

**NEW ISSUE – FULL BOOK-ENTRY**

**See "RATING" herein**

*In the opinion of bond counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Series 2016 Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2016 Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of other tax consequences to holders of the Series 2016 Bonds.*

\$ \_\_\_\_\_ \*

**CITY OF ALACHUA, FLORIDA**

**Capital Improvement Revenue and Revenue Refunding Bonds,  
Series 2016**

Dated: Date of Delivery

Due: October 1, as shown on inside cover

The City of Alachua, Florida Capital Improvement Revenue and Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds") will be issued by the City of Alachua, Florida (the "City") only as fully registered bonds and will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be available to purchasers in denominations of \$5,000 or multiples thereof only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive delivery of the Series 2016 Bonds. So long as any purchaser is the Beneficial Owner (as defined herein) of a Series 2016 Bond, he must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on such Series 2016 Bond. See "DESCRIPTION OF THE SERIES 2016 BONDS - Book-Entry Only System" herein. Interest on the Series 2016 Bonds will be payable semiannually on October 1 and April 1 of each year, commencing on October 1, 2016. The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida shall serve as initial Registrar and Paying Agent for the Series 2016 Bonds.

The Series 2016 Bonds are being issued pursuant to Resolution No. 16-06, adopted by the Commission on March 14, 2016, as supplemented by Resolution No. 16-07, adopted by the City Commission on March 14, 2016 (collectively, the "Resolution"), together with other legally available funds of the City, for the purpose of (i) financing the acquisition, construction and equipping of a Public Services Operations Center/Warehouse, and (ii) the acquisition, construction and equipping of a multi-purpose building to be built on a portion of 105 acres that is contiguous to the City's existing recreation center, known as Project Legacy Phase I (the "Project"), (iii) refunding all of the City's outstanding Capital Improvement and Refunding Revenue Bonds, Series 2006 and (iv) paying certain expenses related to the issuance of the Series 2016 Bonds.

The Series 2016 Bonds are subject to redemption prior to maturity, as described herein.

The Series 2016 Bonds are payable from the Non-Ad Valorem Revenues (as defined herein) budgeted and appropriated for purposes of payment of the debt service on the Series 2016 Bonds in the manner and to the extent provided in the Resolution and deposited into the Debt Service Fund created

under the Resolution, and until applied in accordance with the provisions of the Resolution, all moneys, including the investments thereof, in the funds and accounts created under the Resolution except the Rebate Fund (collectively, the "Pledged Funds"). "Non-Ad Valorem Revenues" means all legally available revenues of the City, other than Ad Valorem Revenues. "Ad Valorem Revenues" means all revenues of the City derived from the levy and collection of Ad Valorem Revenues. The City has covenanted and agreed in the Resolution to appropriate in its annual budget, by amendment, if necessary, and deposit into the Debt Service Fund sufficient amounts of Non-Ad Valorem Revenues, for the payment of principal of and interest on the Series 2016 Bonds and to make all other payments required under the Resolution in each Fiscal Year.

THE SERIES 2016 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGED OF THE PLEDGED FUNDS. NO HOLDER OF ANY SERIES 2016 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OR THE USE OF AD VALOREM REVENUES TO PAY SUCH SERIES 2016 BOND, FOR THE PAYMENT OF ANY AMOUNTS PAYABLE UNDER THE RESOLUTION, OR TO MAINTAIN ANY SERVICES OR PROGRAMS THAT GENERATE NON-AD VALOREM REVENUES OR BE ENTITLED TO PAYMENT OF SUCH SERIES 2016 BOND FROM ANY MONEYS OF THE CITY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER PROVIDED IN THE RESOLUTION.

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

The Series 2016 Bonds are offered when, as and if issued by the City, subject to the approving legal opinion of Bryant Miller Olive P.A., Tampa, Florida, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Marian Rush, Esq., Gainesville, Florida, City Attorney, and Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel. Public Financial Management, Inc., Orlando, Florida, has served as financial advisor to the City with respect to the offering of the Series 2016 Bonds. It is expected that settlement for the Series 2016 Bonds will occur through the facilities of DTC in New York, New York on or about April 11, 2016.

Electronic bids for the Series 2016 Bonds will be received through the Parity Electronic Bid Submission System as described in the Official Notice of Sale.

Dated: \_\_\_\_\_, 2016

\* Preliminary, subject to change.

\$ \_\_\_\_\_  
CITY OF ALACHUA, FLORIDA  
Capital Improvement Revenue and Revenue Refunding Bonds, Series 2016

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

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

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial</u> <u>CUSIP</u> <u>Number<sup>(1)</sup></u>
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<sup>(1)</sup> The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.

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\* Preliminary, subject to change.

**CITY OF ALACHUA, FLORIDA**

15001 NW 140<sup>th</sup> Street  
Post Office Box 9  
Alachua, Florida 32616  
(386) 462-1231

**OFFICIALS**

Gib Coerper, Mayor  
Ben Boukari, Jr., Vice Mayor  
Shirley Green Brown, Commissioner  
Gary Hardacre, Commissioner  
Robert W. Wilford, Commissioner

**CITY MANAGER AND CITY CLERK**

Traci Gresham

**CITY ATTORNEY**

Marian Rush, Esq.

**FINANCE DIRECTOR**

Robert Bonetti

**BOND COUNSEL**

Bryant Miller Olive P.A.  
Tampa, Florida

**DISCLOSURE COUNSEL**

Bryant Miller Olive P.A.  
Tampa, Florida

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Orlando, Florida

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations in connection with the Series 2016 Bonds, other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the City, The Depository Trust Company, and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City with respect to any information provided by others. The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2016 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2016 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CITY AND ANY ONE OR MORE OF THE OWNERS OF THE SERIES 2016 BONDS.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2016 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

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**OFFICIAL STATEMENT  
relating to the issuance of**

**\$\_\_\_\_\_.**  
**CITY OF ALACHUA, FLORIDA**  
**Capital Improvement Revenue and Revenue Refunding Bonds,**  
**SERIES 2016**

**INTRODUCTORY STATEMENT**

This Official Statement, including the cover page and Appendices, is provided by the City of Alachua, Florida (the "City"), in order to set forth certain information regarding the City, and the issuance and sale of its \$\_\_\_\_\_ \* aggregate principal amount of Capital Improvement Revenue and Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds") authorized pursuant to Resolution No. 16-05, adopted by the City Commission of the City on March 14, 2016, as supplemented by Resolution No. 16-06, adopted on March 14, 2016 (collectively, the "Resolution"). The form of the Resolution is included as "APPENDIX C – Form of Resolution" hereto.

The Series 2016 Bonds are being issued, together with other legally available funds of the City, for the purpose of (i) financing the acquisition, construction and equipping of a Public Services Operations Center/Warehouse, and (ii) the acquisition, construction and equipping of a multi-purpose building to be built on a portion of 105 acres that is contiguous to the City's existing recreation center, known as Project Legacy Phase I (the "Project"), (iii) refunding all of the City's outstanding Capital Improvement and Refunding Revenue Bonds, Series 2006 (the "Refunded Bonds"), and (iv) paying certain expenses related to the issuance of the Series 2016 Bonds.

The Series 2016 Bonds are being issued pursuant to the Constitution and laws of the State of Florida (the "State"), including particularly, Chapter 166, Part II, Florida Statutes, the City Charter (the "Charter") and other applicable provisions of law.

The Series 2016 Bonds are payable from the Non-Ad Valorem Revenues budgeted and appropriated for purposes of payment of the debt service on the Series 2016 Bonds in the manner and to the extent provided in the Resolution and deposited into the Debt Service Fund created under the Resolution, and until applied in accordance with the provisions of the Resolution, all moneys, including the investments thereof, in the funds and accounts created under the Resolution except the Rebate Fund (collectively, the "Pledged Funds"). "Non-Ad Valorem Revenues" means all legally available revenues of the City, other than Ad Valorem Revenues. Ad Valorem Revenues means all revenues of the City derived from the levy and collection of ad valorem taxes. The City has covenanted and agreed in the Resolution to appropriate in its annual budget, by amendment, if necessary, and deposit into the Debt Service Fund sufficient amounts of Non-Ad Valorem Revenues, for the payment of principal of and interest on the Series 2016 Bonds and make all other payments required under the Resolution in each Fiscal Year.

THE SERIES 2016 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE

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\* Preliminary, subject to change.



SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGED OF THE PLEDGED FUNDS. NO HOLDER OF ANY SERIES 2016 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OR THE USE OF AD VALOREM REVENUES TO PAY SUCH SERIES 2016 BOND, FOR THE PAYMENT OF ANY AMOUNTS PAYABLE UNDER THE RESOLUTION, OR TO MAINTAIN ANY SERVICES OR PROGRAMS THAT GENERATE NON-AD VALOREM REVENUES OR BE ENTITLED TO PAYMENT OF SUCH SERIES 2016 BOND FROM ANY MONEYS OF THE CITY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER PROVIDED IN THE RESOLUTION.

