

CITY OF HIALEAH, FLORIDA

**Annual Report of Financial Information and Operating Data for the
Fiscal Year Ended September 30, 2013**

**Florida Municipal Loan Council
Revenue Bonds, Series 2005A
Revenue Bonds, Series 2011D (City of Hialeah Series)
Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series)**

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INTRODUCTION

The City is the obligor with respect to three issues of outstanding bonds issued by the Florida Municipal Loan Council (“FMLC”), a portion of the Revenue Bonds, Series 2005, issued in February, 2005; the Revenue Bonds, Series 2011D (City of Hialeah Series), issued in May, 2011 and the Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series), issued in November, 2012. The City entered into continuing disclosure agreements with respect to the three issues of bonds among the underwriters of the bonds, the 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 audited financial statements and certain material events notices which have been submitted to the MSRB. The City has not, however, submitted annual reports of financial information and operating data to FMLC for submission to the MSRB for the fiscal years ended September 30, 2013, 2012 and 2011, respectively. These were due, pursuant to the continuing disclosure agreements, on June 30, 2014, 2013 and 2012, respectively.

With respect to the Revenue Bonds, Series 2005, all of the financial information set forth in the official statement, dated January 28, 2005, was taken from the audited financial statements of the City and such information has been updated annually in the audited financial statements that were provided to FMLC and transmitted to the MSRB. The City believes that since the financial information was set forth in the audited financial statements, no separate annual report of financial information and operating data is required because it would be duplicative.

With respect to the annual reports of financial information and operating data for the Revenue Bonds, Series 2011D (City of Hialeah Series), and the Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series), the City hereby submits its Annual Report of Financial Information and Operating Data for the Fiscal Year Ended September 30, 2013, that was due on June 30, 2014. The information and data herein are cumulative and no separate reports for the Fiscal Years Ended on September 30, 2012 and 2011 will be submitted.

Florida Municipal Loan Council Revenue Bonds, Series 2005A

The 2005A Bonds were issued by FMLC to make loans to six Florida municipalities (City of Bartow, City of Hallandale Beach, City of Hialeah, Town of Indian Shores, City of Inverness and City of Valparaiso) pursuant to loan agreements between the Issuer and each of the municipal borrowers for the purpose of providing funds to finance various governmental undertakings of each of the municipal borrowers and paying costs and expenses related to the issuance of the 2005A Bonds. Pursuant to each loan agreement, the borrower agreed to make payments in such amounts and at such times as are sufficient to pay the principal of, premium, if any, and interest on the loan when due. Such payments correlate to the debt service on a principal amount of the 2005A Bonds equal to the principal amount of the loan. No borrower is obligated to pay the principal of, premium, if any, or interest on a loan made to a different borrower. Each borrower also agreed to make certain other payments, including a proportionate share of the fees and expenses of the Issuer, the program administrator and the trustee and other fees related to the borrower's loan. All of the borrowers, except one, agreed to appropriate in their annual budgets, by amendment, if required, and to pay when due under its respective loan agreement as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of such borrower sufficient to satisfy the loan repayment obligations of each borrower. Non-Ad Valorem Revenues are defined as all revenues and taxes of the particular borrowers derived from any source whatsoever, other than ad valorem taxation on real and personal property, which are legally available for loan repayments.

Exhibit I to the official statement contained financial information regarding the City of Hialeah, all of which was derived from the audited financial statements of the City for the fiscal year ended September 30, 2003, including (i) the report of the independent certified public accountant; (ii) the footnotes to the basic financial statements; (iii) combined statement of revenues, expenditures and changes in fund balance - general fund; (iv) statement of net assets; (v) statement of activities; (vi) balance sheet - governmental funds; (vii) statement of revenue, expenditures and changes in fund balance - governmental funds; (viii) reconciliation of the statements of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities; (ix) statement of net assets - proprietary funds; (x) statement of revenues, expenses and changes in net assets - proprietary funds; (xi) statement of cash flows - proprietary funds; (xii) statement of fiduciary net assets - fiduciary funds; and (xiii) statement of changes in fiduciary net assets.

Such information and data included in the audited financial statements of the City for the Fiscal Years ended September 30, 2013, 2012, 2011, 2010 and 2009 is hereby incorporated by reference herein.

Florida Municipal Loan Council Revenue Bonds, Series 2011D (City of Hialeah Series)

The 2011D Bonds were issued by FMLC to make a loan to the City, as borrower, pursuant to a loan agreement for the purposes of funding certain capital improvements in and for the City, including the City's portion of the cost of a water treatment plant, to be co-owned by the City and Miami-Dade County, and paying the costs and expenses related to the issuance of the 2011D Bonds. To secure payments due under the loan agreement, the City pledged its Pledged Revenues pursuant to the provisions of Ordinance No. 2010-40 of the City enacted on June 22, 2010. Pledged Revenues mean the Gross Revenues of the City's water and sewer system after deduction of the costs of operation and maintenance of the system and credits applied in accordance with the Ordinance, all moneys, including the investments thereof in the funds and accounts established under the Ordinance except the rebate fund, the revenue fund to the extent moneys therein are required to pay the cost of operation and maintenance of the System and the reserve account to the extent that monies therein are pledged solely to pay the debt service for the loan.

