

**CITY OF HIALEAH, FLORIDA**

**Annual Report of Financial Information and Operating Data  
for the Fiscal Year Ended September 30, 2020**

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

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

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## **INTRODUCTION**

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

The City submitted its Comprehensive Annual Financial Report to the MSRB on June 25, 2021.

With respect to the Series 2015 Bonds, the City hereby submits its Annual Report of Financial Information and Operating Data for the Fiscal Year Ended September 30, 2020, that was due on or before June 30, 2021.

The City is the obligor with respect to two issues of outstanding bonds issued by the Florida Municipal Loan Council ("FMLC"): Revenue Bonds, Series 2011D (City of Hialeah Series), issued in May, 2011 (the "2011D Bonds"), and Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series), issued in November, 2012 (the "Series 2012A Bonds"). The City entered into Continuing Disclosure Agreements with respect to both issues of bonds among the underwriters of the bonds, FMLC, as the issuer of the bonds, and the City, as obligor. In the Agreements, the City covenanted to provide audited financial statements, annual reports of financial information and operating data, material events notices and notices of failure to file to FMLC, acting as dissemination agent, for submission to the MSRB through its EMMA portal. The City has provided to FMLC its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020, which has been submitted to the MSRB.

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

## **THE SERIES 2015 BONDS**

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

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

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

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

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

The City has submitted its audited Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020 to the MSRB, through the FMLC, on June 25, 2021.

## FRANCHISE FEE REVENUES AND PRO FORMA COVERAGE

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

<u>Fiscal Year</u>	<u>Franchise Fee Revenues</u>	<u>Maximum Bond (1) Service Requirement</u>	<u>Pro Forma (2) Coverage</u>
2016	\$ 10,352,230	\$ 3,939,977	2.63 X
2017	10,615,985	3,939,977	2.69 X
2018	10,397,532	3,939,977	2.64 X
2019	10,642,766	3,939,977	2.70 X
2020	10,291,013	3,939,977	2.61 X

(1) Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal Years 2016 through 2020 financial statements. Includes only those franchise fee revenues attributable to the Electric Franchise Ordinance and pledged to the Series 2015 Bonds.

(2) Maximum Bond Service Requirement assumes that the Series 2015 Bonds were outstanding in Fiscal Years 2016 through 2020.

**CITY OF HIALEAH, FLORIDA**

**HISTORICAL GENERAL FUND NON-AD VALOREM REVENUES**

**FISCAL YEAR ENDED SEPTEMBER 30, 2016 THROUGH 2020**

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
General Fund Non-Ad Valorem Taxes					
Utility Taxes - Electricity	\$ 13,763,988	\$ 14,139,043	\$ 14,377,296	\$ 14,610,854	\$ 14,565,664
Communications Services Taxes	5,591,472	5,456,504	5,376,872	4,784,060	4,684,289
Utility Taxes - Water & Sewer	2,269,952	2,221,260	2,678,945	2,555,710	2,553,681
Utility Taxes - Gas	462,159	528,918	450,702	508,588	496,233
Franchise Fees - Electricity (1)	9,810,974	9,527,424	9,308,971	9,554,205	8,072,664
Franchise Fees - Gas	211,639	279,799	327,585	284,865	277,056
Franchise Fees - Water & Sewer (2)	5,010,365	5,140,307	5,289,817	4,945,838	4,723,650
Franchise Fees - Bus Bench	149,547	144,119	175,976	147,710	124,386
Total General Fund Non-Ad Valorem Taxes	<u>37,270,096</u>	<u>37,437,374</u>	<u>37,986,164</u>	<u>37,391,830</u>	<u>35,497,623</u>
Charges for services (4)	-	-	1,865,566	1,758,977	1,084,504
Licenses and Permits					
Business Tax Licenses	5,734,067	6,091,636	6,649,024	6,850,322	6,269,369
Planning and Zoning	886,763	852,188	965,471	1,199,474	1,030,045
Total Licenses and Permits	<u>6,620,830</u>	<u>6,943,824</u>	<u>7,614,495</u>	<u>8,049,796</u>	<u>7,299,414</u>
Intergovernmental Revenues					
Intergovernmental (4)	-	-	4,808,360	5,129,227	9,483,647
Half Cent Sales Tax	17,719,796	17,682,684	18,622,139	18,774,092	16,183,294
State Revenue Sharing	9,657,202	10,227,112	10,393,175	10,709,193	9,775,984
Other	310,194	290,707	-	-	-
Total Intergovernmental Revenues	<u>27,687,192</u>	<u>28,200,503</u>	<u>33,823,674</u>	<u>34,612,512</u>	<u>35,442,925</u>
Other Revenues					
Fines and Forfeitures	1,529,267	1,327,759	2,223,699	3,218,408	2,170,546
Investment income	9,489	-	204,699	601,021	233,238
Government Grants and Other Revenues (3)	9,123,691	9,639,360	-	-	-
Other Revenues (4)	-	-	3,607,214	3,941,490	2,594,039
Total Government Grants and Other Revenues	<u>10,662,447</u>	<u>10,967,119</u>	<u>6,035,612</u>	<u>7,760,919</u>	<u>4,997,823</u>
 Total General Fund Non-Ad Valorem Revenues	 <u>\$ 82,240,565</u>	 <u>\$ 83,548,820</u>	 <u>\$ 87,325,511</u>	 <u>\$ 89,574,034</u>	 <u>\$ 84,322,289</u>