The City has covenanted to provide certain continuing disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission relating to the Series 2016 Bonds. See "CONTINUING DISCLOSURE" herein.

Certain capitalized terms used in this Official Statement have the meanings assigned to such terms in the Resolution, except as otherwise indicated herein. The form of the Resolution is attached to this Official Statement as "APPENDIX C – Form of Resolution". The descriptions of the Series 2016 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained from the City

## **THE PROJECT**

The Project consists of the acquisition, construction and equipping of a Public Services Operations Center/Warehouse and a multi-purpose building to be built on a portion of 105 acres that is contiguous to the City's existing recreation center, known as Project Legacy Phase I.

## **THE REFUNDING PLAN**

The City has determined that it can achieve present value savings in debt service payments by providing for payment of the Refunded Bonds. Provision for payment will be accomplished through the issuance of the Series 2016 Bonds and the use of a portion of the proceeds thereof, together with other legally available funds of the City, to refund the Refunded Bonds. The Refunded Bonds will be redeemed prior to maturity on March 11, 2016, at a redemption price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the redemption date.

Upon delivery of the Series 2016 Bonds, The Bank of New York Mellon Trust Company, as escrow agent (the "Escrow Agent"), will enter into an Escrow Deposit Agreement (the "Escrow Agreement") with the City to provide for the refunding of the Refunded Bonds. The Escrow Agreement will create an irrevocable escrow account (the "Escrow Account") which will be held by the Escrow Agent. The money held in the Escrow Account are to be applied to the payment of principal of and interest on the Refunded Bonds, as the same become due upon redemption prior to maturity. Immediately upon the issuance and delivery of the Series 2016 Bonds, the City will deposit a portion of the proceeds from the sale of the Series 2016 Bonds into the Escrow Account, together with any legally available funds provided by the City for that purpose. Such amounts will be held in cash and (i) will be sufficient to pay the principal of and interest on the Refunded Bonds on their redemption date

according to the schedules prepared by Public Financial Management, Inc. (the "Financial Advisor") and verified by Robert Thomas, CPA (the "Verification Agent"), (ii) will be pledged solely for the benefit of the Holders of the Refunded Bonds, and (iii) will not be available for payment of debt service on the Series 2016 Bonds. See "VERIFICATION OF ARITHMETICAL COMPUTATIONS" herein.

In reliance upon the above-referenced schedules, at the time of delivery of the Series 2016 Bonds, Bond Counsel will deliver to the City an opinion to the effect that the pledge of and lien on pledged revenues in favor of the Holders of the Refunded Bonds under the resolution pursuant to which such Refunded Bonds were issued is no longer in effect.

## **DESCRIPTION OF THE SERIES 2016 BONDS**

### **General**

The Series 2016 Bonds are issuable only in the form of fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof. The Series 2016 Bonds will be dated their date of delivery and will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2016 Bonds is payable semiannually on the first day of October and April commencing on October 1, 2016 (each, an "Interest Date"). Interest on the Series 2016 Bonds shall be calculated based upon a 360-day year consisting of 12, 30 day months. Principal of and interest on the Series 2016 Bonds will be payable in the manner described under "Book-Entry Only System" herein. The Bank of New York Mellon Trust Company, Jacksonville, Florida, will act as Paying Agent and Registrar for the Series 2016 Bonds (the "Paying Agent" or "Registrar").

### **Redemption Provisions**

Optional Redemption. The Series 2016 Bonds maturing on or before October 1, 20\_\_ are not subject to redemption prior to their maturity. The Series 2016 Bonds maturing after October 1, 20\_\_, shall be subject to redemption prior to their stated dates of maturity at the option of the City in whole or in part, from such maturities selected by the City (and by lot within a maturity if less than a full maturity) on October 1, 20\_\_, or any date thereafter, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest to the date fixed for redemption and without premium.

Mandatory Redemption. The 2016 Bonds maturing on October 1, \_\_\_\_ are subject to mandatory redemption in part at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon without premium from Amortization Installments on the dates and in the principal amounts set forth below:

\_\_\_\_\_  
\*Final Maturity

Selection of Series 2016 Bonds to be Redeemed. The Series 2016 Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The City shall, at least 60 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Series 2016 Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Series 2016 Bonds of a single maturity, the particular Series 2016 Bonds or portions of Series 2016 Bonds to be redeemed shall be selected not more than 45 days prior to the redemption date by the Registrar from the Outstanding Series 2016 Bonds of the maturity or maturities designated by the City by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Series 2016 Bonds or portions of Series 2016 Bonds in principal amounts of \$5,000 and integral multiples thereof. If less than all of the Outstanding Series 2016 Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the City and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Series 2016 Bonds or portions of Series 2016 Bonds selected for redemption and, in the case of any Series 2016 Bond selected for partial redemption, the principal amount thereof to be redeemed.

Notice of Redemption. Unless waived by any Holder of Series 2016 Bonds to be redeemed, notice of any redemption shall be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Holder of Series 2016 Bonds to be redeemed at the address of such Series 2016 Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Series 2016 Holder to the Registrar; provided, however, that no defect in any notice given as described in this paragraph to any Holder of Series 2016 Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Holders of Series 2016 Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state: (1) the redemption date, (2) the Redemption Price, (3) if less than all Outstanding Series 2016 Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Series 2016 Bond, the principal amount) of each Series 2016 Bond to be redeemed, (4) any conditions to such redemption and, if applicable, a statement to the effect that such notice is subject to rescission by the City, (5) that, on the redemption date, subject to the satisfaction of any conditions to such redemption set forth in the notice of redemption, the Redemption Price will become due and payable upon each such Series 2016 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and (6) that such Series 2016 Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price at the designated office of the Registrar.

A notice of redemption may be contingent upon the occurrence of certain conditions and if such conditions do not occur, the notice will be deemed rescinded and of no force or effect. A notice of redemption may also be subject to rescission in the discretion of the City; provided that such notice of such rescission shall be mailed to all affected Holders no later than three (3) Business Days prior to the date of redemption.

Redemption of Portions of Series 2016 Bonds. Any Series 2016 Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing) and the City shall execute and the Registrar shall authenticate and deliver to the Holder of such Series 2016 Bond, without service charge, a new Series 2016 Bond or Bonds, of any authorized denomination, as requested by such Holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Series 2016 Bonds so surrendered.

Payment of Redeemed Series 2016 Bonds. Notice of redemption having been given substantially as aforesaid, the Series 2016 Bonds or portions of Series 2016 Bonds to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment of the Redemption Price) such Series 2016 Bonds or portions of Series 2016 Bonds shall cease to bear interest. Upon surrender of such Series 2016 Bonds for redemption in accordance with said notice, such Series 2016 Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Series 2016 Bonds which have been redeemed shall be cancelled and destroyed by the Registrar and shall not be reissued.

### **Book-Entry Only System**

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2016 BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE SERIES 2016 BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2016 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2016 BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE SERIES 2016 BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE SERIES 2016 BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2016 BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE SERIES 2016 BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE CITY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity of the Series 2016 Bonds as set forth in the

inside cover of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants." DTC has a Standard & Poor's Ratings Services ("S&P") rating of AA+. The DTC Rules applicable to its DTC Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2016 Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the City or paying agent. Under such circumstances, in the event that a successor depository is not obtained, the Series 2016 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2016 Bond certificates will be printed and delivered to DTC.

## **Interchangeability, Negotiability and Transfer**

*So long as the Series 2016 Bonds are registered in the name of DTC or its nominee, the following paragraphs relating to registration, transfer and exchange of Series 2016 Bonds do not apply to the Series 2016 Bonds.*

Series 2016 Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Series 2016 Bonds of the same maturity of any other authorized denominations.

The Series 2016 Bonds issued under the Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2016 Bonds. So long as any of the Series 2016 Bonds shall remain Outstanding, the City shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Series 2016 Bonds.