The continuing disclosure agreement among the City, FMLC, as issuer, and the underwriter of the 2011D Bonds requires that (1) historical revenues and expenditures; (2) total number of water and wastewater accounts; (3) purchased water costs; (4) costs of wastewater treatment; (5) water and wastewater rates; and (6) capital facilities fees and rates, as such terms are described in the official statement for the 2011D Bonds be included in the annual reports of financial information and operating data for each fiscal year.

Florida Municipal Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series)

The 2012A Bonds were issued by FMLC to make a loan to the City pursuant to a loan agreement for the purposes of refunding the City's loan relating to Revenue Bonds, Series 2003, financing the cost of a road, parking lot, landscaping and drainage improvements and other capital projects of the City, and paying the costs and expenses of issuing the 2012A Bonds. Pursuant to the loan agreement, the City agreed to make payments in such amounts and at such times as shall be sufficient to pay the principal of, premium, if any, and interest on the loan to FMLC when due. The payments correlate to the debt service on the 2011D Bonds. The City also agreed to make certain other payments for the costs of issuance of the 2012A Bonds. The City, in the loan agreement, agreed to appropriate in its annual budget, by amendment, if required, and to pay when due, as promptly as money becomes available, amounts of non-ad valorem revenues of the City sufficient to satisfy the loan repayment obligations of the City. Non-ad valorem means all revenues and taxes of the City derived from any source whatsoever, other than ad valorem taxation or real and personal property, which are legally available for loan repayments.

The continuing disclosure agreement among the City, FMLC, as issuer, and the underwriter for the 2012A Bonds requires that the financial information in the official statement, specifically (1) the anti-dilution test; (2) historical non-ad valorem revenues; and (3) the breakdown of non-ad valorem revenues, be updated and included in the annual reports of financial information and operating data for each fiscal year.

REVENUE BONDS, SERIES 2011D (CITY OF HIALEAH SERIES)

Historical Revenues and Expenditures

City of Hialeah Water and Sewer
Historical Revenues and Expenditures
For Fiscal Years-Ended 2010 through 2014

	Audited 2010	Audited 2011	Audited 2012	Audited 2013	Unaudited (1) 2014
Operating Revenues:					
Metered Water Sales	\$ 16,314,171	\$ 17,398,156	\$ 18,125,568	\$ 18,501,165	\$ 18,677,889
Sanitary Sewer Service	27,863,732	27,772,698	27,916,944	28,918,354	32,203,573
Other (2)	858,641	1,538,725	2,319,347	2,520,055	6,050,053
Total Operating Revenues	45,036,544	46,709,579	48,361,859	49,939,574	56,931,515
Operating Expenses:					
Operating, Administrative and Maintenance	39,372,844	41,026,418	45,883,620 (4)	38,457,478 (4)	42,965,265
Depreciation	3,734,144	4,225,315	4,726,581	5,057,708	5,509,786
Total Operating Expenses	43,106,988	45,251,733	50,610,201	43,515,186	48,475,051
Operating Income (Loss)	1,929,556	1,457,846	(2,248,342)	6,424,388	8,456,464
Non-Operating Revenues (Expenses):					
Unrealized Loss on Investments				(401,464)	414,486
Interest Income	1,419,630	720,906	672,616	85,110	290,535
Interest Expense	(51,709)	(50,496)	(1,851,857)	(2,476,803)	(2,459,017)
Net Non-Operating Revenues (Expenses)	1,367,921	670,410	(1,179,241)	(2,793,157)	(1,753,996)
Income (Loss) Before Contributions	3,297,477	2,128,256	(3,427,583)	3,631,231	6,702,467
Capital Contributions	9,004,831	831,849	1,168,560	538,297	504,516
Change in Net Position	12,302,308	2,960,105	(2,259,023)	4,169,528	7,206,983
Net Position - Beginning (as restated)	145,660,139	148,092,938 (3)	151,053,043	148,794,020	152,963,548
Net Position - Ending	\$ 157,962,447	\$ 151,053,043	\$ 148,794,020	\$ 152,963,548	\$ 160,170,531

NOTES:

(1) Unaudited obtained from trial balance.

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

(3) Net position beginning balance, as of October 1, 2010, was restated to correct the balances of the construction in progress account and other liabilities associated with the Reverse Osmosis Water Treatment Plant. This was due to reflect the County's 50% ownership share of the RO Plant, per the Joint Participation Agreement, as a contra account and record the construction in progress net of the total balance of construction. Specific information can be found in the City's Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2011, in Note 13, beginning on page 61. Such information is hereby incorporated by reference.

