness incurred in respect of any Improvements to the Water and Sewer Utility to benefit any Large Users. The City has covenanted to enforce diligently its rights under the Large User Agreements. The City has agreed that it will not enter into any future Large User Agreement unless the termination provisions therein shall be substantially similar to those in effect in the Large User Agreements in force on the date of enactment of the Bond Ordinance. The City has also agreed that it will not amend the termination provisions in the Large User Agreements now in force, so that the interests of the Bondholders are materially, adversely affected. See "THE WATER AND SEWER UTILITY — Summary of Large User Agreements."

If in any Fiscal Year the Net Revenues are less than the amount required under the preceding paragraphs, within 30 days of the receipt of the audit report for such Fiscal Year (which, under the Bond Ordinance, may be the portions of the City's Comprehensive Annual Financial Report relating to the Water and Sewer Utility), the City is required to employ a Rate Consultant to review and analyze the financial status of the Water and Sewer Utility, to inspect the Water and Sewer Utility 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 Utility and the methods of operation of the Water and Sewer Utility that will result in producing the amount so required in the following Fiscal Year. Promptly upon its receipt of such recommendations, the City is required to transmit copies thereof to the Commission and City Manager and to revise its rates, fees and charges, or alter its methods of operation and take such other action as will conform with such recommendations.

If the City fails to comply with the recommendations of the Rate Consultant, the registered owners of not less than 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 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 described above 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 Ordinance other than the Arbitrage Rebate Fund, are sufficient to pay in cash the Current Expenses and to pay the Principal and Interest Requirements on all Outstanding Bonds and other Water and Sewer Utility Debt of the City with respect to the Water and Sewer Utility for such Fiscal Year.

### **Additional Bonds**

Additional Bonds of the City may be issued under and secured by the Bond Ordinance, on a parity as to the pledge of the Net Revenues with the Series 2014 Bonds, the Series 2010B Bonds and any Bonds and Alternative Parity Debt issued on a parity therewith and superior in lien to the Subordinated Indebtedness, secured by the Bond Ordinance and then Outstanding, subject to the conditions described below, 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 are permitted to be issued under the Bond Ordinance, there shall be filed with the City, among other things, the following:

(a) a certificate of the Director of Financial Services (referred to in the Bond Ordinance as the Finance Director), an Accountant or the Rate Consultant demonstrating that either:

(i) the percentage derived by dividing (x) the Net Revenues projected for the Water and Sewer Utility for the next Fiscal Year after the Completion Date of the Improvements financed by such Additional Bonds is expected to occur (as certified by the Rate Consultant), adjusted as provided in the following paragraph, by (y) the Maximum Principal and Interest Requirements, including the Principal and Interest Requirements with respect to such Additional Bonds for any future Fiscal Year, is not less than 110%; or

(ii) the percentage derived by dividing the Net Revenues for any period of 12 consecutive months selected by the City out of the eighteen 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 110%;

(the period during which Net Revenues are determined under this clause (a) is herein referred to as the "Measurement Period"); and

(b) (if the certificate described in subclause (a)(i) above is filed instead of the certificate described in subclause (a)(ii) above) a certificate of the Director of Financial Services, an Accountant or the Rate Consultant, setting forth the projected Net Revenues for the Fiscal Year following the Fiscal Year in which the Completion Date of the Improvements to be financed by the Additional Bonds then to be delivered is expected to occur; and

(c) a certificate of the Director of Financial Services that no Event of Default under the Bond Ordinance, 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 consecutive calendar months before 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 paragraph (a) above, the following adjustments to Net Revenues may be made:

(1) If the City has increased the rates, fees, rentals or other service charges of the Water and Sewer Utility, the Net Revenues for the Measurement Period shall be adjusted to include the Net Revenues which would have been derived from the Water and Sewer Utility in such Measurement Period, as if such increase had been in effect during all of such Measurement Period.

(2) if the City has acquired, or has contracted to acquire, any privately or publicly owned existing water system or sewer system, then the Net Revenues from the Water and Sewer Utility during the Measurement Period shall be increased by adding to the Net Revenues for the Measurement Period, the net revenues which would have been derived from said existing system as if it had been a part of

the Water and Sewer Utility during the Measurement Period. For the purposes of this paragraph, the net revenues from such existing system shall be determined by deducting the cost of operation and maintenance of such existing system from the gross revenues of such existing system as provided in the Bond Ordinance to determine Net Revenues.

(3) If the City, in connection with the issuance of Additional Bonds, enters 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 Utility 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 such 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 Utility and pledged for the Bonds in the same manner as other Net Revenues of the Water and Sewer Utility.

(4) If the City covenants to levy special assessments or Impact Fees against property to be benefited by the Improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds (and if such Impact Fees are legally available to pay debt service on such Additional Bonds) and if, in the case of special assessments, the City pledges such special assessments legally available to pay such Additional Bonds, then the Net Revenues during the Measurement Period shall be increased by 80% of the amount which the Consulting Engineers estimate will be received in each year from the levy of said special assessments or Impact Fees, within three years of the sale of such Additional Bonds. Such amount will be the total received from the installment payments on the special assessments or Impact Fees, plus, for 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 before the construction of such Improvements.

(5) If the City is constructing or acquiring additions, extensions or Improvements to the Water and Sewer Utility from the proceeds of such Additional Bonds and if the City has established rates, fees, rentals or other charges to be charged and collected from users of such facilities when service is rendered, the Net Revenues for the Measurement Period shall be adjusted to show the Net Revenues estimated by the Consulting Engineers or the Rate Consultant pursuant to clause (b) above to be received from the users of the facilities to be financed, during the first full Fiscal Year of operation after completion of such construction or acquisition, as if such rates, fees, rentals or other charges had been in effect during all of such Fiscal Year.

### **Refunding Bonds**

Under the provisions of the Bond Ordinance, Refunding Bonds of the City may be issued under and secured by the Bond Ordinance, on a parity with other Outstanding Bonds and any Additional Bonds issued on a parity therewith, without meeting any of the requirements described above under "SECURITY FOR THE SERIES 2014 BONDS — Additional Bonds" for the purpose of refunding all or any portion of the Bonds Outstanding under the Bond Ordinance, so long as (i) the issuance of the Refunding Bonds will result in a decrease in the total Principal and Interest Requirements for all Bonds Outstanding or (ii) the certificates set forth under subclauses (a), (b) and (c) under "SECURITY FOR THE SERIES 2014 BONDS — Additional Bonds" have been provided.



### **State Revolving Fund Indebtedness**

Under the provisions of the Bond Ordinance, the City may also incur other forms of indebtedness for the Water and Sewer Utility from 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 the Additional Bonds conditions described above, or constitutes Water and Sewer Utility Debt; and
- (b) The City may issue Additional Bonds under and subject to the conditions described above, if such Additional Bonds refinance any State Revolving Fund Indebtedness.

Security for the existing State Revolving Fund Indebtedness between the City and the State of Florida is subordinate to the Series 2014 Bonds and the Outstanding Bonds, as well as to Additional Bonds and Refunding Bonds issued under the Bond Ordinance.

### **Other Indebtedness**

The City may also issue Short-Term Indebtedness or Subordinated Indebtedness as provided in the Bond Ordinance. See "Appendix D — Form of the Bond Ordinance" hereto.

### **Covenants of the City Concerning the Water and Sewer Utility and the Net Revenues**

The City has entered into certain additional covenants pursuant to the Bond Ordinance relating to the Water and Sewer Utility and the Net Revenues. See "Appendix D— Form of the Bond Ordinance" hereto.

## **INVESTMENT CONSIDERATIONS**

The purchase of the Series 2014 Bonds involves a degree of risk, as is the case with all investments. Factors that could affect the City's ability to perform its obligations under the Bond Ordinance, including the timely payment of principal of and interest on the Series 2014 Bonds, include, but are not limited to, the following:

### **Limited Special Obligations**

**THE SERIES 2014 BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER, OF THE CITY, BROWARD COUNTY OR OF THE STATE OF FLORIDA OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, BUT ARE LIMITED, SPECIAL OBLIGATIONS OF THE CITY, THE PRINCIPAL OF AND INTEREST ON WHICH ARE PAYABLE FROM AND SECURED SOLELY BY THE PLEDGE OF THE PLEDGED REVENUES OF THE WATER AND SEWER UTILITY. NEITHER THE CITY, BROWARD COUNTY, THE STATE OF FLORIDA, NOR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WILL BE OBLIGATED (1) TO EXERCISE ITS AD VALOREM TAXING POWER IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014 BONDS, OR OTHER COSTS INCIDENT THERETO, OR (2) TO PAY THE SAME FROM ANY FUNDS OF THE CITY EXCEPT FROM THE PLEDGED REVENUES OF THE WATER AND SEWER UTILITY DESCRIBED HEREIN,**

**IN THE MANNER PROVIDED IN THE BOND ORDINANCE. THE SERIES 2014 BONDS DO NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF OR IN THE CITY, BUT CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES OF THE WATER AND SEWER UTILITY, IN THE MANNER PROVIDED IN THE BOND ORDINANCE.**

### **Sequestration**

Pursuant to the Sequestration Transparency Act of 2012 (P.L. 112-155), as a consequence of the Joint Select Committee on Deficit Reduction's failure to propose, and Congress' failure to enact, a plan to reduce the federal deficit by \$1.2 trillion (as required by the Budget Control Act of 2011 by January 2, 2013), the President of the United States, in his report to Congress of sequestration for fiscal year 2013, included in such sequestration the payments authorized for direct-pay bonds issued under the Recovery Act, such as Build America Bonds, including the Series 2010B Bonds. The sequestration cut for direct-pay bonds was initially scheduled to last through fiscal year 2021 but has been extended through fiscal year 2024. On September 30, 2013, the Internal Revenue Service announced that payments to issuers of direct-pay bonds, such as the Series 2010B Bonds, are subject to a reduction of 7.2% of the amount budgeted for such cash subsidy payments ("Federal Subsidy Payments") through September 30, 2014. On October 16, 2014, the Internal Revenue Service announced that payments to issuers of direct-pay bonds, such as the Series 2010B Bonds, are subject to a reduction of 7.3% of the amount budgeted for such Federal Subsidy Payments through September 30, 2015. Currently, the City is without information to quantify how sequestration will affect the Federal Subsidy Payments beyond September 30, 2015. No assurance can be given that legislative proposals may be introduced or enacted by Congress that would or might apply to, or have an adverse effect upon, the City's receipt of the Federal Subsidy Payments. **Payment of debt service on the Series 2010B Bonds is not contingent upon receipt by the City of the Federal Subsidy Payments and the City does not expect that any such reduction in Federal Subsidy Payments will affect its ability to pay debt service on the Series 2010B Bonds.**

## **THE WATER AND SEWER UTILITY**

The following is intended to provide only a summary description of the Water and Sewer Utility.