Each Series 2016 Bond shall be transferable only upon the books of the City, at the office of the Registrar, under such reasonable regulations as the City may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the transfer of any such Series 2016 Bond, the City shall issue, and cause to be authenticated, in the name of the transferee a new Series 2016 Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Series 2016 Bond. The City, the Registrar and any Paying Agent or fiduciary of the City may deem and treat the Person in whose name any Outstanding Series 2016 Bond shall be registered upon the books of the City as the absolute owner of such Series 2016 Bond, whether such Series 2016 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Series 2016 Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Series 2016 Bond to the extent of the sum or sums so paid and neither the City nor the Registrar nor any Paying Agent or other fiduciary of the City shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to the Series 2016 Bonds, forthwith (A) following the fifteenth (15th) day prior to an Interest Date; (B) following the fifteenth (15th) day next preceding the date of first mailing of notice of redemption of any Series 2016 Bonds; and (C) at any other time as reasonably requested by the Paying Agent, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Series 2016 Bond shall effect payment of interest on such Series 2016 Bonds by mailing a check or draft to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Series 2016 Bonds or transferring Series 2016 Bonds is exercised, the City shall execute Series 2016 Bonds and the Registrar shall authenticate and deliver such Series 2016 Bonds in accordance with the provisions of the Resolution. Execution of Series 2016 Bonds for purposes of exchanging, replacing or transferring Series 2016 Bonds may occur at the time of the original delivery of the Series 2016 Bonds. All Series 2016 Bonds surrendered in any such

exchanges or transfers shall be held by the Registrar in safekeeping until directed by the City to be cancelled by the Registrar. For every such exchange or transfer of Series 2016 Bonds, the City or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The City and the Registrar shall not be obligated to make any such exchange or transfer of Series 2016 Bonds during the 15 days next preceding an Interest Date on the Series 2016 Bonds, or, in the case of any proposed redemption of Series 2016 Bonds, then, for the Series 2016 Bonds subject to redemption, during the 15 days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

#### **Series 2016 Bonds Mutilated, Destroyed, Stolen or Lost**

In case any Series 2016 Bond shall become mutilated, or be destroyed, stolen or lost, the City may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Series 2016 Bond of like tenor as the Series 2016 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 2016 Bond upon surrender and cancellation of such mutilated Series 2016 Bond or in lieu of and substitution for the Series 2016 Bond destroyed, stolen or lost, and upon the Holder furnishing the City and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the City or the Registrar may prescribe and paying such expenses as the City and the Registrar may incur. All Series 2016 Bonds so surrendered shall be cancelled by the Registrar. If any of the Series 2016 Bonds shall have matured or be about to mature, instead of issuing a substitute Series 2016 Bond, the City may pay the same or cause the Series 2016 Bond to be paid, upon being indemnified as aforesaid, and if such Series 2016 Bonds be lost, stolen or destroyed, without surrender thereof.

### **SECURITY FOR THE SERIES 2016 BONDS**

#### **Series 2016 Bonds Not General Obligations**

THE SERIES 2016 BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGED OF THE PLEDGED FUNDS. NO HOLDER OF ANY SERIES 2016 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OR THE USE OF AD VALOREM REVENUES TO PAY SUCH SERIES 2016 BOND, FOR THE PAYMENT OF ANY AMOUNTS PAYABLE UNDER THE RESOLUTION, OR TO MAINTAIN ANY SERVICES OR PROGRAMS THAT GENERATE NON-AD VALOREM REVENUES OR BE ENTITLED TO PAYMENT OF SUCH SERIES 2016 BOND FROM ANY MONEYS OF THE CITY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER PROVIDED IN THE RESOLUTION.

#### **Pledged Funds**

The Series 2016 Bonds are payable from the Pledged Funds, which include Non-Ad Valorem Revenues budgeted and appropriated by the City and deposited into the Debt Service Fund and moneys in the funds and accounts held under the Resolution, except the Rebate Fund.



## **Covenant to Budget and Appropriate**

The City has covenanted and agreed in the Resolution to appropriate in its annual budget, by amendment if necessary, for each Fiscal Year in which the Series 2016 Bonds remain Outstanding, and deposit into the Debt Service Fund, sufficient amounts of Non-Ad Valorem Revenues for the payment of principal of and interest on the Series 2016 Bonds and to make all other payments required hereunder in each such Fiscal Year. Such covenant and agreement on the part of the City are cumulative and shall continue and carry over from Fiscal Year to Fiscal Year until all payments of principal of and interest on the Series 2016 Bonds shall have been budgeted, appropriated, deposited and actually paid. The City has agreed that such covenant and agreement is deemed to be entered into for the benefit of the Holders of the Series 2016 Bonds and may be enforced in a court of competent jurisdiction. Notwithstanding the foregoing or any provision of the Resolution to the contrary, the City has not covenanted to maintain any services or programs now maintained or provided by the City, including those programs and services which generate Non-Ad Valorem Revenues. Other than as provided in the anti-dilution test in the Resolution, as described below under "- Anti-Dilution Test," such covenant and agreement is not to be construed as a limitation on the ability of the City to pledge all or a portion of such Non-Ad Valorem Revenues or to covenant to budget and appropriate Non-Ad Valorem Revenues for other legally permissible purposes. Nothing herein shall be deemed to pledge Ad Valorem Revenues or to permit or constitute a mortgage or lien upon any assets owned by the City and no Holder of Bonds or other Person may compel the levy of ad valorem taxes on real or personal property within the boundaries of the City for the payment of the City's obligations hereunder.

However, the covenant to budget and appropriate in its annual budget for the purposes and in the manner stated in the Resolution shall have the effect of making available for the payment of the Series 2016 Bonds in the manner described in the Resolution the Non-Ad Valorem Revenues of the City in the manner provided herein and placing on the City a positive duty to appropriate and budget, by amendment if necessary, amounts sufficient to meet its obligations in the Resolution ; subject, however, in all respects to the restrictions of Section 166.241, Florida Statutes, insofar as there are not sufficient Non-Ad Valorem Revenues to comply with such covenant after the satisfaction of the funding requirements for obligations having an express lien on or pledge of such revenues and the funding requirements for essential governmental services of the City. The obligation of the City to make such payments from its Non-Ad Valorem Revenues is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues and funding requirements for essential public purposes affecting the health, welfare and safety of the inhabitants of the City. The City has previously and, subject to the anti-dilution test in the Resolution described below under "- Anti-Dilution Test," may hereafter provide a covenant to budget and appropriate Non-Ad Valorem Revenues or pledge all or a portion of such Non-Ad Valorem Revenues to provide for the payment of obligations (including debt obligations) incurred by the City. No priority of payment among such obligations is established by the provision of a covenant to budget and appropriate Non-Ad Valorem Revenues for the payment thereof.

Such covenant to budget and appropriate does not create any lien upon or pledge of such Non-Ad Valorem Revenues until such funds are deposited in the Debt Service Fund, nor, subject to satisfaction of the anti-dilution test in the Resolution described below under "- Anti-Dilution Test," does it preclude the City from pledging in the future or covenanting to budget and appropriate in the future its Non-Ad Valorem Revenues, nor does it require the City to levy and collect any particular Non-Ad Valorem Revenues, nor does it give the Holders of the Series 2016 Bonds a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the City. The payment of the debt service of all of the Series 2016 Bonds shall be secured forthwith equally and ratably by a pledge of and a lien upon the

Pledged Funds, as now or hereafter constituted. The City does hereby irrevocably pledge such Pledged Funds to the payment of the principal of and interest on the Series 2016 Bonds issued pursuant to the Resolution, and the City does hereby irrevocably agree to the deposit of Non-Ad Valorem Revenues into the Debt Service Fund at the times provided of the sums required to make payments required by the Resolution, and the payment of the principal of and interest thereunder when due. The Pledged Funds shall immediately be subject to the lien of the pledge under the Resolution without any physical delivery thereof or further act, and the lien of the Resolution shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City.

The City has covenanted and agreed to transfer to the Paying Agent for the Series 2016 Bonds, solely from funds budgeted and appropriated as described in the Resolution, on or before the date designated for payment of any principal of or interest on the Series 2016 Bonds, sufficient moneys to pay such principal or interest. The Registrar and Paying Agent shall utilize such moneys for payment of the principal of and interest on the Series 2016 Bonds when due.

### **Anti-Dilution Test**

The City may incur additional debt secured by all or a portion of the Non-Ad Valorem Revenues only if the total amount of Non-Ad Valorem Revenues for the prior Fiscal Year were at least 3.50 times the maximum annual debt service of all debt (including all long-term financial obligations appearing on the City's most recent audited financial statements and the debt proposed to be incurred) to be paid from Non-Ad Valorem Revenues other than debt exclusively paid from electric, water and sewer revenues (collectively, "Debt"), including any Debt payable from one or several specific revenue sources.

For purposes of calculating maximum annual debt service if the terms of the Debt are such that interest thereon for any future period of time is to be calculated at a rate which is not then susceptible of precise determination ("Variable Rate Debt"), interest on such Variable Rate Debt shall be computed as follows:

(a) if the principal amount of Variable Rate Debt (including any Variable Rate Debt proposed to be incurred) is less than or equal to 25% of the principal amount of all Debt (including the Debt proposed to be incurred), an interest rate equal to the higher of 12% per annum or *The Bond Buyer 40 Index* shall be assumed; or

(b) if the principal amount of Variable Rate Debt (including any Variable Rate Debt proposed to be incurred) is more than 25% of the principal amount of all Debt (including the Debt proposed to be incurred), the maximum rate which could be borne by such Variable Rate Debt shall be assumed.

For purposes of calculating maximum annual debt service, balloon indebtedness shall be assumed to amortize in up to 20 years on a level debt service basis. In the event that the City is required to fund a reserve fund, the funding of such reserve fund shall be included in the calculation of debt service. For purposes of this paragraph, "balloon indebtedness" includes indebtedness if 25% or more of the principal amount thereof comes due in any one year.