(4) The Borrower attributes the increase in operating expenses in fiscal year 2012 and a subsequent decrease in operating expenses in fiscal year 2013 due to an error in the reading from one of the three meters of entry to the City from Miami Dade Water & Sewer. Consequently, there was an overcharge in fiscal year 2012 and subsequently in fiscal year 2013 a credit to the City from Miami Dade Water & Sewer of approximately \$6 Million for the error in billing. (4) The Borrower attributes the increase in other revenue in fiscal year 2013 due to acquisition of several grants of approximately \$2.3 Million.

Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal-Years 2010 through 2013 and 2014 Unaudited Trial Balance.

Total Number of Accounts

City of Hialeah
Department of Water and Sewers
Total Number of Accounts 2010-2014

	2010-2011	2011-2012	2012-2013	2013-2014
# of residential accounts	53,249	53,081	53,287	54,112
# of commercial accounts	<u>1,274</u>	<u>1,311</u>	<u>1,267</u>	<u>1,289</u>
	54,523	54,392	54,554	55,401

Purchased Water Costs

City of Hialeah - Department of Water and Sewers									
Water Flows as Billed by Water and Sewer Department for Fiscal Year 2010-2014									
2009-2010 REVISED		2010-2011		2011-2012		2012-2013		2013-2014	
Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month
October-09	753,897,920	October-10	630,224,082	October-11	648,817,280	October-12	616,487,544	October-13	642,998,503
November-09	631,632,365	November-10	672,248,092	November-11	732,424,835	November-12	682,689,932	November-13	705,985,356
December-09	632,159,071	December-10	612,725,929	December-11	685,630,212	December-12	727,815,016	December-13	506,473,812
January-10	713,065,651	January-11	587,038,136	January-12	637,588,143	January-13	583,012,236	January-14	769,283,952
February-10	716,086,079	February-11	583,504,760	February-12	746,156,893	February-13	563,274,328	February-14	641,892,716
March-10	588,600,023	March-11	607,577,339	March-12	583,988,200	March-13	606,661,808	March-14	572,660,128
April-10	725,672,723	April-11	552,106,986	April-12	658,480,000	April-13	613,634,410	April-14	596,833,084
May-10	654,727,354	May-11	603,201,080	May-12	587,050,000	May-13	718,999,670	May-14	625,013,108
June-10	693,403,817	June-11	661,817,353	June-12	694,230,000	June-13	561,173,002	June-14	569,346,216
July-10	621,320,572	July-11	650,209,370	July-12	639,390,000	July-13	628,577,209	July-14	505,390,532
August-10	713,551,626	August-11	742,576,460	August-12	641,230,000	August-13	700,615,449	August-14	598,722,968
September-10	702,902,256	September-11	586,027,932	September-12	715,600,000	September-13	617,386,936	September-14	550,433,396
TOTAL	8,147,019,468	TOTAL	7,489,257,518	TOTAL	7,970,585,563	TOTAL	7,620,327,540	TOTAL	7,285,033,771
Average Daily Flow (millions)	22.321		20.519		21.837		20.878		19.959

City of Hialeah - Department of Water and Sewers		
Purchased Water Costs (I) 2005-2013		
Year	Cost	Comment
2005	\$6,253,142	
2006	\$8,357,785	
2007	\$8,008,789	
2008	\$7,865,286	
2009	\$10,562,803	
2010	\$14,800,846	True-Up and WASD Credit
2011	\$14,347,823	True-Up and WASD Credit
2012	\$13,194,324	True-Up and WASD Credit
2013	\$8,460,021	True-Up and WASD Credit

City of Hialeah - Department of Water and Sewers									
Sewer Flows as Billed by Water and Sewer Department for Fiscal Year 2010-2014									
2009-2010		2010-2011		2011-2012		2012-2013		2013-2014	
Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month
October-09	502,206,200	October-10	638,499,400	October-11	720,111,100	October-12	722,043,800	October-13	722,110,100
November-09	488,908,600	November-10	427,707,100	November-11	766,609,500	November-12	553,485,600	November-13	561,680,600
December-09	683,328,300	December-10	426,546,100	December-11	385,286,300	December-12	487,545,900	December-13	616,903,600
January-10	503,324,000	January-11	518,212,000	January-12	591,888,500	January-13	613,680,300	January-14	703,745,700
February-10	521,997,200	February-11	453,376,200	February-12	524,205,700	February-13	484,506,700	February-14	486,022,900
March-10	581,035,300	March-11	533,849,200	March-12	560,025,600	March-13	447,481,500	March-14	486,358,000
April-10	516,071,100	April-11	428,101,600	April-12	446,303,100	April-13	637,138,000	April-14	583,496,000
May-10	445,069,000	May-11	427,035,700	May-12	616,987,100	May-13	554,097,700	May-14	537,786,000
June-10	618,195,800	June-11	465,075,400	June-12	495,343,700	June-13	587,971,300	June-14	451,939,000
July-10	584,415,600	July-11	498,291,600	July-12	473,181,500	July-13	626,526,400	July-14	690,242,000
August-10	642,219,300	August-11	653,184,900	August-12	707,735,600	August-13	698,866,800	August-14	665,946,400
September-10	816,517,300	September-11	614,586,100	September-12	714,622,300	September-13	634,152,000	September-14	596,039,200
TOTAL	6,903,287,700	TOTAL	6,084,465,300	TOTAL	7,002,300,000	TOTAL	7,047,496,000	TOTAL	7,102,269,500
Average Daily Flow (millions)	18.913		16.670		19.184		19.308		19.458

