

CITY OF HIALEAH, FLORIDA

**Annual Report of Financial Information and Operating Data for the
Fiscal Year Ended September 30, 2014**

**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.

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, 2014, that is due on June 30, 2015.

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, 2014, 2013, 2012, 2011 and 2010 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 2011 through 2015

	Audited 2011	Audited 2012	Audited 2013	Audited 2014	Projected ⁽¹⁾ 2015
Operating Revenues:					
Metered Water Sales	\$ 17,398,156	\$ 18,125,568	\$ 18,501,165	\$ 18,677,889	\$ 20,457,331
Sanitary Sewer Service	27,772,698	27,916,944	28,918,354	32,203,573	32,117,478
Other (2)	1,538,725	2,319,347	2,520,055	4,024,330	5,712,977
Total Operating Revenues	46,709,579	48,361,859	49,939,574	54,905,792	58,287,786
Operating Expenses:					
Operating, Administrative and Maintenance	41,026,418	45,883,620 (4)	38,457,478 (4)	44,349,977	42,965,265
Depreciation	4,225,315	4,726,581	5,057,708	5,390,323	5,509,786
Total Operating Expenses	45,251,733	50,610,201	43,515,186	49,740,300	48,475,051
Operating Income (Loss)	1,457,846	(2,248,342)	6,424,388	5,165,492	9,812,735
Non-Operating Revenues (Expenses):					
Unrealized Loss on Investments			(401,464)	414,486	
Interest Income	720,906	672,616	85,110	475,934	350,000
Interest Expense	(50,496)	(1,851,857)	(2,476,803)	(49,456)	(2,357,138)
Net Non-Operating Revenues (Expenses)	670,410	(1,179,241)	(2,793,157)	840,964	(2,007,138)
Income (Loss) Before Contributions	2,128,256	(3,427,583)	3,631,231	6,006,455	7,805,597
Capital Contributions	831,849	1,168,560	538,297	502,578	504,516
Change in Net Position	2,960,105	(2,259,023)	4,169,528	6,509,033	8,310,113
Net Position - Beginning (as restated)	148,092,938 (3)	151,053,043	148,794,020	155,958,673 (5)	162,467,706
Net Position - Ending	\$ 151,053,043	\$ 148,794,020	\$ 152,963,548	\$ 162,958,673	\$ 170,777,819

NOTES:

(1) Projected obtained from annual budget in the trial balance for fiscal year 2015.

(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.

(5) The beginning net position was restated due to interest payments that were not capitalized during the construction phase of the RO Plant and the implementation of GASB 65 which resulted in a restatement of net position of an increase by \$3,873,933 and a decrease of \$878,808, respectively.

Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal-Years 2011 through 2014 and 2015 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	Month	Gallons/Month
October-09	753,897,930	October-10	630,224,082	October-11	648,817,280	October-12	616,487,544	October-13	642,998,503	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	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	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	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	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	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	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	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	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	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	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	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	TOTAL	7,285,033,771
Average Daily Flow (millions)	22.321		20.519		21.837		20.878		19.959		19.959

City of Hialeah - Department of Water and Sewers											
Purchased Water Costs(I) 2005-2014											
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									
2014	\$8,870,782	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	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	October-13	722,110,100
November-09	489,908,600	November-10	427,707,100	November-11	766,609,500	November-12	553,485,600	November-13	561,680,600	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	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	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	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	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	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	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	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	665,946,000	July-14	665,946,000
August-10	642,219,300	August-11	653,184,900	August-12	707,735,600	August-13	698,866,800	August-14	665,946,000	August-14	665,946,000
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	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	TOTAL	7,102,269,500
Average Daily Flow (millions)	18.913		16.670		19.184		19.308		19.458		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 2014. 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) 2005-2014											
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										
2014	\$16,929,302										

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 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	
Gallonge 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	

Cost of Wastewater Treatment

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 2014. 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(!) 2005-2014				
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			
2014	\$16,929,302			