### **Debt Service Fund**

The City has covenanted and agreed to establish a separate fund to be known as the "City of Alachua, Florida Capital Improvement Revenue and Revenue Refunding Bonds, Series 2016 Debt Service

Fund" (the "Debt Service Fund"). The City shall maintain in the Debt Service Fund three accounts: the "Interest Account," the "Principal Account," and the "Bond Amortization Account."

Moneys in the aforementioned funds and accounts, until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders and for the further security of the Holders.

### **Flow of Funds**

Non-Ad Valorem Revenues appropriated for such purpose shall be deposited or credited at least one (1) Business Day prior to the applicable due date, in the following manner:

(a) Interest Account. The City shall deposit into or credit to the Interest Account the sum which, together with the balance in said Account, shall be equal to the interest on the Series 2016 Bonds accrued and unpaid and to accrue on such Interest Date. Moneys in the Interest Account shall be used to pay interest on the Series 2016 Bonds as and when the same become due, whether by redemption or otherwise, and for no other purpose.

(b) Principal Account. The City shall deposit into or credit to the Principal Account the sum which, together with the balance in said Account, shall equal the portion of the principal on the Series 2016 Bonds next due. Moneys in the Principal Account shall be used to pay the principal of the Series 2016 Bonds as and when the same shall mature, and for no other purpose.

(c) Bond Amortization Account. The City shall deposit into or credit to the Bond Amortization Account the sums which, together with the balance in said Account, shall equal the portion of the Amortization Installments of the Series 2016 Bonds next due. Moneys in the Bond Amortization Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account.

On the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Series 2016 Bonds, the City shall withdraw from the appropriate account of the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Series 2016 Bonds to be paid.

### **Construction Fund**

The City has covenanted and agreed in the Resolution to establish a separate fund to be known as the "City of Alachua, Florida Capital Improvement Revenue and Revenue Refunding Bonds, Series 2016 Construction Fund," which shall be used only for payment of the Costs of the Project, including reimbursing the City for certain expenditures previously made for Costs of the Project, if any. Moneys in the Construction Fund, until applied in payment of any item of the Cost of the Project in the manner provided in the Resolution, are required to be held in trust by the City, and are subject to a lien and charge in favor of the Holders of the Series 2016 Bonds and for the further security of such Holders.

The proceeds of insurance maintained against physical loss of or damage to the Project, or the contractors' performance bonds with respect thereto pertaining to the period of construction thereof, are required to be deposited into the Construction Fund.

The City has covenanted that the acquisition, construction and installation of the Project will be completed without delay and in accordance with sound engineering practices. The City is required to make disbursements or payments from the Construction Fund to pay the Costs of the Project, to keep adequate records of such disbursements and payments and to retain all of such records for at least three years from their dates.

The date of completion of acquisition and construction of the Project shall be determined by an Authorized Issuer Officer who shall certify such fact in writing. Promptly after the date of the completion of the Project, and after paying or making provisions for the payment of all unpaid items of the Costs of the Project, the City is required to apply such monies to the payment of interest on the Series 2016 Bonds or, upon receipt of an opinion of Bond Counsel, the City may use any such balance for any lawful purpose.

#### **No Debt Service Reserve Fund**

The Series 2016 Bonds are not secured by a debt service reserve fund.

#### **Rebate Fund**

The City has created and established pursuant to the Resolution a special fund to be known as the "City of Alachua, Florida Capital Improvement Revenue and Revenue Refunding Bonds, Series 2016 Rebate Fund." Moneys in the Rebate Fund are not subject to a lien and charge in favor of the Holders of the Series 2016 Bonds.

#### **Investments**

Moneys on deposit in the Debt Service Fund and the Construction Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Debt Service Fund and the Construction Fund shall be invested and reinvested in Permitted Investments, maturing not later than the date on which the moneys therein will be needed. Any and all income received from the investment of moneys in the Debt Service Fund and the Construction Fund shall be retained in such respective Fund and in the respective accounts therein. Permitted Investments shall be valued at cost.

Nothing in the Resolution shall prevent any Permitted Investments acquired as investments of or security for funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

### **GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES**

#### **General**

The City generally receives two primary sources of revenue: ad valorem taxes and non-ad valorem revenues. Ad valorem taxes may not be pledged for the payment of debt obligations of the City maturing more than twelve months from the date of issuance thereof without approval of the electorate of the City. Non-Ad Valorem Revenues include several major categories described below. The Ad Valorem Revenues of the City are not pledged as security for the payment of the Series 2016 Bonds.

As more fully described herein under "SECURITY FOR THE SERIES 2016 BONDS," the City has covenanted and agreed in the Resolution, subject to certain restrictions and limitations, to budget and appropriate sufficient Non-Ad Valorem Revenues in each Fiscal Year to pay debt service on the Series 2016 Bonds. The term "Non-Ad Valorem Revenues" does not include all non-ad valorem revenues of the City, but instead includes only those which are legally available to make the payments required under the Resolution, which analysis is based upon the components of the Project and the capital projects financed or refinanced with proceeds of the Refunded Bonds. As described herein under "SECURITY FOR THE SERIES 2016 BONDS," the obligation of the City to budget and appropriate Non-Ad Valorem Revenues is subject to a variety of factors, including the payment of essential governmental services of the City and the obligation of the City to have a balanced budget. See "SECURITY FOR THE SERIES 2016 BONDS – Covenant to Budget and Appropriate" herein and "APPENDIX C – Form of Resolution" attached hereto for the full definition of "Non-Ad Valorem Revenues".

The Holders of the Series 2016 Bonds do not have a lien on any specific Non-Ad Valorem Revenues of the City and the City currently has, and may have in the future, outstanding certain other debt obligations payable from a prior lien upon and pledge of certain of the Non-Ad Valorem Revenues of the City. In addition, the City currently has, and may have in the future, certain other debt obligations payable in the same manner as the Series 2016 Bonds. See "--- Other Debt of the City" and "-- Historical Non-Ad Valorem Revenues" below.

A large percentage of the revenues of the City, including ad valorem taxes and non-ad valorem revenues, are deposited in the General Fund. See "-- General Fund" below.

The Florida Department of Financial Services has developed, as part of the Uniform Accounting System Manual's Chart of Accounts, six major categories of local government revenues: taxes, intergovernmental revenues, permits, fees and special assessments, charges for services, fines and forfeitures, and miscellaneous revenues. Using that organization, the major sources of the City's Non-Ad Valorem Revenues are described below.

## **Taxes**

### Utility Tax

The "Utility Tax" (also commonly referred to as the "Public Service Tax") is imposed by the City pursuant to the Constitution of the State, Section 166.231, Florida Statutes, the Utility Tax Ordinance (hereinafter defined) and other applicable provisions of law. Florida law authorizes any municipality in the State to levy a public service tax on the purchase within such municipality of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service. Pursuant to Ordinance No. 0-76-4 enacted by the City on November 18, 1975, as amended (the "Utility Tax Ordinance"), codified in Chapter 34, Article III of the City Code of Ordinances (the "City Code"), the City levies a public service tax on the purchase of electricity, metered or bottled gas (natural, liquefied petroleum gas, or manufactured), water service and fuel oil, at a rate of ten percent (10%) of the charge made by the seller of such service or commodity. This tax is required to be paid by the purchaser thereof to the seller at the time of paying the charge therefor, but not less than monthly. Fuel oil is taxed at a rate not to exceed 4 cents (.04) per gallon.

Florida law provides that a municipality may exempt from the public service tax the first 500 kilowatts of electricity per month purchased for residential use. The City has not exempted the first 500 kilowatt hours of electricity purchased for residential use. Pursuant to the Utility Tax Ordinance, the

City has exempted purchases by the United States of America, the State, all political subdivisions, agencies, boards, commissions and instrumentalities thereof and purchases by any State recognized church. In addition, the Utility Tax is not applied against any fuel adjustment charge. The term "fuel adjustment charge" means all increases in the cost of utility services to the ultimate consumer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973.

The amount of Utility Tax collected by the City may fluctuate as the price of electricity fluctuates and a sustained increase in the price thereof may have an adverse effect on the amount of revenues collected from the Utility Tax.

Business Tax. The City is authorized to levy and collect a business tax (also commonly referred to as the Occupational License Tax) for the privilege of engaging in or managing any business, profession or occupation within the jurisdiction of the City pursuant to Section 205.042, Florida Statutes, and Ordinance No. 09-26, enacted by the City on October 19, 2009, as amended, codified in Chapter 10, Article II of the City Code (the "Business Tax Ordinance").

Each person engaged in a business, occupation or profession within the City is required to obtain an occupational license on an annual basis on or prior to September 30 of, each year. Fees charged to those obtaining a business license vary by occupation as set forth in the Business Tax Ordinance. After September 30, any unpaid license is delinquent and a delinquency penalty accrues, commencing October 1. The penalty is 10% for the month of October, plus an additional 5% per month thereafter, up to a maximum penalty of 25% of the total tax due.