The table below sets forth the cost for treatment of wastewater generated within the service area of the Borrower for the fiscal years ending September 30, 2005 through 2013. As can be seen, these numbers have decreased over the past five years, which the Borrower attributes to a reduction in infiltration and inflow:

Purchased Sewer Costs (I) 2005-2013		
Year	Cost	
2005	\$18,811,904	
2006	\$15,277,538	
2007	\$13,380,413	
2008	\$14,187,552	
2009	\$11,160,592	
2010	\$13,242,060	
2011	\$13,868,197	
2012	\$16,869,318	
2013	\$13,538,085	

Monthly Charges										
	Prior Rates		FY 2010-2011		FY 2011-2012, 12-13		FY 2013-2014		FY 2014-2015	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
Readiness to Serve Charge	\$3.98	\$4.50	\$4.42	\$4.57	\$4.58	\$4.74	\$4.65	\$4.81	\$4.76	\$4.92
Gallonge Charge (per 100 gals)										
0-5,000	\$0.168	\$0.335	\$0.187	\$0.340	\$0.199	\$0.361	\$0.202	\$0.417	\$0.219	\$0.454
5,001 - 10,000	\$0.182	\$0.360	\$0.202	\$0.366	\$0.215	\$0.388	\$0.218	\$0.449	\$0.236	\$0.489
10,001 - 20,000	\$0.191	\$0.372	\$0.212	\$0.378	\$0.226	\$0.401	\$0.229	\$0.464	\$0.248	\$0.505
20,001 - 40,000	\$0.207	\$0.426	\$0.230	\$0.432	\$0.245	\$0.458	\$0.249	\$0.530	\$0.277	\$0.577
40,001 - 50,000	\$0.207	\$0.426	\$0.230	\$0.432	\$0.245	\$0.458	\$0.249	\$0.530	\$0.277	\$0.577
50,001 - 100,000	\$0.225	\$0.428	\$0.250	\$0.435	\$0.267	\$0.461	\$0.271	\$0.534	\$0.294	\$0.582
Over	\$0.225	\$0.428	\$0.251	\$0.435	\$0.267	\$0.461	\$0.271	\$0.534	\$0.294	\$0.582

Bi-monthly Charges										
	Prior Rates		FY 2010-2011		FY 2011-2012, 12-13		FY 2013-2014		FY 2014-2015	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
Readiness to Serve Charge	\$7.96	\$8.80	\$8.85	\$8.94	\$9.17	\$9.26	\$9.31	\$9.40	\$9.52	\$9.62
Gallonge Charge (per 100 gals)										
0-5,000	\$0.168	\$0.335	\$0.187	\$0.340	\$0.199	\$0.361	\$0.202	\$0.417	\$0.219	\$0.454
5,001 - 10,000	\$0.182	\$0.360	\$0.187	\$0.340	\$0.199	\$0.361	\$0.202	\$0.417	\$0.219	\$0.454
10,001 - 20,000	\$0.191	\$0.372	\$0.202	\$0.366	\$0.215	\$0.388	\$0.218	\$0.449	\$0.236	\$0.489
20,001 - 40,000	\$0.196	\$0.389	\$0.218	\$0.395	\$0.233	\$0.419	\$0.237	\$0.485	\$0.277	\$0.528
40,001 - 50,000	\$0.207	\$0.426	\$0.230	\$0.432	\$0.245	\$0.458	\$0.249	\$0.530	\$0.277	\$0.577
50,001 - 100,000	\$0.207	\$0.428	\$0.230	\$0.435	\$0.245	\$0.461	\$0.249	\$0.534	\$0.271	\$0.582
Over	\$0.225	\$0.428	\$0.250	\$0.435	\$0.267	\$0.461	\$0.271	\$0.534	\$0.294	\$0.582

Cost of Wastewater Treatment

<p>The table below sets forth the cost for treatment of wastewater generated within the service area of the Borrower for the fiscal years ending September 30, 2005 through 2013. As can be seen, these numbers have decreased over the past five years, which the Borrower attributes to a reduction in infiltration and inflow:</p>								
Purchased Sewer Costs(I) 2005-2013								
Year	Cost							
2005	\$18,811,904							
2006	\$15,277,538							
2007	\$13,380,413							
2008	\$14,187,552							
2009	\$11,160,592							
2010	\$13,242,060							
2011	\$13,868,197							
2012	\$16,869,318							
2013	\$13,538,085							