### **History**

The Water System. When the City was founded in 1925, the City's water system consisted of three raw water wells and sand filters with a total treatment capacity of 0.5 million gallons per day ("mgd"). In 1970, the treatment method was changed to a catalytic precipitation lime softening process (Spiractors). Lime softening capacity was expanded to its present capacity of 37.5 mgd in 1982. The most recent modification and expansion was completed in 1996 with the addition of membrane softening and reverse osmosis ("RO") technology which has a rated capacity of 18 mgd. These expansions brought capacity to a total of 59.5 mgd. The City's Water System consists of raw water supply from the Biscayne and Floridan Aquifers, a 59.5 mgd water treatment plant (the "WTP"), and a distribution system with over 700 miles of pipe and two elevated 1.0 million gallon storage tanks. During calendar year 2008 the WTP provided approximately 15.8 mgd water service to more than 40,000 retail connections within the City limits.

The Sewer System. The City has provided central sewage disposal for City residents since a primary treatment plant was built in the late 1940's. An ocean outfall, discharging treated effluent two

miles offshore at the edge of the Gulf Stream, was constructed in 1968. During the early 1970's, the City's Southern Regional Wastewater Treatment Plant ("SRWWTP") became a regional sewage system, providing sewage treatment for the growing cities of southern Broward County under the EPA-required 201 Facilities Plan of 1972 for the Wastewater Service Area. The SRWWTP has been improved and expanded several times to its present 55.5 mgd permitted capacity. Secondary treatment, using the pure oxygen activated sludge process, was added in a 1978 EPA-funded expansion. In addition to owning and operating the SRWWTP, the City owns and maintains an extensive network of wastewater collection pipelines, pump stations and force mains that collect and transport wastewater to the SRWWTP.

### **The Water and Sewer Utility System**

Organization. The City of Hollywood Department of Public Utilities (the "Utilities Department") is operated under a separate enterprise fund within City government. The Director of the Utilities Department reports to the City Manager and is responsible for operational, administrative and fiscal control of the three divisions: Water, Wastewater Underground Utilities and Engineering and Construction Services. The Water and Wastewater Divisions are responsible for the operations of the respective water and wastewater treatment facilities. The Engineering and Construction Services Division provides project administration, engineering design, construction management and inspection services of capital improvement projects and employs 16 persons that include engineers, CAD operators, technicians, inspectors, and permit reviewers. The City previously contracted the meter reading and customer service functions associated with the Water and Sewer Utility to an outside provider, but those services will be performed in-house commencing December 2015. The Utilities Department has long-term continuing contracts with two local consulting engineering firms to provide engineering services to the Water and Sewer Utility as needed.

Management. The Utilities Department employs 185 persons, including 15 certified water plant operators, 17 certified wastewater plant operators, and 8 professional engineers. The Director is assisted by three senior level professionals, the Deputy Director of Operations, the Deputy Director of Finance and the Assistant Director of Engineering and Construction Services Division, and five division managers including a Wastewater Treatment Plant Manager, a Water Treatment Plant Manager, an Underground Utilities Manager, a Regulatory Compliance Manager and an Instrumentation, Controls and Electrical Manager. Biographical information on the Utilities Department's key management staff follows:

**Steve Joseph** is the Director of the Utilities Department. Mr. Joseph is a registered professional engineer with over 20 years of combined experience in the areas of utilities management, water and wastewater engineering and construction management. Mr. Joseph has over 20 years of experience working in the planning, design, construction, operation and maintenance of municipal facilities. Mr. Joseph began his municipal career with the City in June 1994 and has held progressively more responsible positions including Assistant Director in the Department of Design & Construction Management (DCM), Deputy Director of Water, and Deputy Director of Operations in the Utilities Department. Mr. Joseph has managed large capital programs for the City and is currently overseeing the implementation of capital improvements projects for the Utilities Department. As the Deputy Director of Operations, Mr. Joseph was responsible for the operation and maintenance of the SRWWTP, the WTP, and the maintenance of all the distribution, transmission and collection systems in the City. Mr. Joseph received his Bachelor of Science in Civil Engineering from the Florida International University in December 1993 and is a registered professional engineer in the State of Florida.

**Francois Domond** is the Deputy Director of Operations. Mr. Domond has served progressively in several positions within the Utilities Department from Field Engineer/Engineer I to his current position. As the Deputy Director of Operations, Mr. Domond is responsible for the operation and maintenance of the SRWWTP, the WTP, and the maintenance of all the distribution, transmission and collection systems in the City. Mr. Domond holds a Bachelor of Science degree in Civil Engineering from Florida International University in 1993, a Masters degree in Public Administration from Nova Southeastern University in 2008 and is currently registered as a Professional Engineer in the State of Florida.

**Mark A. Moore** is the Deputy Director of Finance. Mr. Moore joined the City in 2008. He received his bachelor's degree in accounting from the University of South Florida in 1979, became a CPA in Florida in 1981 and a CMA and CIA in 1988. He has over 30 years of professional accounting experience in public accounting, construction, internal auditing, private and government during his career. Mr. Moore has over 14 years of governmental accounting experience working for the Jacksonville Transportation Authority with a large bond and grant funded capital program similar in size to the Utilities Department's capital program. Mr. Moore is a member of the American Institute of CPA's, the Institute of Management Accountants and the Institute of Internal Auditors

**Jitendra Patel** is the Assistant Director of Engineering and Construction Service Division. Mr. Jitendra Patel is a registered professional engineer with over 25 years of experience working in the planning, design, construction, operation and maintenance of municipal facilities. Mr. Patel began his municipal career with the City in November 1988. He has a strong working knowledge of all aspects of municipal engineering including the permitting process for buildings, streetscape, roadway reconstruction/resurfacing and drainage projects. Mr. Patel has managed and implemented a \$106M Capital Improvement Program, a \$100M Beach Redevelopment Plan and a \$54M General Obligation Bond Project. Mr. Patel received his Bachelor of Science in Civil Engineering with a Major in Advance Structural Analysis from S.P. University in India in 1985 and a Master's Degree in Computer Science from Nova University in 1989. Mr. Patel manages the Engineering and Construction Services Division and provides the Utilities Department with professional, in-house engineering services. The range of services available to the Utilities Department includes engineering design, project management, contract administration, construction inspection and management support functions.

See "Appendix C — Report of Consulting Engineer" hereto for information on other key personnel of the Utilities Department.

Maintenance Policies. The Water and Sewer Utility continues the process of routine maintenance of its facilities, with the implementation of targeted enhancements, upgrades and rehabilitation work. See "Appendix C — Report of Consulting Engineer" hereto.

### **Retail Billing and Collection**

Water and Sewer Utility customers are billed monthly, with one "cycle" (about 2,000 customers) billed each work day of the month. The water and sewer bill for customers covers service for the previous 30 days on average. Bills are considered delinquent if not paid within 20 days after billing and assessed a 12% penalty on the 21<sup>st</sup> day. The unpaid charges of a property owner constitute a statutory lien against the property. If a bill remains unpaid, the next month's bill will automatically generate a service disconnection date by which the bill must be paid. In addition, commercial, hotel/motel properties and multi-family housing properties of 10 units or more are given a 24-hour courtesy notice before disconnection. Upon disconnection of service, the customer must pay all outstanding charges plus a

\$35.00 service charge to have service reestablished. The City adheres to a strict policy on payment and collection. Over the past five fiscal years, past due balances of 90 days or more, have averaged less than two percent of total revenues.

## **Government Regulations**

### Existing Regulatory Framework

The Water and Sewer Utility's water system must operate under a regulatory framework of Federal, State, and local laws governing the withdrawal and treatment of water. These regulations govern all of the principal operations of the water system, including water supply, water treatment, disposal of residuals generated during treatment and the handling and storage of chemicals used to condition and treat the raw water. The principal agencies that regulate the City's water system are the United States Environmental Protection Agency ("EPA"), the Florida Department of Environmental Protection ("FDEP"), the South Florida Water Management District ("SFWMD") and the Broward County Health Department ("BCHD").

The Safe Drinking Water Act ("SDWA") is the primary federal legislation governing public water systems and sets primary and secondary drinking water standards as well as monitoring requirements for public water systems. The State legislature passed the Florida Safe Drinking Water Act ("FSDWA") that adopted the SDWA primary and secondary drinking water standards. FDEP is the primary agency responsible for enforcing the FSDWA.

The Water and Sewer Utility's sewer system is subject to Federal, State and local regulation. The EPA has delegated its regulatory authority and enforcement to FDEP. Federal wastewater regulations are based upon the Federal Water Pollution Control Act and the 1977 Clean Water Act Amendments. At the regional level, SFWMD controls groundwater withdrawals and has also impacted sewer systems by mandating reuse of wastewater effluent as a means of reducing water use. At the local level, Broward County Department of Planning and Environmental Protection ("DPEP") has its own licensing system for sewer systems with a separate monitoring and enforcement process.

### Regulatory Compliance

*Water System.* The City is currently meeting all of the regulatory requirements of the FSDWA and any amendments that have been promulgated by the EPA and adopted by the State.

*Sewer System.* The City is generally in compliance with all regulatory requirements for the sewer system.

Please see "Appendix C - Report of Consulting Engineer" for a description of potential regulatory challenges that the City will need to consider in the future.

## **The Water System**

Service Area. Average daily flows in 2013 were approximately 21.00 mgd with maximum daily flows of up to 24.69 mgd. These numbers are below the historical norm, likely due to drought induced restrictions on irrigation as well as potential reduced occupancy levels resulting from the economic downturn. The City provides water service to over 40,000 retail connections. Approximately 75% of the City's potable water is supplied to single-family residential customers and multi-family residential

customers. In addition to serving City residents, approximately 300 acres in the Town of Davie, 50 acres in the City of Dania Beach and 100 acres in the Seminole reservation are also served as retail customers. In addition to its retail customers, the City wholesale service area includes Broward County Water and Wastewater Services. The Water System also has an emergency connection with the City of Dania Beach for the purpose of maintaining system pressures. The water use permit under which the City is currently operating allows the City to draw 39.3 mgd (annual average) of raw water from the Biscayne Aquifer and Floridan Aquifer combined. Such permit is valid through April 10, 2028. See "Appendix C — Report of Consulting Engineer" hereto.