Communications Services Tax. Pursuant to Chapter 202, Florida Statutes (the "Communications Services Tax Act"), counties and municipalities may levy a discretionary communications services tax (the "Local CST") on "Communications Services". The rate set can be adjusted for cities, such as the City, that do not levy a permit fee to service providers. The City levies the Local CST pursuant to Chapter 34, Article II of the City Code. The current rate is 5.22%.

Communication Services are defined in the Communications Services Tax Act as the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including video services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. The term includes such transmission, conveyance or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmission, conveyance or routing without regard to whether such service is referred to as voice-over-Internet-protocol("VoIP") services or is classified by the Federal Communications Commission as enhanced or value-added. The term does not include, (a) information services, (b) installation or maintenance of wiring or equipment on a customer's premises, (c) the sale or rental of tangible personal property, (d) the sale of advertising, including, but not limited to, directory advertising, (e) bad check charges, (f) late payment charges, (g) billing and collection services, and (h) internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer services.

The sale of Communications Services to (i) the federal government, or any instrumentality or agency thereof, or any entity that is exempt from State taxes under federal law, (ii) the State or any county, municipality or political subdivision of the State when payment is made directly to the dealer by the governmental entity, and (iii) any home for the aged or educational institution (which includes state tax-supported and nonprofit private schools, colleges and universities and nonprofit libraries, art

galleries and museums, among others) or religious institutions (which includes, but is not limited to, organizations having an established physical place for worship at which nonprofit religious services and activities are regularly conducted) that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), are exempt from the Local CST. In addition, the Local CST does not apply to any direct home satellite service.

Under the Communications Services Tax Act, local governments must work with the Florida Department of Revenue (the "FDOR") to properly identify service addresses in each municipality and county. If a jurisdiction fails to provide the FDOR with accurate service address information, the local government risks losing tax proceeds that it should properly receive. The City believes it has provided the FDOR with all information that the FDOR has requested as of the date hereof and that such information is accurate.

Providers of Communications Services collect the Local CST and may deduct 0.75% as a collection fee (or 0.25% in the case of providers who do not employ an enhanced zip code data base or a data base that is either supplied or certified by the FDOR). The communications services providers remit the remaining proceeds to the FDOR for deposit into the Local Communications Services Tax Clearing Trust Fund (the "CST Trust Fund") and the FDOR then makes monthly contributions from the CST Trust Fund to the appropriate local governments after deducting up to 1% of the total revenues generated as an administrative fee.

The Communications Services Tax Act provides that, to the extent that a provider of Communications Services is required to pay to another state or a local taxing jurisdiction a tax, charge, or other fee under any franchise agreement or ordinance with respect to the services or revenues that are also subject to the Local CST, such provider is entitled to a credit against the amount of such Local CST payable to the State in the amount of such tax, charge, or fee with respect to such service or revenues. The amount of such credit is deducted from the amount that such state or local taxing jurisdiction is entitled to receive.

The amount of Local CST revenues received by the City is subject to increase or decrease due to (i) increases or decreases in the dollar volume of taxable sales within the City, (ii) legislative changes, and/or (iii) technological advances which could affect consumer preferences, such as VoIP. VoIP is a less expensive technology that allows telephone calls to be made in digital form using a broadband internet connection, rather than an analog phone line, and has the potential to supplant traditional telephone service. It is possible that VoIP could either reduce the dollar volume of taxable sales within the City or will be a non-taxable service altogether. The amount of the Local CST revenues collected within the City may also be adversely affected by de-annexation. Such de-annexation would decrease the number of addresses contained within the City. At this time there are no de-annexations anticipated within the City.

In the 2012 Florida Legislative session, pursuant to Chapter 2012-70, Laws of Florida ("Chapter 2012-70"), a number of provisions of the Communications Services Tax Act were modified, including revision of the definition of "sales price" to expand the existing provisions relating to what charges a communications services dealer may exclude from the taxable sales price of communications services; and modifications to requirements relating to a dealer that does not use one of the three approved local tax situsing methods. The liability of a communications services tax dealer in the cases of underpayment of the tax resulting from that dealer assigning a service address to the incorrect local taxing jurisdiction is limited to only those situations where the dealer did not use an approved situsing method and the FDOR has determined the amount underpaid by that dealer between all jurisdictions. Chapter 2012-70 made

these revised definitions and liability provisions retroactive and remedial. The extent of the impact of the amendments contained in Chapter 2012-70 on the collection of Local CST revenues cannot be readily determined at this time.

### **Intergovernmental Revenues**

All revenues received by a local unit from federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes would be included in the intergovernmental revenues category. The category is further classified into eight subcategories: federal grants, federal payments in lieu of taxes (PILOT), state grants, state shared revenues, state PILOT, local grants, local shared revenues, and local PILOT. If a particular grant is funded from separate intergovernmental sources, then the revenue is recorded proportionately. The largest component is the Local Government Half-Cent Sales Tax.

Local Government Half-Cent Sales Tax. Section 212.05, Florida Statutes (the "Sales Tax Act") authorizes the levy and collection by the State of a sales tax upon, among other things, the sales price of each item or article of tangible personal property sold at retail in the State, subject to certain exceptions and dealer allowances. In 1982, with the enactment of Chapter 218, Part VI, Florida Statutes, the Florida Legislature created the Local Government Half-Cent Sales Tax Program (the "Half-Cent Sales Tax Program") which distributes a portion of the sales tax revenue and money from the State's General Revenue Fund to counties and municipalities that meet strict eligibility requirements. In 1982, when the Half-Cent Sales Tax Program was created, the general rate of sales tax in the State was increased from 4% to 5%, and one-half of the fifth cent was devoted to the Half-Cent Sales Tax Program, thus giving rise to the name "Half-Cent Sales Tax." Although the amount of sales tax revenue deposited into the Half-Cent Sales Tax Program is no longer one-half of the fifth cent of every dollar of the sales price of an item subject to sales tax, the name "Half-Cent Sales Tax" has continued to be utilized. As of October 1, 2001, the Local Government Half-Cent Sales Tax Trust Fund began receiving a portion of certain taxes imposed by the State on Communications Services pursuant to Chapter 202, Florida Statutes. Accordingly, moneys distributed from the Half-Cent Sales Tax Trust Fund now consist of funds derived from both general sales tax proceeds and certain taxes imposed by the State on the sales of communications services required to be deposited into the Half-Cent Sales Tax Trust Fund.

The Half-Cent Sales Tax is collected on behalf of the State by businesses at the time of sale at retail, use, consumption, or storage for use or consumption, of taxable property and remitted to the State on a monthly basis. The Sales Tax Act provides for penalties and fines, including criminal prosecution, for non-compliance with the provisions thereof.

The general rate of sales tax in the State is currently 6%. Section 212.20, Florida Statutes, provides for the distribution of 8.9744% of sales tax revenues to the Half-Cent Sales Tax Clearing Trust Fund (the "Half-Cent Sales Tax Trust Fund"), after providing for certain transfers to the State's General Revenue Fund and Public Employees Relations Commission Trust Fund. Such amount deposited in the Half-Cent Sales Tax Trust Fund is earmarked for distribution to the governing body of such county and each participating municipality within that county pursuant the following distribution formula:



$$\begin{array}{lcl}
 \text{County Share} & & \\
 \text{(percentage of total Half-Cent Sales Tax receipts)} & = & \frac{\text{unincorporated area population}}{\text{total county population}} + \frac{2/3 \text{ incorporated area population}}{2/3 \text{ incorporated area population}} \\
 \\
 \text{Municipality Share} & & \\
 \text{(percentage of total Half-Cent Sales Tax receipts)} & = & \frac{\text{municipality population}}{\text{total county population} + 2/3 \text{ incorporated area population}}
 \end{array}$$

For purposes of the foregoing formula, "population" is based upon the latest official State estimate of population certified prior to the beginning of the local government fiscal year. Should the City annex any area or should any area of the City de-annex from the City, the share of the Half-Cent Sales Tax received by the City would be respectively increased or decreased according to the foregoing formula. The City has no annexation or de-annexation plans at this time.

The Half-Cent Sales Taxes are distributed from the Half-Cent Sales Tax Trust Fund on a monthly basis to participating units of local government in accordance with the Sales Tax Act. The Sales Tax Act permits the City to pledge its share of the Half-Cent Sales Tax for the payment of principal of and interest on any capital project.