Waste and Wastewater Rates

Monthly Charges										
	Prior Rates		FY 2010-2011		FY 2011-2012, 12-13		FY 2013-2014		FY 2014-2015	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
Readiness to Serve Charge	\$3.98	\$4.50	\$4.42	\$4.57	\$4.58	\$4.74	\$4.65	\$4.81	\$4.76	\$4.92
Gallonage Charge (per 100 gls)										
0-5,000	\$0.168	\$0.335	\$0.187	\$0.340	\$0.199	\$0.361	\$0.202	\$0.417	\$0.219	\$0.454
5,001 - 10,000	\$0.182	\$0.360	\$0.202	\$0.366	\$0.215	\$0.388	\$0.218	\$0.449	\$0.236	\$0.489
10,001 - 20,000	\$0.191	\$0.372	\$0.212	\$0.378	\$0.226	\$0.401	\$0.229	\$0.464	\$0.248	\$0.505
20,001 - 40,000	\$0.207	\$0.426	\$0.230	\$0.432	\$0.245	\$0.458	\$0.249	\$0.530	\$0.277	\$0.577
40,001 - 50,000	\$0.207	\$0.426	\$0.230	\$0.432	\$0.245	\$0.458	\$0.249	\$0.530	\$0.277	\$0.577
50,001 - 100,000	\$0.225	\$0.428	\$0.250	\$0.435	\$0.267	\$0.461	\$0.271	\$0.534	\$0.294	\$0.582
Over	\$0.225	\$0.428	\$0.251	\$0.435	\$0.267	\$0.461	\$0.271	\$0.534	\$0.294	\$0.582
Bi-monthly Charges										
	Prior Rates		FY 2010-2011		FY 2011-2012, 12-13		FY 2013-2014		FY 2014-2015	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
Readiness to Serve Charge	\$7.96	\$8.80	\$8.85	\$8.94	\$9.17	\$9.26	\$9.31	\$9.40	\$9.52	\$9.62
Gallonage Charge (per 100 gls)										
0-5,000	\$0.168	\$0.335	\$0.187	\$0.340	\$0.199	\$0.361	\$0.202	\$0.417	\$0.219	\$0.454
5,001 - 10,000	\$0.168	\$0.335	\$0.187	\$0.340	\$0.199	\$0.361	\$0.202	\$0.417	\$0.219	\$0.454
10,001 - 20,000	\$0.182	\$0.360	\$0.202	\$0.366	\$0.215	\$0.388	\$0.218	\$0.449	\$0.236	\$0.489
20,001 - 40,000	\$0.196	\$0.389	\$0.218	\$0.395	\$0.233	\$0.419	\$0.237	\$0.485	\$0.277	\$0.528
40,001 - 50,000	\$0.207	\$0.426	\$0.230	\$0.432	\$0.245	\$0.458	\$0.249	\$0.530	\$0.277	\$0.577
50,001 - 100,000	\$0.207	\$0.428	\$0.230	\$0.435	\$0.245	\$0.461	\$0.249	\$0.534	\$0.271	\$0.582
Over	\$0.225	\$0.428	\$0.250	\$0.435	\$0.267	\$0.461	\$0.271	\$0.534	\$0.294	\$0.582

Capital Facilities Fee Rates

City of Hialeah				
Department of Water and Sewers				
Schedule of Current Water and Wastewater Capital Facilities Fees				
CURRENT FEES - Per Gallon		Water	Sewer	
		Impact Fee	Impact Fee	
All Customer Classifications				
Per Gallon - Water Transmission & Distribution		\$0.71	-	
Per Gallon - RO Water Treatment		\$7.79	-	
Per Gallon - Sewer Collection		-	\$2.76	
Total Proposed Impact Fee Per Gallon - System Wide		<u>\$8.50</u>	<u>\$2.76</u>	
Total Proposed Impact Fee (1) Per ERC - System Wide		<u>\$2,975.00</u>	<u>\$966.00</u> (2)	
(1) One ERC = 350 Gallons Per Day (GPD)				
(2) [\$8.50 x 350 = \$2,975.00] [\$2.76 x 350 = \$966.00]				

REVENUE BONDS, SERIES 2012A (CITY OF HIALEAH SERIES)