**Supply.** The City's main source for raw water is the Biscayne Aquifer with a smaller portion of raw water coming from the Floridan Aquifer. The Biscayne Aquifer is a fresh water aquifer with raw water supply of high quality with moderate to high hardness levels which can be treated with either lime softening or nano-filtration technologies. The City draws groundwater from the Biscayne Aquifer via two primary wellfields: (i) the Hollywood Biscayne wellfield and (ii) the Broward County South Regional wellfield. The City owns the Hollywood Biscayne wellfield which has 14 primary wells with depths ranging from 75 to 155 feet, with a total maximum pumping capacity of 43.2 mgd. Broward County owns the Broward County South Regional wellfield ("SRW") and provides raw water to the City under a raw water Large User Agreement that has a four year period of time with an automatic renewal for another four years. The SRW includes 10 wells with a total design capacity of 36.0 mgd. The Floridan Aquifer, a deeper source of raw water, is a brackish water supply and requires desalination treatment using reverse osmosis technology. The Floridan Aquifer wellfield consists of 8 wells with a total pumping capacity of 12.2 mgd. With a total raw water pumping capacity of 55.4 mgd, the City has surplus capacity, which represents redundancy and supply that can be employed to address emergencies of short durations. However, such sustainable supplies beyond the allocation are not permitted. Additionally, not all allocated water is available as finished water. About 4 percent and 10 percent of Biscayne Aquifer water is typically lost as concentrate in the lime softening and membrane softening treatment processes, respectively, and 20 percent of the Floridan Aquifer raw water is lost as concentrate in the reverse osmosis treatment process. The maximum day finished water equivalent capacities of the Biscayne Aquifer and the Floridan Aquifer raw allocations are 33.9 mgd and 8.2 mgd, respectively.

In order to satisfy supplemental water needs that will continue to increase with growth, and in lieu of further Biscayne Aquifer use, the City plans to rely on the Floridan Aquifer as the main alternative water supply. With additional reverse osmosis membrane skid slots available, the City's existing infrastructure is configured to readily accommodate expansion using the Floridan Aquifer and no other Floridan treatment capacity expansions are necessary to supplement the finished water production through the year 2030.

The City relies upon rainfall as its primary method of recharging the Biscayne Aquifer, because there are no recharge canals in the City. Both the Atlantic Ocean and the Intracoastal Waterway (located just inland, parallel to the ocean) are saltwater, and the City must carefully monitor salt water intrusion into the Biscayne Aquifer in the eastern portion of the City. Water supply wells located near the saltwater front are at risk of drawing in saltwater in greater quantities. Under certain conditions some wells would have to be abandoned.

### **Water Treatment Facilities**

The WTP is located on Hollywood Boulevard and North 35<sup>th</sup> Avenue. The WTP consists of lime softening ("LS"), membrane softening ("MS") and reverse osmosis ("RO") technology. The WTP primarily

uses a cold lime softening process with a rated capacity of 37.5 mgd and a membrane treatment process with a rated capacity of 14 mgd. Raw water for these processes is supplied by the Biscayne Aquifer. The remaining capacity of the WTP is provided from reverse osmosis treatment process which has a rated capacity of 8.0 mgd. Raw water is supplied for this process from the Floridan Aquifer. Waste from the WTP consists of spent lime encapsulated catalyst, filter backwash and reject water (concentrate) from the MS and RO treatment systems. The lime pellets are usually dumped to waste in a slurry pit. Decanted water from the pit, containing some dissolved lime, is recycled. The dewatered lime pellets are disposed as roadbed base or construction fill. Filter backwash water is discharged to a settling tank where solids are separated from the washwater. Concentrate from the MS and RO treatment systems is collected into a 20-inch common header and conveyed to the sewer system's effluent pump station where the concentrate is commingled with effluent from the sewer system prior to disposal through the ocean outfall. This practice will discontinue upon completion of construction of a new water treatment plant booster pump station in November 2014.

### **Water Storage**

The City currently has a total of 18 million gallons (MG) of available finished water ground storage, including ground storage tanks and a clearwell. Included in the total 18 MG, are two elevated tanks in the eastern half of the City, each holding 1MG of finished water, two ground storage tanks with 5.0 MG capacity and 11.0 MG on-site ground storage in the water plant.

### **Water Distribution**

All developed areas within the City are serviced by City water. The transmission system is constructed of cast iron, galvanized iron, polyvinyl chloride, ductile iron and asbestos cement. The distribution system is composed of galvanized steel, cast iron, ductile iron and asbestos-cement pipe. There are currently 30 miles of transmission mains, 16 to 30 inches in diameter, approximately 480 miles of distribution mains, 6 to 14 inches in diameter, and approximately 200 miles of distribution pipe of 4-inches and less in diameter. The City's WTP has three discharge mains, a 24-inch water main, a 30-inch water main and a 20-inch water main that supply water into the distribution system transmission lines. The City water service area distribution system consists of over 700 miles of pipe with diameters ranging from 2 inch to 36 inch, 2 elevated 1.0 MG storage tanks, approximately 40,200 connections, over 2,400 fire hydrants and over 7,500 valves. The vast majority of these facilities are over 35 years old.

The City has two high service pumping stations which pump water from storage tanks located at the WTP to the City's distribution system. The main high service pump houses six split-case horizontal centrifugal pumping units that draw finished water from the clearwells. These pumps operate in parallel and discharge into a common 42-inch header. The secondary high service pumping station houses four split-case horizontal pumps. These pumps, which operate in series, draw water from a one million gallon storage tank and pump into a common 20-inch discharge header. The City is contemplating substantial upgrades to the high service pumping stations and their supporting electrical and control infrastructure starting in 2015.

### **The Sewer System**

The City owns and operates the Hollywood Southern Regional Wastewater Treatment Plant ("SRWWTP"). The SRWWTP is located in the eastern portion of the City and provides secondary treatment to sewage. It is presently rated to process and discharge 55.5 mgd of effluent. The SRWWTP is

permitted to discharge an average annual daily flow of 46.3 mgd via an open ocean outfall. See "Elimination of the Use of Ocean Outfalls" herein. The remainder of the plant flow is discharged via deep injection wells and reclaimed non-potable water plant-site uses and off-site irrigation uses at local golf courses. In addition, the City owns and maintains an extensive network of wastewater collection pipelines, pump stations and force mains that collect and transport wastewater to the SRWWTP.

The City has retail customers and Large Users. The City provides service to approximately 21,000 retail customers. Currently, about 52% of the City's water customers receive wastewater service from the City, the remaining 48% rely on septic systems. The City supplies wastewater services to Large Users, which consist of the Cities of Dania Beach, Hallandale Beach, Miramar and Pembroke Pines, the Town of Pembroke Park and portions of unincorporated Broward County pursuant to Large User Agreements (defined herein). The City also has large user wastewater agreements with the City of Cooper City and the Town of Davie to provide effluent disposal for wastewater treated by these municipalities and delivered to the City's ocean outfall. See "THE WATER AND SEWER UTILITY – Summary of Large User Agreements." Port Everglades is partially located in the City but receives water and wastewater service from the City of Fort Lauderdale.

A table showing the City and the Large Users' flows for the years 2012 and 2013, and the City's projected flows for the years 2014 and 2015, based on actual flows and committed flows, follows:

**Table of Flows of the Sewer System**

	2012	2013	2014	2015
	Flow	Flow	Forecasted	Forecasted
<u>Large User</u>	<u>(mgd)</u>	<u>(mgd)</u>	<u>(mgd)*</u>	<u>(mgd)**</u>
City of Hollywood	19.57	17.77	16.39	17.32
City of Pembroke Pines	6.32	6.69	7.22	7.56
City of Hallandale Beach	7.06	6.93	7.07	7.40
City of Miramar	0.09	0.00	0.00	0.00
City of Dania Beach	3.35	3.28	3.42	3.66
Broward County District 3A	3.12	2.95	2.91	3.50
Town of Pembroke Park	<u>0.92</u>	<u>0.87</u>	<u>0.92</u>	<u>0.92</u>
<b>Totals</b>	40.43	38.49	37.93	40.36

Source: City of Hollywood, Department of Public Utilities

\*Current Average Annual Daily Flow

\*\*Current AADF + Encumbered Flow

Collection System. The collection system for the sewer system has separate facilities for wastewater and storm water drainage. There are approximately 222 miles of gravity sewer lines and 3,700 manholes in the City's sewer collection system. The City owns and operates more than 70 wastewater pump stations with approximately 98 miles of force main piping. Additionally, the City receives wastewater flows from approximately 100 privately owned pump stations and six satellite Large User collection systems.

The Large Users maintain approximately 350 miles of pipe. Their flows are pumped into the City's system by nine master lift stations. Meters at these lift stations are read daily, calibrated annually,



and form the basis for billings to the Large Users. The Large Users share certain trunk lines and lift stations within the City, for which they pay a ratable share of operation, maintenance and debt service.

### **Elimination of the Use of Ocean Outfalls**

On June 30, 2008, the State Governor signed a bill into law that prohibits the construction of new ocean outfalls. Such law became effective July 1, 2008, and was further amended by Chapter 2013-31, Laws of Florida effective on July 1, 2013, to clarify certain requirements. The legislation limits existing permitted discharge capacities for ocean outfalls and requires the Water and Sewer Utility to (i) meet the provisions of the advanced wastewater treatment and management requirements by December 31, 2018, either by (a) provision of advanced wastewater treatment to all ocean outfall flows, (b) reducing the volume of wastewater effluent disposed through ocean outfall flows between December 31, 2008 and December 31, 2025 so that the redirection in nutrients discharged would be the same as with advanced wastewater treatment, or (c) use of a combination of advanced wastewater treatment and diversion of ocean outfall flows to meet the nutrient reduction level required on December 31, 2008. By December 31, 2025, the Water and Sewer Utility will be required to eliminate use of the ocean outfall except as backup discharge and will be required to reuse 60% of the annual average flow of effluent to the Water and Sewer Utility's ocean outfall as determined from monitoring data available for calendar years 2003 through 2007. Based on the actual flows for these five years, approximately 20.4 MG a day must be utilized as reuse on an annual basis.

The Utilities Department has adjusted operational strategies to accommodate Chapter 2013-31, Laws of Florida, and is currently addressing alternatives for continued compliance after the year 2025. However, adequate facilities exist to allow continued discharge of effluent without modification through the year 2025.

Although the above legislation relates primarily to wastewater effluent disposal practices, certain elements of the rule have water supply planning implications. The legislation finds that the discharge of domestic wastewater through ocean outfalls wastes valuable water supplies that should be reclaimed for beneficial purposes to meet public and natural systems demands. In order to fulfill the 60 percent reuse requirement, the City is considering utilizing the recovered water for aquifer recharge, which would diversify water supplies and help create salinity barriers. The legislation requires the use of reclaimed water made available by the elimination of wastewater ocean outfall discharges in lieu of surface water or ground water and other alternative water supplies wherever feasible. Further, with the City being one of the first utilities in the county to establish the use of the Floridan Aquifer alternative water supply, it is not anticipated that the City would be impacted by this legislation.

### **The Large Users**

The City expects payments by the Large Users to equal approximately 37% of the Revenues of the sewer system in 2013. For a summary of certain information for each of the Large Users (except for Broward County), see "Appendix A-2 — General Information Regarding the Large Users" hereto.

The Large Users are obligated by their respective large user wastewater agreements (the "Large User Agreements") to deliver wastewater to the SRWWTP and pay certain fees and charges.