To be eligible to participate in the Half-Cent Sales Tax Program, each municipality and county is required to have satisfied the Eligibility Requirements (defined below). Those requirements include, but are not limited to, the following: (i) reported its finances for its most recently completed fiscal year to the Florida Department of Financial Services ("FDPS") as required by Florida law; (ii) made provisions for annual post audits of financial accounts in accordance with provisions of law; (iii) levied, as shown on its most recent financial report, ad valorem taxes, exclusive of taxes levied for debt service or other special millages authorized by the voters, to produce the revenue equivalent to a millage rate of 3 mills on the dollar based upon 1973 taxable values or, in order to produce revenue equivalent to that which would otherwise be produced by such 3 mill ad valorem tax, to have received certain revenues from a county (in a case of a municipality), collected an occupational license tax or utility tax, or levied an ad valorem tax, or any combination of those four sources; (iv) certified that persons in its employ as law enforcement officers meet certain qualifications for employment, and receive certain compensation; (v) certified that persons in its employ as firefighters meet certain employment qualifications and are eligible for certain compensation; (vi) certified that each dependent special district that is budgeted separately from the general budget of such county or municipality has met the provisions for annual post audit of its financial accounts in accordance with law; and (vi) certified to the FDOR that it has complied with certain procedures regarding the establishment of the ad valorem tax millage of the county or municipality as required by law. The requirements described in (i) through (vii) are referred to herein as the "Eligibility Requirements".

If the City does not comply with the Eligibility Requirements, the City would lose its Half-Cent Sales Tax Trust Fund distributions for twelve (12) months following a "determination of noncompliance" by FDOR. The City has continuously maintained eligibility to receive the Half-Cent Sales Tax.

Although the Sales Tax Act does not impose any limitation on the number of years during which the City can receive distribution of the Half-Cent Sales Tax from the Half-Cent Sales Tax Trust Fund, there may be amendments to the Sales Tax Act in subsequent years imposing additional requirements of

eligibility for counties and municipalities participating in the Half-Cent Sales Tax Program, or the distribution formulas may be revised.

The amount of Half-Cent Sales Tax received by the City is subject to increase or decrease due to (i) increases or decreases in the dollar volume of taxable sales within Alachua County, Florida (the "County"), (ii) legislative changes relating to the overall sales tax, which may include changes in the scope of taxable sales, changes in the tax rate and changes in the amount of sales tax revenue deposited into the Half-Cent Sales Tax Trust Fund, (iii) changes in the relative population of the City, which affect the percentage of Half-Cent Sales Tax received by the City, and (iv) other factors which may be beyond the control of the City, including but not limited to the potential for increased use of electronic commerce and other internet-related sales activity that could have a material adverse impact upon the amount of sales tax collected by the State and then distributed to the City.

See "-- Legislation and Court Ruling Regarding Sales Tax and State Communication Services Tax" below for recent legislation and a court ruling that could impact the amounts received from the Half-Cent Sales Tax Trust Fund.

State Revenue Sharing. A portion of certain taxes levied and collected by the State is shared with local governments under provisions of Chapter 218.215, Florida Statutes, from amounts deposited by the State into a fund held by the State referred to as the Revenue Sharing Trust Fund for Municipalities ("State Revenue Sharing Trust Fund for Municipalities"). The amount deposited by the FDOR into the State Revenue Sharing Trust Fund for Municipalities is 1.3653% of available sales and use tax collections after certain required distributions, and the net collections from the one-cent municipal fuel tax.

The amount of the State Revenue Sharing Trust Fund for Municipalities distributed to any one municipality is based on an apportionment factor using a formula consisting of three equally weighted factors: (i) adjusted municipal population; (ii) derived municipal sales tax collections; and (iii) a municipality's relative ability to raise revenue, all as more fully described in Section 218.245, Florida Statutes.

The following are sources of revenues that are deposited into the State Revenue Sharing Trust Fund for Municipalities.

**Sales Tax Revenues.** Prior to July 1, 2000, a state tax was levied on cigarette packages at varying rates, depending upon the length and number of cigarettes in a package and, pursuant to Section 210.20(2)(a), Florida Statutes, certain amounts derived from such cigarette taxes were deposited to the Revenue Sharing Trust Fund for Municipalities after deducting therefrom certain charges for administration and collection. Effective July 1, 2000, the cigarette tax revenues were eliminated from distribution to the Revenue Sharing Trust Fund for Municipalities and replaced with sales and use tax proceeds.

The sales and use tax provides the majority of the receipts for the guaranteed entitlement from the Revenue Sharing Trust Fund for Municipalities. For the State's 2015 fiscal year, approximately 75.14% of the deposits of the State Revenue Sharing Trust Fund for Municipalities were from sales and use taxes and approximately 24.86% were from the municipal fuel tax. As of January 1, 2014, alternative fuel fees are no longer deposited into the Revenue Sharing Trust Fund for Municipalities.

**Municipal Fuel Tax.** The proceeds of the municipal fuel tax imposed pursuant to Section 206.41(1)(c), Florida Statutes, after deducting certain service charges and administrative costs is transferred into the Revenue Sharing Trust Fund for Municipalities. Funds derived from the municipal fuel tax on motor fuel may only be used to pay debt service allocable to transportation facilities. The City estimates that a maximum of 4% of the debt service on the Series 2016 Bonds is allocable to transportation facilities.

To be eligible for State Revenue Sharing funds beyond the minimum entitlement (defined as the amount necessary to meet obligations to which the City has pledged amounts received from the State Revenue Sharing Trust Fund for Municipalities), a local government must have satisfied the Eligibility Requirements. If the City fails to comply with the Eligibility Requirements, the FDOR may utilize the best information available to it, if such information is available, or take any necessary action including disqualification, either partial or entire, and the City shall further waive any right to challenge the determination of the FDOR as to its distribution, if any. No unit of local government which was eligible to participate in revenue sharing in the 3 years prior to initially participating in the Half-Cent Sales Tax shall be ineligible to participate in revenue sharing solely due to a millage or utility tax reduction afforded by the Half-Cent Sales Tax.

See “-- Legislation and Court Ruling Regarding Sales Tax and State Communication Services Tax” below for recent legislation and a court ruling that could impact the amounts received from the Revenue Sharing Trust Fund for Municipalities.

#### **Permits, Fees and Special Assessments**

General. These are revenues derived from the issuance of landlord licenses plus other miscellaneous licenses, permit fees and franchise fees.

Electric Franchise Fees. Pursuant to Chapter 38 of the City Code, the City charges franchise fees to entities providing certain utility services in the City pursuant to franchise agreements. Such franchises must be granted by ordinance enacted by the Commission. The following non-exclusive electric franchises were granted to private electric companies doing business in the City. The respective franchise fees under each franchise are equal to 6.0% of base revenues of the franchisee during the franchise term and are payable to the City on a monthly basis.

<u>Franchisee</u>	<u>Ordinance No.</u>	<u>Term of Franchise</u>	<u>Expiration Date</u>
Gainesville Regional Utilities	0-97-24	30 years	October 6, 2027
Duke Energy (formerly Florida Power Corporation)	0-96-20	30 years	September 4, 2026
Clay Electric Corporation	0-96-21	30 years	September 4, 2026

The electric franchises described above expire prior to the final maturity of the Series 2016 Bonds. There can be no assurance that replacement or extensions of such franchises will be enacted.

Solid Waste Franchise Fees. A non-exclusive franchise was granted by the City to franchisees who agree to collect both solid waste and recyclable materials from commercial properties, or provide containers for both solid waste and recyclable materials from commercial properties pursuant to Ordinance No. 04-15 enacted on February 18, 2004, which franchise was extended pursuant to Ordinance

Nos. 06-10, 10-14 and 14-09. The franchisees include Waste Pro USA, Inc., WCA of Florida LLC, Republic Services of FL, L.P. and Waste Management Inc. of Florida. The franchise expires for all franchises on September 30, 2016, and the City expects to renew them. The franchise fee for each solid waste franchisee is equal to 8.0% of such franchisee's gross revenues and is payable to the City on a monthly basis.

The solid waste franchise described above expires prior to the final maturity of the Series 2016 Bonds. There can be no assurance that replacement or extensions of such franchises will be enacted.

### **Charges for Services**

General. Charges for various services provided by the City to residents, property owners, and grants received from other governments, including the following:

- (a) General Government: all money resulting from charges for current services, i.e., photographs, reports and ordinances.
- (b) Public Safety: fees for police services, fire protection services and emergency services.
- (c) Planning and Zoning: fees for inspections such as plumbing, electrical, elevator and mechanical inspections.
- (d) Recreational Department: fees for parks and recreation activities and events.
- (e) Other: fees for services not specifically mentioned above, i.e. traffic signal maintenance fees; site rental fees; median rental fees; and fuel tax refunds.

Surplus Utility Revenues. The City owns and operates a combined electric, water and sewer system. In each Fiscal Year, the City receives surplus utility revenues after the payment of the debt service on the Outstanding Utility Bonds and such surplus utility revenues are available to the City for budget and appropriation for payment of the Series 2016 Bonds. See “—Historical Non-Ad Valorem Revenues” below.

### **Fines and Forfeitures**

Fines and forfeitures reflect those penalties and fines imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations, and for neglect of official duty. Forfeitures include revenues resulting from ordinance violation fines, filing fees and tax billed penalties.

### **Miscellaneous Revenues**

This category includes a variety of revenues and transfers from other funds, including, but not limited to, Blue Cross Blue Shield payments and reimbursements, school impact administration fees, electric coop refunds, County tax collector and special assessment refunds, Community Redevelopment Agency reimbursements and legal settlements.