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
Gallonge 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
Gallonge 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, 2013				
<u>Revenues</u>				
	<u>FY 2012</u>	<u>FY 2013</u>	<u>Prior Two-Year Average</u>	
Total Governmental Revenues	\$ 173,575,689	\$ 171,875,662	\$ 172,725,676	
Less: Ad Valorem Revenues	(44,867,987)	(41,687,822)	(43,277,905)	
Total Governmental Non-Ad Valorem Revenues	128,707,702	130,187,840	129,447,771	
Less: Restricted Funds (Other Governmental Funds)	(55,877,469)	(53,848,496)	(54,862,983)	
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	72,830,233	76,339,344	74,584,789	
Plus: Debt Service Fund (1)	6,198,347	6,494,746	6,346,547	
Adjusted Non-Ad Valorem Revenues	\$ 79,028,580	\$ 82,834,090	\$ 80,931,335	
<u>Expenditures</u>				
Essential Expenditures				
Public Safety	\$ 72,067,674	\$ 69,929,229	\$ 70,998,452	
General Government	23,821,995	25,015,678	24,418,837	
Total Essential Expenditures	95,889,669	94,944,907	95,417,288	
Less: Ad Valorem Revenues available to pay				
Essential Expenditures	(44,867,987)	(41,687,822)	(43,277,905)	
Adjusted Essential Expenditures	\$ 51,021,682	\$ 53,257,085	\$ 52,139,384	
Net Non-Ad Valorem Revenues available for Debt Service	\$ 28,006,898	\$ 29,577,005	\$ 28,791,952	
<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>			
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,655,783			
Two-Year Average Net Total Governmental Funds	\$ 124,209,240			
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				

**City of Hialeah Non-Ad Valorem Revenues Anti-Dilution Test
as of September 30, 2014**

<u>Revenues</u>	FY 2013	FY 2014	Prior Two-Year Average
Total Governmental Revenues	\$ 171,875,662	\$ 162,948,361	\$ 167,412,012
Less: Ad Valorem Revenues	<u>(41,687,822)</u>	<u>(41,424,198)</u>	<u>(41,556,010)</u>
Total Governmental Non-Ad Valorem Revenues	130,187,840	121,524,163	125,856,002
Less: Restricted Funds (Other Governmental Funds)	<u>(53,848,496)</u>	<u>(41,865,758)</u>	<u>(47,857,127)</u>
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	76,339,344	79,658,405	77,998,875
Plus: Debt Service Fund (1)	<u>6,494,746</u>	<u>6,765,759</u>	<u>6,630,253</u>
Adjusted Non-Ad Valorem Revenues	<u>\$ 82,834,090</u>	<u>\$ 86,424,164</u>	<u>\$ 84,629,127</u>
 <u>Expenditures</u> 			
Essential Expenditures			
Public Safety	\$ 69,929,229	\$ 78,528,317	\$ 74,228,773
General Government	<u>25,015,678</u>	<u>26,520,903</u>	<u>25,768,291</u>
Total Essential Expenditures	94,944,907	105,049,220	99,997,064
Less: Ad Valorem Revenues available to pay			
Essential Expenditures	<u>(41,687,822)</u>	<u>(41,424,198)</u>	<u>(41,556,010)</u>
Adjusted Essential Expenditures	<u>\$ 53,257,085</u>	<u>\$ 63,625,022</u>	<u>\$ 58,441,054</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$ 29,577,005</u>	<u>\$ 22,799,142</u>	<u>\$ 26,188,074</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>2013-2014</u>		
Average Net Non-Ad Valorem Revenues available for Debt Service	\$ 26,188,074		
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,614,641		
Coverage	304.0%		
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>2013-2014</u>		
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,614,641		
Two-Year Average Net Total Governmental Funds	\$ 125,856,002		
Coverage	6.84%		
<p>(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.</p>			
<p>Source: City of Hialeah Finance Department</p>			