Anti-Dilution Test

City of Hialeah Non-Ad Valorem Revenues Anti-Dilution Test			
as of September 30, 2012			
<u>Revenues</u>			
	<u>FY 2011</u>	<u>FY 2012</u>	<u>Prior Two-Year Average</u>
Total Governmental Revenues	\$ 168,138,613	\$ 173,575,689	\$ 170,857,151
Less: Ad Valorem Revenues	<u>(48,550,595)</u>	<u>(44,867,987)</u>	<u>(46,709,291)</u>
Total Governmental Non-Ad Valorem Revenues	119,588,018	128,707,702	124,147,860
Less: Restricted Funds (Other Governmental Funds)	<u>(47,847,712)</u>	<u>(55,877,469)</u>	<u>(51,862,591)</u>
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	71,740,306	72,830,233	72,285,270
Plus: Debt Service Fund (1)	<u>5,704,274</u>	<u>6,198,347</u>	<u>5,951,311</u>
Adjusted Non-Ad Valorem Revenues	<u>\$ 77,444,580</u>	<u>\$ 79,028,580</u>	<u>\$ 78,236,580</u>
<u>Expenditures</u>			
Essential Expenditures			
Public Safety	\$ 76,302,357	\$ 72,067,674	\$ 74,185,016
General Government	<u>22,998,342</u>	<u>23,821,995</u>	<u>23,410,169</u>
Total Essential Expenditures	99,300,699	95,889,669	97,595,184
Less: Ad Valorem Revenues available to pay			
Essential Expenditures	<u>(48,550,595)</u>	<u>(44,867,987)</u>	<u>(46,709,291)</u>
Adjusted Essential Expenditures	<u>\$ 50,750,104</u>	<u>\$ 51,021,682</u>	<u>\$ 50,885,893</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$ 26,694,476</u>	<u>\$ 28,006,898</u>	<u>\$ 27,350,687</u>
<u>Adjustments</u>			
Ad Valorem Revenues Restricted for Debt Service	-	-	-
Debt Proceeds	-	-	-
Test 1 - Prior Two Year average of Non-Ad Valorem Revenues covers projected MADS by 150%			
	<u>2011-2012</u>		
Average Net Non-Ad Valorem Revenues available for Debt Service	\$ 27,350,687		
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,575,391		
Coverage	318.9%		
Test 2 - Projected MADS does not exceed 20% of the prior two-year average of Total Governmental Fund Revenues less Ad Valorem Revenues restricted for debt service and debt proceeds			
	<u>2011-2012</u>		
Two-Year Average Net Total Governmental Funds	\$ 124,945,871		
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,575,391		
Coverage	6.86%		
(1) The Debt Service Fund is part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax. Amounts in the Debt Service Fund are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.			
Source: City of Hialeah Finance Department			

City of Hialeah Non-Ad Valorem Revenues Anti-Dilution Test				
as of September 30, 2013				
<u>Revenues</u>				
	<u>FY 2012</u>	<u>FY 2013</u>	<u>Prior Two-Year</u>	<u>Average</u>
Total Governmental Revenues	\$ 173,575,689	\$ 171,875,662	\$	172,725,676
Less: Ad Valorem Revenues	<u>(44,867,987)</u>	<u>(41,687,822)</u>		<u>(43,277,905)</u>
Total Governmental Non-Ad Valorem Revenues	128,707,702	130,187,840		129,447,771
Less: Restricted Funds (Other Governmental Funds)	<u>(55,877,469)</u>	<u>(53,848,496)</u>		<u>(54,862,983)</u>
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	72,830,233	76,339,344		74,584,789
Plus: Debt Service Fund (1)	<u>6,198,347</u>	<u>6,494,746</u>		<u>6,346,547</u>
Adjusted Non-Ad Valorem Revenues	<u>\$ 79,028,580</u>	<u>\$ 82,834,090</u>		<u>\$ 80,931,335</u>
<u>Expenditures</u>				
Essential Expenditures				
Public Safety	\$ 72,067,674	\$ 69,929,229	\$	70,998,452
General Government	<u>23,821,995</u>	<u>25,015,678</u>		<u>24,418,837</u>
Total Essential Expenditures	95,889,669	94,944,907		95,417,288
Less: Ad Valorem Revenues available to pay				
Essential Expenditures	<u>(44,867,987)</u>	<u>(41,687,822)</u>		<u>(43,277,905)</u>
Adjusted Essential Expenditures	<u>\$ 51,021,682</u>	<u>\$ 53,257,085</u>		<u>\$ 52,139,384</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$ 28,006,898</u>	<u>\$ 29,577,005</u>		<u>\$ 28,791,952</u>
<u>Adjustments</u>				
Ad Valorem Revenues Restricted for Debt Service	-	-		-
Debt Proceeds	-	-		-
Test 1 - Prior Two Year average of Non-Ad Valorem Revenues covers projected MADS by 150%				
	<u>2012-2013</u>			
Average Net Non-Ad Valorem Revenues available for Debt Service	\$ 28,791,952			
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,655,783			
Coverage	332.6%			
Test 2 - Projected MADS does not exceed 20% of the prior two-year average of Total Governmental Fund Revenues less Ad Valorem Revenues restricted for debt service and debt proceeds				
	<u>2012-2013</u>			
Two-Year Average Net Total Governmental Funds	\$ 124,209,240			
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,655,783			
Coverage	6.97%			
(1) The Debt Service Fund is part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax. Amounts in the Debt Service Fund are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.				
Source: City of Hialeah Finance Department				