## Summary of Large User Agreements

Wastewater. The City entered into Large User Agreements with Broward County and with the Cities of Dania Beach, Hallandale Beach, Miramar, Pembroke Pines and the Town of Pembroke Park in 1990.

The Large User Agreements are substantially alike in form. A summary of these Agreements follows:

Limitation on Termination. The Large User Agreements are terminable on one year's notice by either party to the other if certain conditions are met. To terminate, a Large User must prepay its proportionate share of debt service charges on the Bonds and other indebtedness of the sewer system and prepay the present value of all other payments which would have been made by a Large User for five years after termination. If the City wished to terminate a Large User Agreement, it could only do so if there were another readily available means for a Large User to treat and dispose of its wastewater and if the City paid the Large User its actual expenses for changing facilities, plus any additional charges the Large User would incur on the new system for the next five years, less debt service charges otherwise payable. The City has covenanted in the Bond Ordinance not to materially alter the provisions in the Large User Agreements pertaining to termination.

Connection to the City System: Projected Treatment Capacity. The Large User Agreements require that, during the term of the Large User Agreement, each Large User will deliver all existing wastewater flows collected by it in the service area covered by such Large User Agreement to the City.

The Large User Agreements also identify the points of connection of the Large Users' systems to the City's system, and state that the Large Users will convey to the City easements needed by the City for the point of connection and access thereto. The City is required to install and maintain a meter at each point of connection to determine the volumes and rates of flow and to inspect the accuracy thereof. The Large User Agreements provide for credits and additional charges in the event of the inaccuracy of the meters. If the meters are inoperative, the Large Users are required to pay an amount based on the average flow of the prior month. The Large Users agree to maintain their own systems in such a manner as to minimize infiltration and inflow which would result in extraordinary levels of ground water or storm water in the system.

In 1992, each of the Large Users projected their respective future wastewater flows. This enabled the City to plan and provide for future treatment capacity. The City's obligation to provide service is limited to the capacities reserved by the Large Users. Large Users may exchange or sell excess capacity to the other Large Users, subject to the City's approval.

Charges to Large Users. The City is required to conduct an annual review of the costs of providing service to Large Users, which provides the preliminary basis for establishing fees, rates and other charges for the next succeeding fiscal year. The fees and rates charged to the Large Users constitute the full cost of the transmission, treatment and disposal service provided to the Large Users, including operation and maintenance charges and debt service charges (including required coverage) for both the SRWWTP and the City transmission facility, and include a contribution to a renewal, replacement and improvement fund, not to exceed ten percent of that Large User's monthly bill. The operation and maintenance charges applicable to the sewer system included in the monthly rate charged to the Large Users are based upon the Large Users' actual monthly flow. The rate is set by dividing the total annual

budgeted operation and maintenance expense for each fiscal year by the number of gallons estimated to be treated in that fiscal year, and is adjusted at year end to reflect the actual number of gallons treated and actual operation and maintenance expense.

The debt service charge included in monthly rates charged to the Large Users includes principal, interest and coverage requirements on obligations issued at any time for the sewer system. The amount payable by each Large User for improvements and upgrades to the system is computed by determining the ratio of the flow of such Large User to the flow by all Large Users. The debt service charges payable by each Large User relating to expansion of the sewer system's capacity is calculated by subtracting such Large User's 1988-1989 average daily flow from its projected average daily flow for fiscal year 1999-2000 and dividing that result by the projected system-wide increase in average daily flow between 1988-1989 and 1999-2000. Debt service charges for transmission pipes and facilities are established by the Large User Agreements based on the percentage of these facilities dedicated to each Large User. In addition, the Large User Agreements provide for additional charges if a Large User requests additional transmission or treatment capacity.

A Large User which fails to pay the monthly bill within 45 days of its due date must pay an interest penalty on the unpaid balance. Such Large User shall then be considered to be in default of the Large User Agreement and the City may enforce the Large User Agreement by suit. The Large Users have agreed to establish and maintain rates and service charges or other means of obtaining funds sufficient to enable them to pay the monthly charge.

Violations and Exceptions to the Terms of Agreements. If either party violates the Large User Agreement, that party becomes liable to the other for any expense, loss or damage occasioned by such violation. If there is a dispute concerning a violation that cannot be settled by agreement between the parties, the Large User will pay the full amount billed, and the amount in dispute shall be held in escrow pending settlement of such dispute. Any non-monetary disputes which cannot be resolved shall be the subject of binding arbitration.

Each Large User agrees to hold the City harmless from costs and expenses incurred by the City in any litigation resulting from the improper introduction of materials by such Large User into the City facility. Any temporary cessation of wastewater transmission and treatment services caused by an act of God, a fire, strikes, casualty, necessary maintenance work, breakdown of or injury to machinery, pumps or pipeline does not constitute a breach of the Agreement. The City is required to accept and dispose of wastewater transmitted by the Large Users, if physically possible, regardless of the degree of treatment available, until written notice to the contrary is received from a government agency.

Provisions Relating to the Term of the Large User Agreements and Cancellation. The Large Users and the City were bound by the Large User Agreements at the date of their execution. The Large User Agreements are perpetual and terminate upon one year's written notice, subject to the termination provisions described above.

Sale, Lease or Transfer of the Sewer System. The City may sell, lease or transfer all or a portion of the sewer system to Broward County, to another governmental entity or to an intergovernmental or regional authority. If the City so sells, leases or transfers the sewer system, the City shall also assign all or some of its rights and obligations under the Large User Agreements, and thereafter shall not be liable for such obligations.

If the City so sells, leases or transfers the sewer system to any such entity, and the City is paid an amount which exceeds the combined total outstanding long-term and short-term debt of the sewer system, then this "excess amount," when actually paid, shall be divided among all of the Large Users (including the City), based upon their respective percentages of actual flows to the total sewer system flows for the fiscal year in which the sewer system is transferred; except that the City will not be obligated to pay a Large User amounts otherwise payable under the Large User Agreement for increased payments by the Large User upon termination by the City to the extent such increased payments are due to the "excess amount" paid by the new owner or transferee of the sewer system.

Large Users Advisory Committee (LUAC). Subject to the terms of the Large User Agreements, the City has sole and exclusive authority over the administration, operation and maintenance of the sewer system, including establishment and amendment of service fees, rates and other charges necessary for the efficient operation and maintenance of the sewer system. However, the City will consult with each member of the Large Users Advisory Committee (the "Advisory Committee") each fiscal year about proposed fees, rates, renewal, replacement and improvement contributions and other charges to be paid by the Large Users for the next fiscal year. The City will meet with the Advisory Committee at least quarterly to review user rates and budgeting matters. The Advisory Committee may make recommendations to the City about these matters. The City will also meet with the Advisory Committee to discuss any plans for relocating sewer system facilities before taking any definitive action.

## **RATES, FEES AND CHARGES**

### **Rate Setting Procedures**

All retail user charges and fees are established by the Commission by ordinance. The rate structure needed to support the debt service on the Series 2014 Bonds was enacted on October 16, 2013 by Ordinance No. 0-2013-19, with respect to water service, and Ordinance No. 0-2013-20, with respect to sewer service. Such ordinances setting the rate structure needed to support the Series 2014 Bonds are hereinafter collectively referred to as the "Rate Ordinance." Pursuant to the Rate Ordinance, the City adopted a multi-year rate increase for Water and Sewer Utility customers effective October 1, 2013 through September 30, 2019. Commencing on October 1, 2019 and continuing on October 1 of each year thereafter, a utility price index adjustment, which corresponds to the price index established on or before March 31 of each year by the Florida Public Service Commission pursuant to Section 367.081(4)(a), Florida Statutes, shall be applied to the base charge and flow rate then in effect.

The City reviews and adjusts rates for Large Users of the City's sewer system annually pursuant to the Large User Agreements. The rates are based on the City's estimate of each Large User's proportionate share of operations and maintenance expenses and debt service requirements (including required coverage), as well as a 10% contribution to the Renewal, Replacement and Improvement Account. Upon completion of the City's annual audit of the results of operations for its Water and Sewer Enterprise Fund, each Large User is either invoiced or credited based upon actual cost figures and proportionate flows. The Renewal, Replacement and Improvement Account contribution for each Large User is also adjusted accordingly.

In an effort to promote water conservation, pursuant to a mandate from the SFWMD, rates are determined under a flow-based rate structure for water which, in addition to a monthly fixed charge, charges a higher per unit charge for water usage beyond certain thresholds.

**Typical Charges and Comparative Rates**

The following tables describe current monthly rates and charges of the Water System and Sewer System effective October 1, 2013 through October 1, 2018.

**CITY OF HOLLYWOOD, FLORIDA**  
**WATER RATES AND CHARGES**

**Monthly Base Charge:**

Residential - Charge Per Unit Single

Family \$6.76

Multi Family 4.80

NonResidential - Charge by Meter Size

<u>Meter Size</u>	<u>Base Charge</u>
5/8 INCH	\$6.76
1 INCH	16.89
1½ INCH	33.77
2 INCH	54.04
3 INCH	101.31
4 INCH	168.85
6 INCH	337.69
8 INCH	540.31

**Flow Rate per CCF:**

**Single Family Residential**

<u>From:</u>	<u>To:</u>	<u>Flow Rate per CCF</u>
0	500	\$2.41
501	1000	4.82
1001	1500	6.03
1501	2000	7.23
2001	And Over	8.44

**Multi Family Residential**

*Ranges to be Adjusted by Unit Count*

<u>From:</u>	<u>To:</u>	<u>Flow Rate per CCF</u>
0	400	\$2.41
401	700	4.82
701	1100	6.03
1101	1400	7.23
1401	And Over	8.44

**Non Residential**

*Flow Charges By Block*

	<u>Flow Rate per CCF</u>
Block 1	\$4.82
Block 2	6.03

\*See Non Residential Block Range Table below for specific block ranges.