### **Legislation and Court Ruling Regarding Sales Tax and State Communication Services Tax**

Recent Legislation Regarding Sales Tax and State Communication Services Tax. On June 15, 2015, the Florida Legislature passed House Bill 33A ("HB 33A"), relating to taxation. On June 16, 2015, Governor Rick Scott signed into law HB 33A. Among the several provisions contained in HB 33A are expanded sales tax exemptions and a reduction in the State communications services tax. Some of the moneys distributed from the Half-Cent Sales Tax Trust Fund and the State Revenue Sharing Trust Fund

for Municipalities include certain proceeds of the State communications services tax. The provisions of HB 33A with respect to the reduction of the State communications services tax ensure that local governments will continue to receive the same amount of revenues they receive under current law. The City does not believe that HB 33A will have a material adverse impact on the City's receipt of revenues from the Half-Cent Sales Tax Trust Fund and the State Revenue Sharing Fund for Municipalities or any other non-ad valorem revenues.

Recent Court Ruling Concerning State Communications Services Tax. On June 11, 2015, the First District Court of Appeal held, in *DirectTV, Inc. v. State*, Section 202.12(1), Florida Statutes, unconstitutional as a violation of the dormant commerce clause. This relates to the State communications services tax. The State appealed this decision to the Florida Supreme Court on July 7, 2015 and the First District Court of Appeal granted a stay of its decision pending the appeal. The Florida Supreme Court granted certiorari in 2015. Oral argument was granted on February 2, 2016 and is scheduled for April 6, 2016. Some of the moneys distributed from the State Revenue Sharing Trust Fund for Municipalities and the Half-Cent Sales Tax Trust Fund include proceeds of the State communications services tax. If the decision is upheld, it is possible the amount of revenues received by the City from the State Revenue Sharing Trust Fund for Municipalities and the Half-Cent Sales Tax Trust Fund will be reduced. At this time the City cannot predict whether such decision will be upheld, and if upheld what effect it will have on the revenues received from the State Revenue Sharing Trust Fund for Municipalities and the Half-Cent Sales Tax Trust Fund. The City also cannot predict whether the basis for an unfavorable ruling could also apply to the Local CST and, if so, what effect it could have on the Local CST collections of the City.

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## Historical Non-Ad Valorem Revenues

Set forth below is a table showing historical non-ad valorem revenues of the City for Fiscal Years ended September 30, 2010 through 2014 (audited) and Fiscal Year ended September 30, 2015 (unaudited), whether legally available to pay debt service on the Series 2016 Bonds, or not.

Historical Non-Ad Valorem Revenues						2015
Revenue Source	2010	2011	2012	2013	2014	(unaudited)
Franchise Fees <sup>(1)</sup>	\$303,255	\$312,719	\$290,351	\$281,845	\$286,282	\$306,332
State Revenue Sharing <sup>(1) (2)</sup>	90,152	95,109	98,707	103,873	111,848	122,389
Local Communication Services Tax <sup>(3)</sup>	428,155	408,414	379,347	333,439	313,826	346,275
Half Cent Sales Tax <sup>(1)</sup>	420,756	425,560	458,680	477,112	496,497	527,152
Utility Tax <sup>(3)</sup>	959,321	1,233,555	1,191,592	1,120,707	1,118,050	1,165,926
Business Tax	47,034	48,780	49,897	49,723	46,691	49,645
Building Permits	85,001	102,887	109,412	155,878	213,923	184,300
Building Permit-Surcharge Admin Fee	0	300	0	1,266	3,028	0
Mobile Home License	4,266	3,713	4,041	4,110	4,753	5,495
Alcoholic Beverage Tax	3,783	7,027	4,667	1,003	9,631	3,800
Planning and Zoning Fees	73,577	82,573	56,290	58,050	31,192	64,852
Traffic Enforcement Contract Revenue	300	300	200	300	300	400
False Alarm Charges	3,955	3,045	2,695	3,401	1,750	3,220
Extra Duty Charges	4,848	1,235	843	320	13,200	4,419
Solid Waste Disposal Fees	810,077	790,019	819,535	814,552	828,393	855,524
Traffic Signal Maintenance Fees	11,499	11,843	12,200	12,565	13,370	14,656
Recreation Department Fees	43,050	31,174	40,295	32,615	27,083	31,901
Court Fines	46,308	43,196	32,232	42,814	57,006	40,199
Gain on Sale of Property	5,500	162,663	0	0	0	0
Penalty Revenue	13,788	14,053	14,068	13,935	14,157	13,156
Site Rental Income	19,641	20,930	549,846	100	0	100
Median Rental	2,400	225	2,325	2,175	0	0
Administrative Clerk Fees	395	203	191	120	214	205
Fuel Tax Refunds	8,060	7,517	7,512	7,859	8,397	8,309
Change in Net Position of Utility <sup>(4)</sup>	12,184,833	4,874,727	(329,473)	2,738,719	2,078,210	1,892,000
<b>TOTAL</b>	<b>\$15,569,954</b>	<b>\$8,681,766</b>	<b>\$3,795,453</b>	<b>\$6,256,480</b>	<b>\$5,677,801</b>	<b>\$5,640,255</b>

(1) These revenue sources are pledged to the payment of the City's outstanding \$1,150,000 HUD Fixed Rate Note for Series 2015A Certificates. See "—Other Debt of the City" below.

(2) Does not include municipal fuel tax portion of the guaranteed entitlement.

(3) These revenue sources are pledged to the payment of the City's outstanding \$375,000 Utility Acquisition Bonds, Series 1993 and \$2,750,000 Utility Refunding Revenue Bond, Series 2013. See "—Other Debt of the City" below.

(4) The FY 2010 Change in Net Assets of the Utility includes \$11.3 million for a grant received for Wastewater Treatment. Change in Net Position of Utility is estimated as it does not include any effect of application of GASB 68. See "LIABILITIES OF THE CITY – GASB 68" herein.

Source: City of Alachua, Florida Finance Department.

The table above is only an indication of the relative amounts of non-ad valorem revenues of the City which may be available for the payment of principal of and interest on the Series 2016 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 2016 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 2016 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 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 collected by the City. The City may also specifically pledge certain of the Non-Ad Valorem Revenues or covenant to budget and appropriate Non-Ad Valorem Revenues of the City to future obligations. 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 2016 Bonds.

#### **Other Debt of the City**

Other than the Refunded Bonds, as of the date hereof the City does not have any outstanding debt that is payable solely from a covenant to budget and appropriate Non-Ad Valorem Revenues of the City. As of the date hereof, the City has approximately \$12,245,989.79 aggregate principal amount of Debt outstanding that has a lien upon and a pledge of a specific Non-Ad Valorem Revenue as described below.

The City issued its HUD Fixed Rate Note for Series 2015A Certificates (the "HUD Note"), which HUD Note is currently outstanding in the principal amount of \$1,150,000. The HUD Note is secured by a lien on the City's Half-Cent Sales Tax; State Revenue Sharing and Franchise Fees (collectively, the "HUD Note Pledged Revenues"). Pursuant to the resolution under which such HUD Note was issued, the City is required to satisfy debt service and other requirements with respect to such HUD Note from the HUD Note Pledged Revenues prior to using such Non-Ad Valorem Revenues to pay debt service on the Series 2016 Bonds. The City may issue other Debt similar to the HUD Note in the future that would also have a prior lien on and pledge of specific Non-Ad Valorem Revenues subject to complying with the anti-dilution test set forth in the Resolution. See "SECURITY FOR THE SERIES 2016 BONDS - Anti-Dilution Test" herein.

The City has entered into an agreement with the State regarding the State Revolving Fund Construction Loan #WW790080, which contains a covenant to budget and appropriate from Non-Ad Valorem Revenues in the event the pledged revenue source, as indicated, is not sufficient to pay amounts due. Such loan is payable from net water and sewer system revenues and is currently outstanding in the principal amount of \$8,345,989.79.

The City issued its Utility Acquisition Bonds, Series 1993, currently outstanding in the amount of \$375,000 and its Utility Revenue Refunding Bond, Series 2013, currently outstanding in the amount of \$2,750,000 (the "Outstanding Utility Bonds") which are secured by the net revenues of the City's combined water, electric and sewer utility system as well as by the Utility Tax and the Local CST.

Proceeds of the Utility Tax and the Local CST are required to be used prior to using such Non-Ad Valorem Revenues to pay debt service on the Series 2016 Bonds.

### **General Fund**

The General Fund is the general operating fund of the City. It accounts for all financial resources except for those required to be accounted for in another fund. The largest source of revenue in this fund is ad valorem taxation (ad valorem taxes are not legally available to pay debt service on the Series 2016 Bonds). Revenues deposited in the General Fund do not directly correspond to the Non-Ad Valorem Revenues from which debt service on the Series 2016 Bonds is payable as some General Fund revenues are not legally available to pay debt service on the Series 2016 Bonds and some Non-Ad Valorem Revenues are not deposited into the General Fund. Operations are removed from the General Fund only when they are deemed to be true enterprise operations.