Historical Non-Ad Valorem Revenues

City of Hialeah Historical Non-Ad Valorem Revenues					
Fiscal Years 2009 through 2013					
<u>Revenues</u>					
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Total Governmental Revenues	\$ 178,954,749	\$ 180,141,424	\$ 168,138,613	\$ 173,575,689	\$ 171,875,662
Less: Ad Valorem Revenues	(65,666,056)	(58,548,370)	(48,550,595)	(44,867,987)	(41,687,822)
Total Governmental Non-Ad Valorem Revenues	113,288,693	121,593,054	119,588,018	128,707,702	130,187,840
Less: Restricted Funds (Other Governmental Funds)	(44,456,147)	(53,966,501)	(47,847,712)	(55,877,469)	(53,848,496)
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	68,832,546	67,626,553	71,740,306	72,830,233	76,339,344
Plus: Debt Service Fund (1)	5,435,317	5,252,228	5,704,274	6,198,347	6,494,746
Adjusted Non-Ad Valorem Revenues	\$ 74,267,863	\$ 72,878,781	\$ 77,444,580	\$ 79,028,580	\$ 82,834,090
<u>Expenditures</u>					
Essential Expenditures					
Public Safety	\$ 73,772,283	\$ 74,544,141	\$ 76,302,357	\$ 72,067,674	\$ 69,929,229
General Government	26,154,810	24,805,086	22,998,342	23,821,995	25,015,678
Total Essential Expenditures	99,927,093	99,349,227	99,300,699	95,889,669	94,944,907
Less: Ad Valorem Revenues available to pay					
Essential Expenditures	(65,666,056)	(58,548,370)	(48,550,595)	(44,867,987)	(41,687,822)
Adjusted Essential Expenditures	\$ 34,261,037	\$ 40,800,857	\$ 50,750,104	\$ 51,021,682	\$ 53,257,085
Net Non-Ad Valorem Revenues available for Debt Service	\$ 40,006,826	\$ 32,077,924	\$ 26,694,476	\$ 28,006,898	\$ 29,577,005
<u>Existing Coverage</u>					
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,592,342	\$ 8,592,342	\$ 8,592,342	\$ 8,575,391	\$ 8,655,783
Legally Available Non-Ad Valorem Revenues after MADS	\$ 31,414,484	\$ 23,485,582	\$ 18,102,134	\$ 19,431,507	\$ 20,921,222
Existing Coverage	4.75%	4.79%	4.93%	6.86%	6.97%
(1) The Debt Service Fund is part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax. Amounts in the Debt Service Fund are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.					
Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal-Years 2009 through 2013.					

Breakdown of Non-Ad Valorem Revenues

City of Hialeah - Historical Non-Ad Valorem Revenues Breakdown						
Fiscal Years 2009 through 2014						
<u>Revenues</u>						
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Projected FY 2014</u>
Governmental Non-Ad Valorem						
Taxes						
Utility Taxes	\$ 22,580,807	\$ 22,275,529	\$ 22,212,359	\$ 22,181,374	\$ 21,909,541	\$ 21,753,157
Franchise Fees	11,602,898	10,365,647	10,500,154	10,478,381	10,277,964	13,848,162
Total Taxes	34,183,705	32,641,176	32,712,513	32,659,755	32,187,505	35,601,319
Licenses and Permits						
Occupational Licenses	4,342,789	4,328,580	4,446,579	4,400,029	3,976,835	4,492,832
Building Permits	2,293,711	1,968,809	2,467,725	-	-	-
Planning and Zoning	130,712	161,588	137,337	271,586	247,344	360,718
Total Licenses and Permits	6,767,212	6,458,977	7,051,641	4,671,615	4,224,179	4,853,550
Intergovernmental						
Half Cent Sales Tax	13,024,548	12,530,978	14,057,818	14,614,902	15,582,457	15,049,312
State Revenue Sharing	6,953,695	6,962,763	7,295,957	6,968,429	7,907,098	8,527,350
Other	264,220	279,500	168,127	262,318	944,209	874,962
Total Intergovernmental	20,242,463	19,773,241	21,521,902	21,845,649	24,433,764	24,451,624
Government Grant and Other Revenues						
Fines and Forfeitures	1,305,696	1,106,294	1,300,881	1,512,411	1,197,481	1,015,665
Interest	114,506	32,019	17,159	4,776	14,096	12,412
Government Grant and Other Revenues	6,218,964	7,614,846	9,136,210	12,136,027	14,282,319	25,140,087
Total Government Grant and Other Revenues	7,639,166	8,753,159	10,454,250	13,653,214	15,493,896	26,168,164
Total Governmental Non-Ad Valorem	\$ 68,832,546	\$ 67,626,553	\$ 71,740,306	\$ 72,830,233	\$ 76,339,344	\$ 91,074,657
Other Governmental Funds Non-Ad Valorem						
Taxes						
Utility Taxes (1)	\$ 3,604,271	\$ 3,589,564	\$ 3,697,364	\$ -	\$ -	\$ -
Licenses and Permits						
Building Permits (2)	-	-	-	2,988,101	3,311,856	4,463,323
Intergovernmental						
Local Option Gas Tax	3,902,902	3,692,522	3,819,928	3,468,225	3,884,413	3,454,455
Miami Dade County Half Sales Tax - Transit	1,347,062	1,313,057	1,424,818	1,558,337	1,623,687	1,406,172
Miami Dade County Half Sales Tax (3)	5,435,317	5,252,228	5,704,274	6,198,347	6,494,745	5,624,686
Other	793,288	487,451	1,124,097	1,659,341	1,637,238	1,602,548
Total Intergovernmental	11,478,569	10,745,258	12,073,117	12,884,250	13,640,083	12,087,861
Government Grant and Other Revenues						
Fines and Forfeitures	761,351	359,557	559,366	1,838,274	745,416	718,772
Interest	58,059	17,511	5,785	1,478	649	1,256
Government Grant and Other Revenues	28,553,897	39,254,611	31,512,080	38,165,366	36,150,492	19,587,412
Total Government Grant and Other Revenues	29,373,307	39,631,679	32,077,231	40,005,118	36,896,557	20,307,440
Total Other Governmental Funds Non-Ad Valorem	\$ 44,456,147	\$ 53,966,501	\$ 47,847,712	\$ 55,877,469	\$ 53,848,496	\$ 36,858,624
<p>(1) The Stormwater Utility Fund was converted to an Enterprise Fund in fiscal-year 2012; consequently, in fiscal-years 2012 and 2013 it is not reflected under the category of Other Governmental Funds in the Comprehensive Annual Financial Reports for the respective years.</p> <p>(2) The Building Department was converted to a Special Revenue Fund in fiscal-year 2012; consequently, in fiscal-years 2012 and 2013 it is not reflected under the category of the General Fund, instead it is reflected under the category of Other Governmental Funds in the Comprehensive Annual Financial Reports for the respective years.</p> <p>(3) Revenues in Other Governmental Funds are restricted and typically are not available to pay debt service on the City's Non-Ad Valorem bonds; however, the Debt Service Fund is part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax and amounts in the Debt Service Fund are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.</p>						
<p>Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal-Years 2009 through 2014.</p>						