Historical Non-Ad Valorem Revenues

City of Hialeah Historical Non-Ad Valorem Revenues					
Fiscal Years 2010 through 2014					
<u>Revenues</u>					
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Total Governmental Revenues	\$ 180,141,424	\$ 168,138,613	\$ 173,575,689	\$ 171,875,662	\$ 162,948,361
Less: Ad Valorem Revenues	<u>(58,548,370)</u>	<u>(48,550,595)</u>	<u>(44,867,987)</u>	<u>(41,687,822)</u>	<u>(41,424,198)</u>
Total Governmental Non-Ad Valorem Revenues	121,593,054	119,588,018	128,707,702	130,187,840	121,524,163
Less: Restricted Funds (Other Governmental Funds)	<u>(53,966,501)</u>	<u>(47,847,712)</u>	<u>(55,877,469)</u>	<u>(53,848,496)</u>	<u>(41,865,758)</u>
Total Governmental Non-Ad Valorem Revenues					
net of Restricted Funds	67,626,553	71,740,306	72,830,233	76,339,344	79,658,405
Plus: Debt Service Fund (1)	<u>5,252,228</u>	<u>5,704,274</u>	<u>6,198,347</u>	<u>6,494,746</u>	<u>6,765,759</u>
Adjusted Non-Ad Valorem Revenues	<u>\$ 72,878,781</u>	<u>\$ 77,444,580</u>	<u>\$ 79,028,580</u>	<u>\$ 82,834,090</u>	<u>\$ 86,424,164</u>
<u>Expenditures</u>					
Essential Expenditures					
Public Safety	\$ 74,544,141	\$ 76,302,357	\$ 72,067,674	\$ 69,929,229	\$ 78,528,317
General Government	<u>24,805,086</u>	<u>22,998,342</u>	<u>23,821,995</u>	<u>25,015,678</u>	<u>26,520,903</u>
Total Essential Expenditures	99,349,227	99,300,699	95,889,669	94,944,907	105,049,220
Less: Ad Valorem Revenues available to pay					
Essential Expenditures	<u>(58,548,370)</u>	<u>(48,550,595)</u>	<u>(44,867,987)</u>	<u>(41,687,822)</u>	<u>(41,424,198)</u>
Adjusted Essential Expenditures	<u>\$ 40,800,857</u>	<u>\$ 50,750,104</u>	<u>\$ 51,021,682</u>	<u>\$ 53,257,085</u>	<u>\$ 63,625,022</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$ 32,077,924</u>	<u>\$ 26,694,476</u>	<u>\$ 28,006,898</u>	<u>\$ 29,577,005</u>	<u>\$ 22,799,142</u>
<u>Existing Coverage</u>					
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,592,342	\$ 8,592,342	\$ 8,575,391	\$ 8,655,783	\$ 8,614,641
Legally Available Non-Ad Valorem Revenues after MADS	\$ 23,485,582	\$ 18,102,134	\$ 19,431,507	\$ 20,921,222	\$ 14,184,501
Existing Coverage	4.79%	4.93%	6.86%	6.97%	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					

BANK LOANS

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

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

Bank of America Promissory Note, August 20, 2011

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

Banc of America Public Capital Corp, April 5, 2012

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

Specific information concerning the loans can be found in the City's Comprehensive Annual Financial Reports for the Fiscal Year Ended September 30, 2014, in Notes to Basic Financial Statements – Note 11, beginning on page 52. 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 "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, of which approximately \$3.7 million are due to the System as of the date of this report, 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 (MDC), 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 Company completed the required Acceptance Test for the plant and the City is currently reviewing the results of the Acceptance Test. The plant is producing and distributing potable water at a rate of 7.5 MGD, this water is shared on an equal basis with MDC. Operating expenses will be shared equally between the City and MDC. The Company continues with their efforts to complete the repair of several items including the punch list in order to close-out the design-build period. Contractual changes are currently under discussions including an agreement on an interim operating period until final acceptance has been reached. Settlement discussions of the Company claims against the City of \$4,006,980 based on the alleged occurrence of various uncontrollable circumstances as set forth in the contract including an additional claim of \$162,348 due to damages caused by a lighting strike and City claims against the Company for schedule delays are planned to take place during the fall of 2015.