<u>Customer Class - Meter Size</u>	<u>Cubic Feet</u>	
	<u>Block 1</u>	<u>Block 2</u>
COMMERCIAL - 5/8 INCH	9,000	All usage above 9,000
COMMERCIAL - 1 INCH	15,200	All usage above 15,200
COMMERCIAL - 1½ INCH	53,500	All usage above 53,500
COMMERCIAL - 2 INCH	50,200	All usage above 50,200
COMMERCIAL - 3 INCH	203,900	All usage above 203,900
COMMERCIAL - 4 INCH	69,500	All usage above 69,500
COMMERCIAL - 6 INCH	103,800	All usage above 103,800
COMMERCIAL - 8 INCH	152,100	All usage above 152,100
GOVERNMENT - 5/8 INCH	5,900	All usage above 5,900
GOVERNMENT - 1 INCH	8,900	All usage above 8,900
GOVERNMENT - 1½ INCH	45,000	All usage above 45,000
GOVERNMENT - 2 INCH	172,100	All usage above 172,100
GOVERNMENT - 3 INCH	103,200	All usage above 103,200
GOVERNMENT - 4 INCH	47,600	All usage above 47,600
GOVERNMENT - 6 INCH	135,000	All usage above 135,000
HOTEL MOTEL - 5/8 INCH	10,200	All usage above 10,200
HOTEL MOTEL - 1 INCH	11,900	All usage above 11,900
HOTEL MOTEL - 1½ INCH	28,000	All usage above 28,000
HOTEL MOTEL - 2 INCH	46,900	All usage above 46,900
HOTEL MOTEL - 3 INCH	59,000	All usage above 59,000
HOTEL MOTEL - 4 INCH	204,700	All usage above 204,700
HOTEL MOTEL - 8 INCH	642,000	All usage above 642,000
SCHOOLS - 5/8 INCH	2,700	All usage above 2,700
SCHOOLS - 2 INCH	59,300	All usage above 59,300
SCHOOLS - 3 INCH	48,300	All usage above 48,300
SCHOOLS - 4 INCH	132,300	All usage above 132,000
SCHOOLS - 6 INCH	95,100	All usage above 95,100
HOSPITALS - 5/8 INCH	10,300	All usage above 10,300
HOSPITALS - 1 INCH	4,900	All usage above 4,900
HOSPITALS - 1½ INCH	9,600	All usage above 9,600
HOSPITALS - 2 INCH	15,300	All usage above 15,300
HOSPITALS - 4 INCH	611,900	All usage above 611,900
HOSPITALS - 6 INCH	102,200	All usage above 102,200
HOSPITALS - 8 INCH	607,000	All usage above 607,000

**CITY OF HOLLYWOOD, FLORIDA**  
**IRRIGATION RATES AND CHARGES**

**Monthly Base Charge:**

Residential - Charge Per Unit Single	
Family	\$6.76
Multi Family	4.80
NonResidential - Charge by Meter Size	

<u>Meter Size</u>	<u>Base Charge</u>
5/8 INCH	\$6.76
1 INCH	16.89
1½ INCH	33.77
2 INCH	54.04
3 INCH	101.31
4 INCH	168.85
6 INCH	337.68
8 INCH	540.31

\*All rates shown are for Inside-City customers. Outside-City customer rates are 1.25 times rate shown.

**Flow Rate per CCF:**

**Single Family Residential**

<u>From:</u>	<u>To:</u>	<u>Flow Rate per CCF</u>
0	1500	\$6.03
1501	2000	7.23
2001	And Over	8.44

**Multi Family Residential**

*Ranges Shall Be Adjusted by Unit Count*

<u>From:</u>	<u>To:</u>	<u>Flow Rate per CCF</u>
0	1101	\$6.03
1101	1400	7.23
1401	And Over	8.44

**Non Residential**

5/8 INCH METER

<u>From:</u>	<u>To:</u>	<u>Flow Rate per CCF</u>
0	1500	\$6.03
1501	2000	7.23
2001	And Over	8.44



## 1 INCH METER

<u>From:</u>	<u>To:</u>	Flow Rate <u>per CCF</u>
0	3600	\$6.03
3601	4900	7.23
4901	And Over	8.44

## 1½ INCH METER

<u>From:</u>	<u>To:</u>	Flow Rate <u>per CCF</u>
0	7100	\$6.03
7101	9600	7.23
9601	And Over	8.44

## 2 INCH METER

<u>From:</u>	<u>To:</u>	Flow Rate <u>per CCF</u>
0	11300	\$6.03
11301	15300	7.23
15301	And Over	8.44

## 3 INCH METER

<u>From:</u>	<u>To:</u>	Flow Rate <u>per CCF</u>
0	21100	\$6.03
21101	28600	7.23
28601	And Over	8.44

## 4 INCH METER

<u>From:</u>	<u>To:</u>	Flow Rate <u>per CCF</u>
0	35100	\$6.03
35101	47600	7.23
47601	And Over	8.44

## 6 INCH METER

<u>From:</u>	<u>To:</u>	Flow Rate <u>per CCF</u>
0	70100	\$6.03
70101	95100	7.23
95101	And Over	8.44

## 8 INCH METER

<u>From:</u>	<u>To:</u>	Flow Rate <u>per CCF</u>
0	112100	\$6.03
112101	152100	7.23
152101	And Over	8.44

\*All rates shown are for Inside-City customers. Outside-City customers rates are 1.25 times rates shown.

**CITY OF HOLLYWOOD, FLORIDA**  
**SEWER RATES AND CHARGES**

**Monthly Base Charge:**

Residential - Charge Per Unit Single

Family \$6.48

Multi Family 4.60

NonResidential - Charge by Meter Size

<u>Meter Size</u>	<u>Base Charge</u>
5/8 INCH	\$6.48
1 INCH	16.19
1½ INCH	32.37
2 INCH	51.79
3 INCH	97.10
4 INCH	161.38
6 INCH	323.65
8 INCH	517.84

**Flow Rate Per CCF:**

**Single Family Residential**

<u>From:</u>	<u>To:</u>	<u>Flow Rate per CCF</u>
0	2000	\$7.15
2001	And Over	--

**Multi Family Residential**

*Outer Ranges of Blocks to be Adjusted by Unit Count*

<u>From:</u>	<u>To:</u>	<u>Flow Rate per CCF</u>
0	1400	\$7.15
1401	And Over	--

**Non Residential**

*Outer Ranges of Blocks to be Adjusted by Unit Count*

<u>From:</u>	<u>To:</u>	<u>Flow Rate per CCF</u>
All Flow		\$7.15

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\*All rates shown are for Inside-City customers. Outside-City customers rates are 1.25 times rates shown.

**WATER AND SEWER  
COMPARISON OF AVERAGE SINGLE FAMILY RATES  
TO RATES OF OTHER UTILITIES IN SOUTH FLORIDA**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Davie	\$ 35.30	\$ 65.84	\$ 101.14
Dania Beach	35.00	58.82	93.82
Oakland Park	42.06	39.80	81.86
<b>Hollywood</b>	<b>26.25</b>	<b>53.95</b>	<b>80.20</b>
Pembroke Park	23.90	50.33	74.23
Weston	32.12	39.21	71.33
Hallandale Beach	26.36	34.76	61.12
Tamarac	19.69	38.58	58.27
Miramar	23.51	32.95	56.46
Coral Springs	21.78	33.06	54.84
Deerfield Beach	28.25	24.53	52.78
Fort Lauderdale	18.46	30.95	49.41
Pembroke Pines	22.39	25.92	48.31

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Source: City of Hollywood, Florida

(1) Based on 5,000 gallons usage monthly for 2013

(2) Does not reflect future rate increases

**Exhibit B**  
**HISTORICAL AND FORECASTED SCHEDULE OF NET CASH FLOW,**  
**DEBT SERVICE AND DEBT SERVICE COVERAGE**

The information in the following table sets forth the historical and forecasted revenues, expenditures and debt service coverage of the Water and Sewer Utility.

<b>Cash Flow Available for Debt Service</b>										
<b>Fiscal Years Ending September 30</b>										
	<b>Historical</b>				<b>Projected Budget</b>			<b>Forecasted</b>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 <sup>(4)</sup></u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
OPERATING REVENUE										
Charges For Services <sup>(1)</sup>	\$72,614,590	\$81,715,306	\$84,803,408	\$89,227,696	\$92,689,588	\$95,781,242	\$96,666,507	\$97,421,948	\$98,470,829	\$101,853,180
Miscellaneous	748,296	1,699,783	907,144	921,507	610,000	610,000	610,000	610,000	610,000	610,000
Investment Income	539,691	393,176	311,634	298,741	298,741	329,000	280,000	215,000	215,000	215,000
Total Operating Revenues	\$73,902,576	\$83,808,265	\$86,022,186	\$90,447,944	\$93,598,329	\$96,720,242	\$97,556,507	\$98,246,948	\$99,295,829	\$102,678,180
OPERATING EXPENSES										
Personal Services and Benefits <sup>(3)</sup>	\$19,433,490	\$20,033,305	\$20,699,472	\$20,925,666	\$24,227,633	\$25,532,000	\$27,063,000	\$28,683,000	\$30,396,000	\$32,218,000
Supplies, Services and Claims <sup>(3)</sup>	22,659,149	22,297,366	21,329,021	21,706,770	20,004,962	23,354,000	24,047,000	24,754,000	25,483,000	26,236,000
Total Operating Expenses <sup>(5)</sup>	\$42,092,638	\$42,330,671	\$42,028,493	\$42,632,436	\$44,232,595	\$48,886,000	\$51,110,000	\$53,437,000	\$55,879,000	\$58,454,000
Net Revenue	31,809,938	41,477,594	43,993,693	47,815,508	49,365,734	47,834,242	46,446,507	44,809,948	43,416,829	44,224,180
Senior Lien Debt Svs (Series 2003) <sup>(6)(7)</sup>	9,651,825	9,371,875	9,374,125	9,372,375	9,376,125	8,673,142	6,686,750	6,679,250	6,685,750	6,690,000
Senior Lien Debt Svs (Series 2010) (net of subsidy) <sup>(2)(7)</sup>	1,639,406	3,246,578	3,251,478	3,305,648	3,336,554	3,340,002	3,339,381	3,339,517	3,340,693	3,339,384
Total Senior Lien Debt	11,291,231	12,618,453	12,625,603	12,678,023	12,712,679	12,013,144	10,026,131	10,018,767	10,026,443	10,029,384
Coverage	2.82	3.29	3.48	3.77	3.88	3.98	4.63	4.47	4.33	4.41
Net	\$20,518,707	\$28,859,140	\$31,368,090	\$35,137,485	\$36,653,055	\$35,821,098	\$36,420,376	\$34,791,181	\$33,390,386	\$34,194,796
SRF Loans	5,628,920	5,580,658	5,686,521	5,825,155	5,940,179	6,152,334	7,565,887	7,565,887	8,339,012	8,339,012
Total SRF Loans Coverage	3.65	5.17	5.52	6.03	6.17	5.82	4.81	4.60	4.00	4.10

Source: City of Hollywood, Department of Public Utilities Services

- Notes:
- (1) Revenue Projection is CY budget and Forecasted based on Lighthouse Utility Consulting's rate study of October 2013.
  - (2) Includes debt service on Series 2010 Bonds (net of Federal Subsidy adjusted and sequestration reduction of 8.7% for subsidy payments received April 2013-September 30, 2013, 7.2% for subsidy payments in Fiscal Year 2014 and 7.3% for subsidy payments in all subsequent Fiscal Years ).
  - (3) Based on Consultant's 2013 Rate Study with the exception of Miscellaneous Revenue and Investment Income.
  - (4) Based on Fiscal Year 2014 Budget.
  - (5) Engineering and Construction Services Division charges included in operating expenses.
  - (6) Includes projected debt service for the Series 2014 Bonds which are refunding the Series 2003 Bonds.
  - (7) Debt Service based on bond year ended 10/1 not Fiscal Year ended 9/30.