(1) Pledged Revenues securing the Series 2015 Bonds.

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

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

(4) New revenue categories were created as of September 30, 2018 for presentation purposes.

Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal Years 2016 through 2020 financial statements.

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

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

#### Selected Information Regarding the City's General Fund

The following table reflects historical financial information for the City's General Fund (the City's main operating fund) for the past five Fiscal Years (2016 through 2020), as audited by an independent certified public accountant.

**CITY OF HIALEAH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2016 THROUGH 2020**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues:					
Ad valorem taxes	\$ 47,012,819	\$ 51,435,680	\$ 57,462,494	\$ 62,743,620	\$ 68,425,226
Charges for services (3)	-	-	1,865,566	1,758,977	1,084,504
Communication services tax	5,591,472	5,456,504	5,376,872	4,784,060	4,684,289
Fines and forfeitures	1,529,267	1,327,759	2,223,699	3,218,408	2,170,546
Franchise fees (1) (2)	15,182,525	15,091,649	15,102,349	14,932,618	13,197,756
Intergovernmental (3)	-	-	28,446,802	29,828,452	30,758,636
Investment income	9,489	-	204,699	601,021	233,238
Licenses and permits	6,620,830	6,943,824	7,614,495	8,049,796	7,299,414
Other revenues (3)	-	-	3,607,214	3,941,490	2,594,039
State and local shared revenues (3)	27,687,192	28,200,503	-	-	-
Government grants and other revenues (3)	9,664,947	9,639,360	-	-	-
Utility taxes	16,496,099	16,889,221	22,883,815	22,459,212	22,299,867
Total revenues	<u>129,794,640</u>	<u>134,984,500</u>	<u>144,788,005</u>	<u>152,317,654</u>	<u>152,747,515</u>
Expenditures:					
Current:					
General government	4,648,426	4,504,305	4,181,192	4,360,947	4,790,476
Police	49,833,506	49,037,521	53,289,663	57,470,534	58,330,841
Fire	39,847,423	41,585,861	43,062,086	43,902,429	42,943,167
911 communications	3,894,582	4,391,285	3,880,184	4,170,423	4,498,716
Streets	-	-	95	-	-
City Clerk's office	1,233,250	962,794	1,386,980	1,101,531	1,910,174
Office of Management and Budget	388,095	402,949	419,851	410,968	367,253
Office of the Mayor	646,944	588,766	593,914	588,027	681,812
Communications and special events	387,083	523,637	699,089	1,458,309	1,097,074
Milander center	-	-	1,014,757	833,206	780,434
Employee retirement	596,528	834,417	591,734	845,019	695,173
Library	1,560,224	1,379,576	1,572,147	1,744,384	1,725,573
Code compliance	644,566	642,804	691,122	715,168	688,223
Finance	1,417,428	1,486,450	1,673,282	1,992,167	2,083,325
Business tax division	807,971	951,992	1,058,538	1,259,585	1,770,814
Information technology	1,871,939	1,845,314	1,944,261	2,201,323	2,113,745
Fleet maintenance	3,060,804	3,117,172	3,426,246	3,523,468	3,368,715
Construction and maintenance	3,053,215	2,981,198	2,836,215	3,163,088	3,178,953
Parks and recreation	10,015,340	10,368,912	9,958,094	10,494,096	9,745,227
Planning and zoning	716,244	657,440	613,696	662,973	739,814
Education and community services	2,851,902	2,802,476	1,781,983	1,958,762	1,758,005
Law	1,311,626	1,150,714	1,238,551	1,388,834	1,538,458
Risk management	322,813	318,996	414,915	477,409	517,884
Human resources	763,201	735,666	948,150	1,006,870	1,072,759
Debt service:					
Principal	18,689,453	281,400	-	560,284	881,937
Interest	836,842	-	-	322,894	101,124
Capital outlay	803,412	886,608	2,809,833	10,619,077	1,926,827
Total expenditures	<u>150,202,817</u>	<u>132,438,253</u>	<u>140,086,578</u>	<u>157,231,775</u>	<u>149,306,503</u>
(Deficiency) of revenues over expenditures before other financing sources (uses)	<u>(20,408,177)</u>	<u>2,546,247</u>	<u>4,701,427</u>	<u>(4,914,121)</u>	<u>3,441,012</u>
Other financing sources (uses):					
Proceeds from disposal of capital assets	69,910	77,140	165,426	141,860	163,985
Issuance of debt	44,190,612	-	3,517,760	4,600,925	171,655
Transfers in	-	-	-	-	-
Transfers out	(776,762)	(611,165)	(1,228,309)	(900,856)	(2,163,594)
Total other financing sources (uses)	<u>43,483,760</u>	<u>(534,025)</u>	<u>2,454,877</u>	<u>3,841,929</u>	<u>(1,827,954)</u>
Net change in fund balances	23,075,583	2,012,222	7,156,304	(1,072,192)	1,613,058
Fund balances - beginning	<u>14,363,978</u>	<u>37,439,569</u>	<u>39,451,791</u>	<u>46,608,095</u>	<u>45,535,903</u>
Fund balances - ending	<u>\$ 37,439,561</u>	<u>\$ 39,451,791</u>	<u>\$ 46,608,095</u>	<u>\$ 45,535,903</u>	<u>\$ 47,148,961</u>