3. On December 10, 2013 the Mayor and the City Council of the City of Hialeah, Florida adopted Resolution 2013-129 approving the internal transfer of assets comprising of 35.438 acres improved with buildings located at 900 East 56 Street, Hialeah, Florida in the amount of \$19,000,000 from the City of Hialeah to its Department of Public Works. The Department of Public Works intends to utilize this asset transfer as part of the privatization of trash collection within the solid waste division of the department, to lease a portion of the land and solid waste building to the private hauler for use of its contracted service, and to relocate and consolidate its fleet with the city fleet and to lease vacant land to a third party for a recycling/trash transfer station. On June 9, 2015 the Mayor and the City Council of the City of Hialeah, Florida adopted Resolution 2015-84 approving and amending the terms of the unsecured promissory note to memorialize the inter-change fund loan from the Water & Sewer Division of the Public Works Department (the "Lender") to the Solid Waste Division of the Public Works Department (the "Borrower"), in the amount of \$19,000,000, for the purpose of financing the internal transfer of assets from the City's General Fund to the Solid Waste Division of the Public Works Department. Whereas, the Water & Sewer Division of the Public Works Department loaned the

sum of \$19,000,000 to the Solid Waste Division of the Public Works Department to pay the fair market value of the assets to the City's General Fund. The note calls for interest to accrue from January 1, 2014 at an annual rate of 2.5% and equal quarterly payments of principal and interest of \$480,831 commencing on March 1, 2018 and concluding on September 1, 2030.

4. The figures identified in Note 1 above were taken from the Actuarial Valuation Report as of October 1, 2013 prepared by Foster & Foster, Inc., actuaries for the Board of Trustees of the City of Hialeah Employee's Retirement System. Based on the actuarial valuation report as of October 1, 2013 and the discussions in Number 1, as stated above, the City obtained the services of a budget consultant to develop 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. Below is the Executive Summary of the Hialeah Budget Review Report, dated May 19, 2015, which was prepared by the independent budget consultant. The City will review the findings and conclusions in the Budget Review Report and will carefully consider the recommendations of the budget consultant. A copy of the complete Budget Review Report is available upon request from the City.

HIALEAH BUDGET REVIEW EXECUTIVE SUMMARY

This report was undertaken at the behest of the City of Hialeah's administration in response to a request by the City's financial advisor, which is the Florida League of Cities, and the League's consultants. The impetus for the request was issues regarding funding to the municipal defined benefit retirement program for employees. The issues were raised during consideration of refunding a 2005 bond issue. The City had been notified by the Florida Division of Retirement that \$3.5 million plus interest, a total of \$3.7 million, was due to the Retirement Fund. In addition, for the FY 14, the budgeted payment to the Retirement Fund was limited to funding from the annual state contribution (\$461,000), proprietary departments, and contributions from employees, which amount did not fund the payment to the Retirement Fund fully. In practice, the actual payment to the Retirement Fund included \$5.1 million from the General Fund in addition to the budgeted amount. A shortfall balance of \$17.8 million was carried over into FY 15.

This report includes a review of the FY 15 General Fund budget, estimates of future shortfalls in payments to the Retirement Fund, a cash analysis of the General Fund, an analysis of the feasibility of using a bond financing to address the funding required of the Retirement Fund, and an analysis of and recommendations regarding the budgetary and operating issues associated with fully funding payments to the Retirement Fund.

The findings, conclusions, and recommendations of this report include:

HIALEAH BUDGET REVIEW EXECUTIVE SUMMARY (Continued)