### MULTI-YEAR CAPITAL IMPROVEMENT PLAN

The Water and Sewer Utility uses a formal capital program and budgeting process. Set forth in the Report of Consulting Engineer is a summary of the Water and Sewer Utility's funding sources for its Capital Improvement Plan for Fiscal Years ending September 30, 2013 through 2019 (the "CIP"). The funding of the CIP includes proceeds of the Series 2014 Bonds, as well as certain annual revenue sources of the Water and Sewer Utility. The adjusted CIP totals \$245,934,000 over the forecast period. See table below for the planned capital improvements and the funding sources.

#### Water and Sewer System Project Schedule (In Thousands)

Project Title	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total
<b>Series 2010 Bonds</b>								
Collection/Transmission	\$1,096							\$1,096
Reuse System	\$0.30							\$0.30
Wastewater Treatment Plant	\$773							\$773
Water Treatment Plant Upgrades	\$5							\$5
Water Distribution System Upgrades	\$571							\$571
Water Conservation	\$368							\$368
<b>R&amp;R</b>								
Collection/Transmission	\$5,875	\$7,290	\$5,276	\$7,699	\$5,170	\$11,071	\$4,992	\$47,373
Reuse System	\$194	\$759	\$71					\$1,024
Wastewater Treatment Plant	\$4,354	\$706	\$1,262	\$796	\$3,683	\$562	\$370	\$11,733
Water Treatment Plant Upgrades	\$668	\$2,814	\$924	\$245	\$2,375	\$157	\$3,182	\$10,365
Water Distribution System Upgrades	\$20,707	\$1,585	\$18,289	\$11,505	\$3,545	\$10,607	\$239	\$66,479
Water Conservation	\$430	\$281	\$239					\$950
Water Transmission	\$487	\$2,315	\$398		\$450	\$3,710		\$7,359
<b>SRF Loans</b>								
Collection/Transmission	\$2,926			\$4,371	\$4,502		\$4,023	\$15,822
Reuse System							\$4,854	\$4,854
Wastewater Treatment Plant	\$10,397							\$10,397
Water Treatment Plant Upgrades	\$4,571							\$4,571
Water Distribution System Upgrades	\$2,007	\$1,000	\$10,609	\$10,927	\$10,130	\$10,433	\$13,809	\$58,915
<b>WRC</b>								
Water Treatment Plant Upgrades	\$596							\$596
Water Distribution System Upgrades	\$213	\$87	\$133					\$433
<b>Grant</b>								
Water Treatment Plant Upgrades	\$71							\$71
<b>SRC Funding</b>								
Collection/Transmission	\$2,180							\$2,180
<b>Totals</b>	<b>\$58,486</b>	<b>\$16,838</b>	<b>\$37,201</b>	<b>\$35,544</b>	<b>\$29,855</b>	<b>\$36,540</b>	<b>\$31,470</b>	<b>\$245,934</b>

Source: Report of Consulting Engineer dated October\_\_\_\_, 2014

## INVESTMENT POLICY

The City adopted a detailed written investment policy on July 6, 2005, as amended on May 21, 2013, that applies to all funds (cash, cash equivalents and investments) held by or for the benefit of the City except for proceeds of refunded bond issues which are deposited in escrow, debt service funds or reserve funds governed by their bond ordinances and the assets of the City's three employee retirement systems.

The objectives of the investment program are: a) preservation of capital, b) liquidity, c) yield maximization and d) investment responsibility.

Subject to certain restrictions in the City's investment policy concerning maximum allowable percentages, the City may invest in the following types of securities: (a) the Local Government Investment Pool administered by the State Board of Administration of the State of Florida, (b) U.S. Treasury Obligations, (c) U.S. Government Agency Obligations, guaranteed by the U.S. Government, (d) U.S. Government instrumentalities, guaranteed by the issuing corporation and not by the U.S. Government, (e) Certificates of Deposit, Savings Accounts, NOW Checking Accounts or Money Market Accounts, (f) Repurchase Agreements, (g) Commercial Paper, (h) Mutual Funds consisting of U.S. Government Obligations, (i) Money Market Mutual Funds, and (j) Intergovernmental Investment Pools. All other investments not specifically stated by the investment policy as "Authorized Investments" are unauthorized.

The City utilizes portfolio diversification as a way to control risk. Investment managers are expected to display prudence in the selection of securities as a way to minimize default risk. To control risk of illiquidity, a minimum of \$20 million, or the equivalent of two months of projected payroll and operating expenditures, will be invested in short-term investment vehicles.

The City's investment policy may be modified from time to time by the Commission.

## PENSION PLANS

### **Employees, Fire and Police Retirement Plans**

The City participates in three defined benefit pension plans for general, fire and police employees. City contributions are determined by actuarial valuations adopted by the respective Board of Trustees for those retirement benefits provided by the City's Code of Ordinances. Each retirement plan provides retirement, disability and death benefits and certain cost of living adjustments to plan members and beneficiaries.

The City's annual pension cost for the Fiscal Year 2013 and related information for each plan is as follows:

Contribution Rates:		<u>Employees Retirement Fund</u>	<u>Fire Pension Fund</u>	<u>Police Retirement Fund</u>
City		59.43%	77.68%	63.19%
State of Florida		0.00%	12.66%	7.05%
Employees		9.00%	7.95%	9.25%
Annual Pension Cost		\$17,920,612	\$9,583,797	\$9,266,964
Contributions Made		\$17,913,508	\$9,584,117	\$9,265,076
Actuarial Valuation Date		10/01/11	10/01/11	10/01/11
Actuarial Cost Method		Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method		Level Percent	Level Percent	Level Percent
		Closed	Closed	Closed
Remaining Amortization		29 Years	29 Years	29 Years
Asset Valuation Method		5 Year Smoothed Market	(a)	5 Year Smoothed Market

Actuarial Assumptions:

Investment Rate of Return*	8.00%	7.80%	8.00%
Projected Salary Increases*	4.00% to 9.00%	5.80% to 33.80%	5.03% to 10.67%
* Includes Inflation at	3.50%	3.00%	3.50%
Cost-of-Living Adjustments	N/A	(b) (c)	2.00% (c)

- (a) Actuarial value of assets is equal to the market value of assets adjusted to reflect a five-year phase-in of the net investment gain or loss. However, the actuarial value of assets may not be less than 90% of market value of assets or more than 110% of market value of assets.
- (b) Any retiree previously covered by the Supplemental Plan or hired after October 1, 1989 will receive a 2% annual increase in benefit payments commencing three years after the retiree's benefit payments have begun. Retirees receiving benefit payments as of October 1, 1988 will receive a 1% annual increase in benefit payments commencing the later of October 1, 1989 or three years after the retiree's benefit payment began. All beneficiaries will receive a 2% annual increase in benefit payments regardless of the magnitude of the COLA the retired member was receiving. Retirees hired on or after July 16, 2009 and their associated beneficiaries will not receive a COLA.
- (c) All benefits accrued after October 1, 2011 will not be subject to any cost of living adjustments.

The table below shows the annual pension costs for each retirement fund for the Fiscal Years ended September 30, 2011, 2012, and 2013.

#### Employees Retirement Fund

<u>Fiscal Year Ended</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Cost Contributed</u>	<u>Net Pension Obligation (a)</u>
September 30, 2013	\$ 17,920,578	99.9%	\$ (243,181)
September 30, 2012	13,062,549	99.9%	(250,285)
September 30, 2011	16,748,923	99.9%	(261,956)

#### Fire Retirement Fund

<u>Fiscal Year Ended</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Cost Contributed</u>	<u>Net Pension Obligation (a)</u>
September 30, 2013	\$ 9,583,797	100.0%	\$ (126,452)
September 30, 2012	10,401,085	99.9%	(126,132)
September 30, 2011	11,121,920	99.9%	(128,000)

#### Police Retirement Fund

<u>Fiscal Year Ended</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Cost Contributed</u>	<u>Net Pension Obligation (a)</u>
September 30, 2013	\$ 9,266,964	99.9%	\$ (177,941)
September 30, 2012	9,935,133	99.9%	(179,829)
September 30, 2011	12,921,854	99.9%	(183,688)

(a) These amounts reflect cumulative net overcontributions (assets) from October 1, 1987 to date of the required APC at fiscal year end.

The tables below show the unfunded actuarial liability as of October 1, 2013, 2012 and 2011 for the Employees Retirement Fund, the Fire Retirement Fund and the Police Retirement Fund.

#### Employees Retirement Fund

<u>Actuarial Valuation Date October 1</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
2013	\$ _____	\$ _____	\$ _____	____%	\$ _____	____%
2012	217,907,548	387,472,215	169,564,667	56.2	29,111,818	582.5
2011	224,237,503	376,225,569	151,988,066	59.6	29,823,518	509.6



**Fire Retirement Fund**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets*</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as % of Covered Payroll</b>
<b><u>October 1</u></b>						
2013	\$170,201,000	\$314,689,000	\$144,489,000	54.1%	\$13,939,000	1,036.6%
2012	90,389,165	219,158,683	128,769,518	41.2	10,371,171	1,241.6
2011	88,720,994	212,537,752	123,816,758	41.7	12,338,453	1,003.5

\*Prior to October 1, 2013, Deferred Retirement Option Plans (DROP) balances were not included in Assets or Liabilities.

**Police Retirement Fund**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as % of Covered Payroll</b>
<b><u>October 1</u></b>						
2013	\$165,773,329	\$312,769,339	\$146,996,010	53.0%	\$14,581,728	1,008.1%
2012	166,024,436	303,650,726	137,626,290	54.7	13,707,806	1,004.0
2011	163,376,325	289,627,228	126,250,903	56.4	15,230,825	828.9

**Defined Contribution Plans**

The City has a contract with the ICMA-RC for a defined contribution pension plan covering certain employees with an employment agreement with the City. The plan is established under the provisions of Section 401(a) of Internal Revenue Code as Money Purchase Plans and Trusts. In addition, there is a second 401(a) plan between the Hollywood Community Redevelopment Agency ("CRA") and ICMA-RC covering the executive director and employees of the agency. Benefits depend solely on the amounts contributed to the plans plus investment return. The plans do not require or permit employee contributions. During Fiscal Year 2014, the City and the CRA contributed approximately \$279,000 to these defined contribution plans.

**Deferred Compensation Plans**

The City offers certain employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans permit employees to defer a portion of their salary until future years. At the employee's election, such amounts may be invested in mutual funds which represent varying levels of risk and return. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under plans are held in trust for the exclusive benefit of the plans' participants and their beneficiaries. Because the City has no control over these assets, they are not reflected in the City's statements.