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

(1) Only the portion of the franchise fees associated with the Electric Franchise Ordinance are pledged as security to the Series 2015 Bonds.

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

(3) New revenue categories were created as of September 30, 2018 for presentation purposes.

*Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal Years 2016 through 2020 financial statements.*

## **ACTUARIAL VALUATION OF EMPLOYEES' RETIREMENT SYSTEM**

The City's Employees Retirement System Actuarial Valuation as of October 1, 2020 – Contributions Applicable to the Fiscal Year Ended September 30, 2022, was filed with the MSRB on June 25, 2021.

## **BANK LOANS**

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

Specific information concerning the loans can be found in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020, in Notes to Basic Financial Statements — Note 12, beginning on page 59. Such information is hereby incorporated by reference.

## **CERTAIN MATTERS**

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

2. The City has been sued by the Trustees of the Board of a union-sponsored health plan that enrolls City retirees, among others, and individual retirees. The City Code provides that the City will pay the cost of health insurance coverage for City retirees under certain conditions and limitations. The Plaintiffs contend that the City has underpaid. The suit seeks back payments and an adjustment going forward. The Plaintiff has demanded damages in the approximate amount of \$1.2 million. The Court has set the matter for trial by the presiding judge for October 2021. It is probable that a final disposition of the matter will occur by summary judgment prior to trial upon a hearing of the parties' cross motions for summary judgment. As of the date of this disclosure, although the amount of loss cannot be reasonably estimated, an unfavorable outcome is reasonably possible.

On December 4, 2014, the City received a notice of claim for compensation pursuant to the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the City's failure to designate a zoning classification for the property in question and its denial of the landowners vested right in continuing heavy industrial uses on the property have inordinately burdened the property reducing its fair market value in an estimated amount of \$5.7 million based on the initial appraisal submitted by the claimant as required by the Harris Act. Since annexation, the City adopted a comprehensive land use plan for the area allowing for less intense, light industrial uses. The Harris Act requires the notice and a 6-month settlement period preceding the filing of an action. The 6-month settlement period has expired, and the parties have failed to reach settlement. A complaint in the State Circuit Court for Miami-Dade County was filed on October 4, 2019 and amended on January 9, 2020. The City's position is that Plaintiff cannot establish a legal right to the uses claimed such that any action the City may have taken impinged upon the Plaintiff's right to those uses or impaired the property's value. Alternatively, the City's position is that the claim is time barred. The City intends to vigorously defend this case.

This Annual Report of Financial Information and Operating Data for the Fiscal Year Ended September 30, 2020 is submitted pursuant to Continuing Disclosure Agreement executed by the City in connection with the issuance of the Series 2015 Bonds.

Dated: June 25, 2021

CITY OF HIALEAH, FLORIDA

*C. Chiocca*

By:

Christopher Chiocca, CPA

Title: Finance Director