1. Hialeah has reached a point that the General Fund budget is barely sufficient to pay for the current level of service that it provides. Implementation of a Deficit Reduction Program will lower service levels at the end of FY 15 below those at the beginning of the year. In fact, taking into account that the projections show a carryover liability into FY 16 of required payments to the Retirement Fund, it can be said that the budget is insufficient to fund fully all the services the City will provide at the end of FY 15.
2. Staffing has been reduced to the minimum to maintain current service levels. Because non-personnel costs are such a small part of the budget, it is not possible to achieve the savings necessary to phase out the shortfalls in General Fund payments to the Retirement Fund that carryover to the next year without reducing staffing levels and service levels below those projected for the end of FY 15 unless new revenues are found.
3. One of the major reasons for the budget shortfalls is the cost of the current retirement system. Even with the recent changes, it will be in the 2020s before significant reductions in required funding will be seen. It is imperative that negotiations with the City's bargaining units address the cost of retirement and a solution be found.
4. Because the starting unrestricted cash balance in the General Fund is needed for cash flow, there is no reserve available to protect against emergencies, adverse insurance events, and unexpected maintenance or capital replacement needs. It is essential that reserves be built up to provide working capital and protect against exigencies.
5. It is recommended that any FY 15 budget amendment and future budgets include, for every fund and the General Fund in particular, the available cash carryover as a revenue line item.
6. For each fund, there should be an expenditure line item to provide a reserve for cash encumbered at the end of the fiscal year.
7. Eighty-five percent of the General Fund unrestricted cash should be appropriated for an Emergency Contingency Reserve, the purpose of which should be limited, by ordinance, to meeting emergencies and major revenue shortfalls when recommended by the Mayor and approved by a super-majority vote of the City Council.
8. The balance of the unrestricted cash carryover, 15 percent, should be allocated to an Insurance Reserve. A proportionate amount should be contributed to the Insurance Reserve by proprietary funds. In the future, there should be a reserve amount built into the budgeted expenditures for insurance to increase the reserve, even though doing so will add pressure to departmental budgets.
9. The staff on the administrative Budget Oversight Committee should be charged with developing a plan to fund repairs, maintenance, pay-as-you-go capital and capital purchases such as vehicles, communication equipment, computer equipment and software.
10. It is recommended the staff in the Business Tax Division who has been cross trained as fire inspectors and have their positions reviewed to assure they are paid appropriately.
11. Although there has been discussion of furloughs, which are across-the-board reductions, any dollar savings that could be achieved by furloughs should be incorporated into the budget process so that any funding reductions have the least possible effect on services.

HIALEAH BUDGET REVIEW EXECUTIVE SUMMARY (Continued)

12. Steps being taken in FY 15 as a \$11.1 million Deficit Reduction Program (DRP) to address a portion of the General Fund payments to the Retirement Fund include:
 - a. Payment from proprietary departments of money due to the General Fund.
 - b. Repayment of money advanced by the General Fund to capital projects.
 - c. Not filling vacant positions.
 - d. Departmental Savings Plans in the Police, Fire, Parks and Recreation, and Education and Community Services (ECS) Departments.
 - e. Payment by proprietary departments for their full share of retirement costs.
 - f. Payments by the solid waste collection contractor.
13. In FY 16 and FY 17, it is anticipated that savings resulting from outsourcing the solid waste collection function will allow the liquidation of \$7.4 million due from the Solid Waste Fund to the General Fund. Once the General Fund is repaid, the savings will be used to repay the Water and Sewer Fund for the loan made to the Solid Waste Fund to purchase the property from the City.
14. Incorporating the suggested DRP into the budget is projected to reduce the total shortfall in payments to the Retirement Fund from \$17.8 million at the start of FY15 to \$15.3 million into FY 16. After FY 16, the shortfall increases each year to \$16.3 million into FY 17; to \$18.6 million into FY 18; and to \$22.8 at the end of FY 18.
15. Pro Forma Budget Projections indicate that:
 - a. \$6.7 million (equivalent to a 15 percent increase in millage above the current millage rate) in additional revenue would be needed in FY 16 to eliminate the shortfall in General Fund payments to the Retirement Fund by the end of FY 18 without further reducing service levels, or
 - b. \$6.5 million in reduced expenditures (approximately five percent of the projected FY 16 General Fund budget) would be needed in FY 16 to similarly eliminate the shortfall by the end of FY 18 without increasing millage rates.
16. Revenue increases of \$1.2 million and expenditure reductions of \$4.2 million are identified for consideration during the development of the FY 16 budget.
17. The recommended option to address the shortfall in payments to the Retirement Fund is to issue a Pension Obligation Bond during FY 16 which will eliminate the shortfall by the end of FY 16 and which will allow services to be maintained through FY 18 at the service level at the end of FY 15. This option must be linked to negotiations with the bargaining units that will result in a reduction in the cost of the retirement system that will be realized no later than the end of FY 18 and be large enough to allow for critical services to be maintained while making the required payments to the Retirement Fund.

This Annual Report of Financial Information and Operating Data for the Fiscal Year Ended September 30, 2014 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: June 24, 2015

CITY OF HIALEAH, FLORIDA

By: Javier Collazo

Title: Finance Director