## OPEB

The City provides health care benefits, including prescription drug coverage, for its retired employees ("OPEB"). Pursuant to Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's self-funded health and hospitalization plan for medical, prescription and drug coverage. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plans at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City also provides an explicit subsidy for retirees depending on their employment group and date of hire. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. At October 1, 2011, 945 retirees and 288 eligible dependents were receiving these benefits.

Similar to most jurisdictions, the City has historically funded these benefits on a pay-as you-go basis, but has been in compliance with Governmental Accounting Standard's Board's Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45) since Fiscal Year ended September 30, 2008. GASB 45 applies accounting methodology similar to that used for pension liabilities (GASB 27) to other post employment benefits and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded. The City has not advanced funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. Required contributions are based on projected pay-as-you-go financing.

Annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the Fiscal Years ended September 30, 2013, 2012 and 2011 are shown below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB</u>		<u>Percentage of OPEB</u>	<u>Net OPEB</u>
	<u>Costs</u>	<u>Contribution</u>	<u>Cost Contributed</u>	<u>Obligation</u>
September 30, 2013	\$ 29,092,887	\$ 9,419,309	32.4%	\$ 125,014,453
September 30, 2012	27,318,512	8,212,242	30.1	105,340,965
September 30, 2011	30,029,771	7,756,270	25.8	86,234,695

The tables below show the unfunded actuarial liability as of October 1, 2012, 2011 and 2010 for OPEB.

<u>Actuarial</u>						<u>UAAL as</u>
<u>Valuation</u>	<u>Actuarial</u>	<u>Actuarial</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Covered</u>	<u>% of</u>
<u>Date</u>	<u>Value of</u>	<u>Accrued</u>	<u>AAL (UAAL)</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Covered</u>
<u>October 1</u>	<u>Assets</u>	<u>Liability (AAL)</u>				<u>Payroll</u>
2012	0	\$388,256,996	\$388,256,996	0%	\$82,754,752	469.2%
2011	0	369,686,728	369,686,728	0	81,867,257	451.6
2010	0	433,363,309	433,363,309	0	95,506,755	453.8

## LITIGATION

There is no litigation pending or, to the knowledge of the City, threatened, seeking to restrain or enjoin the issuance or delivery of the Series 2014 Bonds or questioning or affecting the validity of the Series 2014 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the City to their respective offices is being contested.

In the opinion of the City Attorney, any pending or threatened litigation against the City, which represents potential liability to the City, will not have a material adverse effect on its financial position and its ability to perform its obligations to the Bondholders.

## TAX MATTERS

### General Matters

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the City must continue to meet after the issuance of the Series 2014 Bonds in order that the interest on the Series 2014 Bonds be and remain excludable from gross income for federal income tax purposes. The City’s failure to meet these requirements may cause the interest on the Series 2014 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2014 Bonds. The City has covenanted in the Bond Ordinance to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2014 Bonds.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2014 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2014 Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that the Series 2014 Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in said Chapter 220. Bond Counsel will express no opinion as to any other tax consequences regarding the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors as to the status of interest on the Series 2014 Bonds under the tax laws of any state other than Florida.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts. Rather, such opinions represent Bond

Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

### **Original Issue Premium and Discount**

The Series 2014 Bonds maturing on \_\_\_\_\_ (the "Noncallable Premium Bonds") and the Series 2014 Bonds maturing on \_\_\_\_\_ (the "Callable Premium Bonds") were sold at a price in excess of the amount payable at maturity in the case of the Noncallable Premium Bonds or their earlier call date in the case of the Callable Premium Bonds. Under the Code, the difference between the amount payable at maturity of the Noncallable Premium Bonds and the tax basis to the purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to the purchaser (other than a purchaser who holds a Noncallable or Callable Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is "bond premium." Bond premium is amortized for federal income tax purposes over the term of a Noncallable Premium Bond and over the period to the call date of a Callable Premium Bond that minimizes the yield to the purchaser of the Callable Premium Bond. A purchaser of a Noncallable or Callable Premium Bond is required to decrease the purchaser's adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year such purchaser holds the Premium Bond. The amount of amortizable bond premium attributable to each taxable year is determined at a constant interest rate compounded actuarially. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of the Noncallable or Callable Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Noncallable or Callable Premium Bonds and with respect to the state and local consequences of owning and disposing of Noncallable or Callable Premium Bonds.

Under the Code, the difference between the principal amount of the Series 2014 Bonds maturing \_\_\_\_\_ (the "Discount Bonds") and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount. Original issue discount represents interest that is excludable from gross income; however, such interest is taken into account for purposes of determining the alternative minimum tax on corporations. Original issue discount will accrue over the term of a Discount Bond at a constant interest rate compounded actuarially. A purchaser that acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof as set forth on the cover page of the Official Statement for the Series 2014 Bonds will be treated as receiving an amount of interest excludable from gross income equal to the original issue discount accruing during the period he holds the Discount Bond, and will increase the purchaser's adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Discount Bonds, which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Series 2014 Bonds, or the

ownership or disposition of the Series 2014 Bonds. Prospective purchasers of Series 2014 Bonds should be aware that the ownership of Series 2014 Bonds may result in other collateral federal tax consequences, including (a) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2014 Bonds, (b) the reduction of the loss reserve deduction for property and casualty insurance companies by 15 percent of certain items, including the interest on the Series 2014 Bonds, (c) the inclusion of the interest on the Series 2014 Bonds in the earnings of certain foreign corporations doing business in the United States of America for purposes of a branch profits tax, (d) the inclusion of the interest on the Series 2014 Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (e) the inclusion of interest on the Series 2014 Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors as to the impact of these other tax consequences.

### **Information Reporting and Backup Withholding**

Interest paid on tax-exempt obligations such as the Series 2014 Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2014 Bonds from gross income for federal income tax purposes. However, in connection with that information reporting requirement, the Code subjects certain noncorporate owners of Series 2014 Bonds, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Series 2014 Bonds and proceeds from the sale of Series 2014 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2014 Bonds. This withholding generally applies if the owner of Series 2014 Bonds (a) fails to furnish the payor such owner’s social security number or other taxpayer identification number, (b) furnishes the payor an incorrect taxpayer identification number, (c) fails to properly report interest, dividends or other “reportable payments” as defined in the Code or, (d) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2014 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Series 2014 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2014 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2014 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2014 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing

legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2014 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2014 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2014 BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2014 BONDS.

### **LEGAL MATTERS**

Certain legal matters incident to the validity of the Series 2014 Bonds are subject to the approval of Greenberg Traurig, P.A., Bond Counsel, whose approving opinion in the form attached hereto as "Appendix E - Form of Bond Counsel Opinion" will be furnished without charge to the purchasers of the Series 2014 Bonds at the time of their delivery. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery.

Certain legal matters will be passed upon for the City by the Office of the City Attorney, Hollywood, Florida. Certain matters relating to disclosure will be passed upon for the City by Bryant Miller Olive P.A., Miami, Florida, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Moskowitz, Mandell, Salim & Simowitz, P.A., Fort Lauderdale, Florida as Underwriters' Counsel.

### **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Florida Department of Financial Services (the "Department"). Pursuant to Rule 3E-400.003, Florida Administrative Code, the Department has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. The City is not and has not been in default on any bond issued since December 31, 1975 which would be considered material by a reasonable investor.

### **FINANCIAL ADVISOR**

First Southwest Company, Orlando, Florida is serving as financial advisor to the City (the "Financial Advisor") and has acted in such capacity with respect to the sale and issuance of the Series 2014 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 2014 Bonds. The Financial Advisor did not engage in any underwriting activities with regard to the issuance and sale of the Series 2014 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the

information contained in this Official Statement and is not obligated to review or ensure compliance with the undertaking by the City to provide continuing secondary market disclosure.

## RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") have assigned their underlying ratings of "Aa2" and "AA-" (stable outlook) respectively, to the Series 2014 Bonds. The ratings reflect only the views of said rating agencies and an explanation of the ratings may be obtained only from said rating agencies. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies, or any of them, if in their judgment, circumstances so warrant. A downward change in or withdrawal of any of such ratings may have an adverse effect on the market price of the Series 2014 Bonds.

## FINANCIAL STATEMENTS

The basic financial statements of the City of Hollywood, Florida for the Fiscal Year ended September 30, 2013 appended hereto as Appendix B as part of this Official Statement have been audited by McGladrey LLP, independent certified public accountants, as set forth in their report dated April 28, 2014, which report is also included in Appendix B. McGladrey LLP has not participated in the preparation or review of this Official Statement. The financial statements are attached hereto as a matter of public record. Such financial statements speak only as of September 30, 2013. The consent of McGladrey LLP has not been sought.

## [VERIFICATION OF ARITHMETICAL COMPUTATIONS]

[At the time of the delivery of the Series 2014 Bonds, \_\_\_\_\_, as the Verification Agent, will deliver a report on the mathematical accuracy of the computations contained in schedules provided to them and prepared by Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the City relating to (a) the sufficiency of the anticipated cash to pay the Refunded Bonds on December 26, 2014, and (b) the "yield" on the Series 2014 Bonds considered by Bond Counsel in connection with its opinion that the Series 2014 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code, as amended.]

## UNDERWRITING

The Series 2014 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Senior Managing Underwriter"), in its capacity as agent and representative of the group of underwriters described in this paragraph, acting on behalf of itself, Citigroup Inc. and Raymond James & Associates, Inc. (collectively, the "Underwriters") at an aggregate purchase price of \$\_\_\_\_\_ (representing the par amount of \$\_\_\_\_\_ plus original issue premium of \$\_\_\_\_\_ and less Underwriters' discount of \$\_\_\_\_\_). The Underwriters' obligations are subject to certain conditions precedent described in the Bond Purchase Contract with the City, and they will be obligated to purchase all of the Series 2014 Bonds if any Series 2014 Bonds are purchased. The Series 2014 Bonds may be offered

and sold to certain dealers (including dealers depositing such Series 2014 Bonds into investment trusts) at prices lower than such public offering prices set forth on the inside cover page, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Citigroup Global Markets Inc., an underwriter of the Series 2014 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2014 Bonds.

The City intends to use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2014 Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the City.

## CONTINUING DISCLOSURE

The City will covenant for the benefit of Series 2014 Bondholders to provide certain financial information and operating data relating to the City not later than [March 31] 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 City has agreed to file its Annual Report with each entity authorized and approved by the Securities and Exchange Commission (the "SEC") to act as a repository (each a "Repository") for purposes of complying with Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934 (the "Rule"). Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board ("EMMA"). The City has agreed to file notices of certain enumerated material events,



when and if they occur, with the Repository

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "Appendix F - Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the City prior to the issuance of the Series 2014 Bonds. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of the Rule. With respect to the Series 2014 Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule.