BANK LOANS

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

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

Bank of America Promissory Note, Series 2011, August 20, 2011

Community Development Block Grant, Section 108 Loan, June 14, 2000

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

Affordable Housing Note, Series 2011, March 23, 2011

Bank of America Promissory Note, Series 2012, April 5, 2012

JP Morgan Chase Bank, Capital Lease, June 6, 2014

Ever Bank, Capital Lease, May 28, 2014

Specific information concerning the loans can be found in the City's Comprehensive Annual Financial Reports for the Fiscal Year Ended September 30, 2013, in Notes to Basic Financial Statements – Note 11, beginning on page 51. Such information is hereby incorporated by reference.

CERTAIN MATTERS

1. Based on the actuarial valuation report as of October 1, 2013, prepared by Foster & Foster, Inc. on behalf of the City of Hialeah Employee's Retirement System, the City is required by Florida law to make contributions to amortize the accrued unfunded liability in the amount recommended by the actuary. As of September 30, 2014, the City is required to make a total contribution of \$25,672,198 and as of September 30, 2015, the City is required to make a total contribution of \$25,640,942. Based on the amounts budgeted for fiscal year 2014 and fiscal year 2015, the City anticipates it is short approximately \$28 million dollars. The City has developed a short-term plan to cover the shortfall and is working on finding a long-term approach to remain current on all future retirement contributions as required by law. The City anticipates bargaining for reform to its pension plan with the three employee bargaining unions beginning in calendar year 2016 and if successful, these changes will substantially lower its yearly contribution.
2. The City and Miami-Dade County, as parties to a joint participation agreement, contracted with GS Inima USA Construction Corporation for the design, construction and operation of a reverse osmosis water treatment plant. The City believes the company is currently in default of the service contract, and without a settlement of all monetary claims and an amendment to the service contract on terms and conditions acceptable to the City, the City will have no choice but to exercise its termination rights. In turn, the company has submitted a claim against the City for a price adjustment in the amount of \$4,006,980 based on the alleged occurrence of various uncontrollable circumstances as set forth in the contract. The parties are in settlement discussions and have circulated a proposed settlement agreement. However, the parties have not successfully negotiated a settlement to date.
3. In 2013, the City Council adopted Resolution 2013-129 approving a transfer of assets between its general fund and its water and sewer fund as part of its efforts to privatize the collection of residential waste. The general fund transferred 35.438 acres of improved and vacant land in exchange for real property's fair market price of \$19 million dollars from the water and sewer fund.
4. In 2013, the City Council adopted Ordinance 2013-82 creating a water and wastewater payment, in lieu of a franchise fee, payable monthly from the water and sewer fund to the general fund equal to 10% of the bi-monthly rates, fees and charges, including base facility and consumption rates, from the sale of water and wastewater service to all customers. The payment intends to recover the cost of maintaining rights-of-way used by the water and sewer utility in the delivery of services to all customers.

This Annual Report of Financial Information and Operating Data for the Fiscal Year Ended September 30, 2013 is submitted pursuant to continuing disclosure agreements executed by the City, as obligor, in connection with the issuance of the Series 2011D Bonds and the Series 2012A Bonds.

Dated: January 14, 2015

CITY OF HIALEAH, FLORIDA

By: Javier Collazo

Title: Finance Director