The following disclosure is provided by the City for the sole purpose of assisting the Underwriters in complying with the continuing disclosure requirements of the Rule. The following provides a summary of certain failures by the City to comply with its disclosure obligations without regard to any determination of materiality. At various times during the past five years, the City inadvertently failed to file notices of material events regarding the ratings changes of the insurers of its outstanding indebtedness and certain ratings recalibrations. The City cured such failures to file such notices of material events on October 24, 2014. Further, the City, under certain continuing disclosure certificates for loans obtained through the First Florida Governmental Financing Commission ("FFGFC"), filed certain annual financial information late due to the unavailability of unaudited and audited financial statements (the "Financial Statements") prior to the City's FFGFC filing date of March 15 and the Financial Statements were inadvertently not filed on EMMA under the FFGFC CUSIP numbers. However, such Financial Statements were timely filed by the City under the City's CUSIP numbers. The City cured such failure to file the Financial Statements under the FFGFC CUSIP numbers on October 24, 2014.

The City intends to fully satisfy all obligations in connection with its present and prior continuing disclosure undertakings in the future. Digital Assurance Certification ("DAC") acts as the City's Dissemination Agent.

### **CONTINGENT FEES**

The City has retained Bond Counsel, Disclosure Counsel and the Financial Advisor with respect to the authorization, sale, execution and delivery of the Series 2014 Bonds. Payment of the fees of Bond Counsel, Disclosure Counsel, the Financial Advisor and an underwriting discount to the Underwriters, including the fees of their counsel, are each contingent upon the issuance of the Series 2014 Bonds.

### **EXPERTS**

The references herein to the Report of Consulting Engineer prepared by Hazen & Sawyer, P.C. and ARCADIS U.S., Inc., as the Consulting Engineers, have been approved by the firms, but do not purport to be complete in all respects, and their Report, included as Appendix C to this Official Statement, should be read in its entirety for complete information with respect to the subjects discussed therein. The Report of Consulting Engineer speaks only as of its date. The Report of Consulting Engineer has been included in this Official Statement in reliance upon, and with the authorization of, the firms as experts in their fields.

## **ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT**

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2014 Bonds, the security for the payment of the Series 2014 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the City from the date hereof.

## **FORWARD-LOOKING STATEMENTS**

This Official Statement contains certain "forward-looking statements" concerning the City's operations, performance and financial condition, including its future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the City. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions are meant to identify these forward-looking statements. Actual results may differ materially from those expressed or implied by these forward-looking statements.

## **MISCELLANEOUS**

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2014 Bonds.

## **AUTHORIZATION OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement has been duly authorized and approved by the City. At the time of delivery of the Series 2014 Bonds, the City will furnish a certificate to the effect that nothing has come to its attention which would lead it to believe that the Official Statement (other than information herein related to DTC, the book-entry-only system of registration and the information contained under the caption "TAX MATTERS" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2014 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

This Official Statement has been duly executed and delivered by the Mayor of the City of Hollywood, Florida and by the Director of Financial Services of the City.

CITY OF HOLLYWOOD, FLORIDA

By: \_\_\_\_\_  
Peter Bober  
Mayor

By: \_\_\_\_\_  
Matthew Lalla  
Director of Financial Services

**Appendix A-1**

**General Information Regarding the City**

## Appendix A-2

## General Information Regarding the Large Users

The following information was extracted from the Comprehensive Annual Financial Statements of the Large Users and/or supplied by the respective Finance Directors of the Large Users and no responsibility for the accuracy of this information is taken. For more detailed information on the Large Users, please contact the respective Finance Directors or review their respective Comprehensive Annual Financial Statements.

## INFORMATION ON LARGE USERS – CITY OF DANIA BEACH

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Population	30,233	29,873	29,596	28,331	28,391	29,098
Number of Connections – Sewer (Based on Water)	4,044	N/A	N/A	N/A	N/A	4,320
Area (Square Miles)	8.4	8.4	8.4	8.4	8.4	8.4
Purchased Sewage Treatment Amount Paid to Hollywood	\$ 3,309,271	\$ 3,271,208	\$ 3,358,727	\$ 3,241,631	\$ 2,901,117	\$ 2,571,125
Assessed Valuation (Taxable Value – Nonexempt)	\$ 2,599,226,093	\$ 2,267,417,566	\$ 2,688,806,173	\$ 2,939,189,103	\$ 3,142,559,344	\$ 3,309,466,820
Value of New Building Permits (Construction Value)	\$ 85,945,041	\$ 37,780,227	\$ 32,610,536	\$ 19,031,723	\$ 100,586,870	\$ 72,313,828
Millage Rate (Amount Per \$1,000 Assessed Value)	\$ 6.2678	\$ 6.2507	\$ 6.2450	\$ 6.1557	\$ 5.5444	\$ 5.5360
Billing Frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Location in Respect to Hollywood	North	North	North	North	North	North

## INFORMATION ON LARGE USERS – CITY OF HALLANDALE BEACH

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Population	38,391	37,732	37,113	37,117	37,400	37,400
Number of Connections – Sewer (Based on Water)	6,100	N/A	N/A	N/A	N/A	6,118
Area (Square Miles)	4.4	4.4	4.4	4.4	4.4	4.4
Purchased Sewage Treatment Amount Paid to Hollywood	\$ 7,857,598	N/A	N/A	N/A	N/A	\$ 5,548,047
Assessed Valuation (Taxable Value – Nonexempt)	\$ 3,631,543,000	\$ 3,549,220,000	\$ 3,550,323,000	\$ 4,134,255,000	\$ 4,898,848,000	\$ 4,846,649,000
Value of New Building Permits (Construction Value)	\$ 60,817,639	N/A	N/A	N/A	N/A	\$ 42,692,013
Millage Rate (Amount Per \$1,000 Assessed Value)	\$ 5.6833	\$ 5.6833	\$ 5.9000	\$ 5.9000	\$ 5.9000	\$ 4.9818
Billing Frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Location in Respect to Hollywood	South and East	South and East	South and East	South and East	South and East	South and East

**INFORMATION ON LARGE USERS – CITY OF MIRAMAR**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Population	128,737	124,302	122,982	112,552	115,605	114,889
Number of Connections – Sewer (Based on Water)	33,431	N/A	N/A	N/A	N/A	32,687
Area (Square Miles)	34.0	34.0	34.0	34.0	34.0	34.0
Purchased Sewage Treatment Amount Paid to Hollywood	\$ 109,839	\$ 117,722	\$ 409,463	\$ 1,242,632	\$ 959,813	\$ 1,086,034
Assessed Valuation (Taxable Value – Nonexempt)	\$ 6,954,055,997	\$ 6,651,698,139	\$ 6,579,048,547	\$ 6,735,567,579	\$ 8,027,933,734	\$ 9,341,737,429
Value of New Building Permits (Construction Value)	\$ 102,476,600	N/A	N/A	N/A	N/A	\$ 203,052,150
Millage Rate (Amount Per \$1,000 Assessed Value)	\$ 6.4700	\$ 6.4700	\$ 6.4700	\$ 6.4700	\$ 5.4800	\$ 5.30
Billing Frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Location in Respect to Hollywood	South and West	South and West	South and West	South and West	South and West	South and West

**INFORMATION ON LARGE USERS – TOWN OF PEMBROKE PARK**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Population	6,102	6,099	6,102	6,112	5,740	5,740
Number of Connections – Sewer (Based on Water)	1,227	N/A	N/A	N/A	N/A	4,326
Area (Square Miles)	1.8	1.8	1.8	1.8	1.8	1.8
Purchased Sewage Treatment Amount Paid to Hollywood	\$ 864,290	\$ 879,819	\$ 863,460	\$ 804,343	\$ 720,721	\$ 671,822
Assessed Valuation (Taxable Value – Nonexempt)	\$ 524,782,870	\$ 520,308,430	\$ 518,175,260	\$ 591,739,200	\$ 560,798,410	\$ 500,886,070
Value of New Building Permits (Construction Value)	\$ 12,134,460	N/A	N/A	N/A	N/A	\$ 8,897,053
Millage Rate (Amount Per \$1,000 Assessed Value)	\$ 8.5000	\$ 8.5000	\$ 8.5000	\$ 8.5000	\$ 8.5000	\$ 8.5000
Billing Frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Location in Respect to Hollywood	South	South	South	South	South	South

**INFORMATION ON LARGE USERS – CITY OF PEMBROKE PINES**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Population	155,565	154,508	154,158	154,019	151,193	150,380
Number of Connections – Sewer (Based on Water)	42,951	N/A	N/A	N/A	N/A	43,600
Area (Square Miles)	35.0	35.0	35.0	35.0	35.0	35.0
Purchased Sewage Treatment Amount Paid to Hollywood	\$ 6,809,838	\$ 6,248,512	\$ 6,914,416	\$ 6,445,752	\$ 6,266,230	\$ 6,100,000
Assessed Valuation (Taxable Value – Nonexempt)	\$8,513,787,400	\$ 8,412,543,915	\$8,394,657,060	\$ 9,522,500,638	\$10,736,281,604	\$11,756,735,032
Value of New Building Permits (Construction Value)	\$ 644,235,843	N/A	N/A	N/A	N/A	\$ 139,170,218
Millage Rate (Amount Per \$1,000 Assessed Value)	\$ 6.3084	\$ 6.3081	\$ 6.3660	\$ 5.7200	\$ 4.9630	\$ 4.9637
Billing Frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Location in Respect to Hollywood	West	West	West	West	West	West

**INFORMATION ON LARGE USERS – BROWARD COUNTY**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Population	1,784,636	1,771,099	1,753,142	1,748,066	1,744,922	1,758,494
Number of Connections – Sewer (Based on Water)	47,800	47,000	45,000	45,000	43,600	42,200
Area (Square Miles)	1,231	1,231	12,131	1,197	1,197	1,197
Purchased Sewage Treatment Amount Paid to Hollywood	\$ 3,352,316	\$ 3,229,057	\$ 2,929,792	\$ 2,722,132	\$ 2,358,890	\$ 2,273,908
Assessed Valuation (Taxable Value – Nonexempt in 1,000's)	\$ 126,861,238	\$ 125,869,411	\$ 129,420,879	\$ 148,470,942	\$ 167,115,123	\$ 175,891,437
Value of New Building Permits (Construction Value in 1,000's)	\$ 439,374	\$ 381,410	\$ 200,341	\$ 198,111	\$ 150,188	\$ 293,978
Millage Rate (Amount Per \$1,000 Assessed Value)	\$ 5.5530	\$ 5.5530	\$ 5.5530	\$ 5.3889	\$ 5.3145	\$ 5.2868
Billing Frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Location in Respect to Hollywood	NE & SW	NE & SW	NE & SW	NE & SW	NE & SW	NE & SW

**Appendix B**

**Basic Financial Statements of the City for the Fiscal Year Ended September 30, 2013**



**Appendix C**

**Report of Consulting Engineer**

**Appendix D**

**Form of the Bond Ordinance**

**Appendix E**

**Form of Bond Counsel Opinion**

**Appendix F**

**Form of Continuing Disclosure Certificate**