Although the Series 2016 Bonds are not payable from ad valorem taxation, approximately \_\_% of General Fund revenues which are collected by the City came from ad valorem taxes in Fiscal Year 2015. To the extent that the future collection of Ad Valorem Revenues or Non-Ad Valorem Revenues is adversely affected, a larger portion of Non-Ad Valorem Revenues would be required to balance the budget and provide for the payment of services and programs which are for essential public purposes affecting the health, safety and welfare of the inhabitants of the City or which are mandated by applicable law.

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The following chart shows information regarding the General Revenues and Changes in Net Position for the City's fiscal years ended September 30, 2010 through and including September 30, 2014 (audited) and fiscal year ended September 30, 2015 (unaudited):

### GENERAL REVENUES AND CHANGES IN NET POSITION

	2010	<u>As of the Fiscal Year Ended September 30</u>				2015
		<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>(unaudited)</u>
<b>General Revenues and Other Changes in Net Position</b>						
Governmental activities:						
Taxes						
Property taxes	\$4,241,001	\$4,051,946	\$3,695,306	\$3,650,565	\$3,650,563	\$3,638,573
Communications services taxes	428,155	408,414	379,347	333,439	313,826	346,275
Utility taxes	959,321	1,233,554	1,191,592	1,120,707	1,118,050	1,165,926
Business license tax	47,034	48,780	49,898	49,723	46,691	49,645
Intergovernmental revenue	548,753	565,093	600,600	626,460	657,312	703,123
Unrestricted investment earnings	31,071	11,159	15,289	13,401	8,321	6,617
Miscellaneous	72,712	90,378	637,528	150,228	114,923	902,230 <sup>(1)</sup>
Gain on disposal of capital assets	--	10,775	--	--	--	--
Transfers	1,431,153	1,691,792	1,553,882	1,698,102	1,698,198	1,621,117
Total governmental activities	<u>\$7,759,200</u>	<u>\$8,111,891</u>	<u>\$8,123,442</u>	<u>\$7,642,625</u>	<u>\$7,607,884</u>	<u>\$8,433,506</u>
Business-type activities:						
Unrestricted investment earnings	\$7,931	\$10,154	\$17,395	\$11,665	\$7,330	\$4,280
Miscellaneous	69,944	83,366	62,673	80,881	98,254	117,079
Gain on disposal of capital assets	--	752	--	--	--	--
Special item	--	( 921,611)	--	--	--	--
Transfers	( 1,431,153)	( 1,691,792)	( 1,553,882)	( 1,698,102)	( 1,698,198)	( 1,621,117)
Total business-type activities	<u>(\$1,353,278)</u>	<u>(\$2,519,131)</u>	<u>(\$1,473,814)</u>	<u>(\$1,605,556)</u>	<u>(\$1,592,614)</u>	<u>(\$1,504,038)</u>
Total primary government	<u>\$6,405,922</u>	<u>\$5,592,760</u>	<u>\$6,649,628</u>	<u>\$6,037,069</u>	<u>\$6,015,270</u>	<u>\$6,929,468</u>
<b>Change in Net Position</b>						
Governmental activities	\$2,265,640	\$2,317,067	\$1,885,426	\$1,312,352	\$535,723	\$2,242,567
Business-type activities	12,261,030	4,874,727	(329,473)	2,772,894	2,134,397	1,892,244
Total primary government	<u>\$14,526,670</u>	<u>\$7,191,794</u>	<u>\$1,555,953</u>	<u>\$4,085,246</u>	<u>\$2,670,120</u>	<u>4,134,811</u>

(1) Includes \$643,975 from an economic development grant for the construction of a roadway.

Source: City of Alachua, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014 for Fiscal Years ended September 30, 2010 through and including September 30, 2014 and City of Alachua, Florida Finance Department for Fiscal Year ended September 30, 2015 (unaudited).

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## LIABILITIES OF THE CITY

### Other Post-Employment Benefits

General. The City has previously established and maintains an employee group health insurance plan (the "Plan") that it makes available to eligible retirees in accordance with State law and City ordinance. The Plan is a single employer, experience rated insurance plan that provides medical, dental and vision benefits to eligible retirees and their eligible dependents. The postretirement benefit portion of the Plan refers to the medical, dental and vision benefits applicable to current and future retirees and their eligible dependents. The Plan does not issue a stand-alone report for the Other Post-Employment Benefits ("OPEB") and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. To-date, the City has followed a pay-as-you-go funding policy with respect to OPEB benefits, contributing only those amounts necessary to provide for its portion of current year benefit cost and expenses. The contribution requirements of plan members, if any, are established by the City. Eligible retirees pay the full cost of blended rate premiums associated with the medical plan elected; no direct City subsidy is currently applicable. However, there are implicit costs of the medical plan for retirees, as their claims experience is higher than the blended rate premiums.

The City assigns eligible active employees and eligible retirees equal, blended-rate premiums and makes available to both groups the same plan options. Although both groups are assigned the same blended rate premiums, Generally Accepted Accounting Principles requires the actuarial liabilities presented below to be calculated using age-adjusted premiums approximating claim costs for eligible retirees separate from active eligible members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

Annual OPEB Cost and Net OPEB Obligation. The Annual OPEB Cost is the amount that was expensed for the Fiscal Year. Since the City's OPEB plan is currently unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution, and equals the total age-adjusted premiums paid by the City for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. The Net OPEB Obligation is reflected as a liability in the statement of net position.

Following are the Net OPEB Obligation amounts for the City's prior three Fiscal Years:

Fiscal Year Ended September 30	Annual OPEB Cost	Percentage Annual OPEB Cost	Net OPEB Obligation
2015	\$31,343	51.0%	\$53,861
2014	42,849	35.3	133,549
2013	39,428	31.6	105,834

Source: For Fiscal Year ended 2013 and 2014: City of Alachua, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014. For Fiscal Year Ended September 30, 2015, GASB 45 Actuarial Valuation October 1, 2014 Liability Information and 2015 Annual Required Contribution.

**Funded Status and Funding Progress.** As of October 1, 2014, the latest actuarial valuation date, the City's OPEB plan was 0% funded. The actuarial accrued liability for benefits was \$284,548. The expected payroll of active participants was \$4,620,542, and the ratio of the UAAL to the expected payroll was 6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of a plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following table summarizes the actuarial methods and assumptions as of the latest actuarial valuation date:

<b>Valuation Date</b>	October 1, 2014
<b>Actuarial Cost Method</b>	Projected Unit Credit Cost
<b>Amortization Method</b>	Level Percentage of Projected Payroll
<b>Remaining Amortization Period</b>	24 Years, Closed
<b>Asset Valuation Method</b>	N/A
<b>Actuarial Assumptions:</b>	
Payroll Inflation Rate	4.0%
Investment Return	4.0%
Healthcare Cost Trend Rate	Gradually Decreasing from 7.0% to 5.0%

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Source: GASB 45 Actuarial Valuation October 1, 2014 Liability Information and 2015 Annual Required Contribution.

## **FRS Pension Plan**

Employees of the City who are employed in a full-time regularly established position participate in the statewide Florida Retirement System ("FRS"), a multiple-employer, cost sharing defined benefit plan. All rates, benefits and amendments are established by the State through its legislative body.

*The information relating to the FRS contained herein has been obtained from the FRS Annual Reports available at [www.dms.myflorida.com](http://www.dms.myflorida.com) and the Florida Comprehensive Annual Financial Reports available at [www.myfloridacfo.com/aadir/statewide\\_financial\\_reporting](http://www.myfloridacfo.com/aadir/statewide_financial_reporting). No representation is made by the City as to the accuracy or adequacy of such information or that there has not been any material adverse change in such information subsequent to the date of such information*

**General.** Substantially all full and part time employees of the City are eligible to participate in the FRS. The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees ("FRS Pension Plan"). FRS membership is compulsory for all employees filling a regularly established position in a state agency, county agency, state university, state community college, or district school board. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated optional retirement programs in lieu

of the FRS except faculty of a medical college in a state university who must participate in the State University System Optional Retirement Program.

There are five general classes of membership, as follows:

- *Regular Class* - Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* - Members in senior management level positions in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, and assistant capital collateral representatives. Members of the Elected Officers' Class may elect to withdraw from the FRS or participate in the SMSC in lieu of the Elected Officers' Class.
- *Special Risk Class* - Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers (from July 1, 2001 through June 30, 2014), certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
- *Special Risk Administrative Support Class* - Former Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
- *Elected Officers' Class (EOC)* - Members who are elected state and county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

Since July 1, 2001, the FRS Pension Plan has provided for vesting of benefits after six years of creditable service. Members not actively working in a position covered by the FRS on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2001, through June 30, 2011, vest after six years of service. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5% benefit reduction for each year prior to the normal retirement age.

- *Regular Class, Senior Management Service Class, and Elected Officers' Class Members* – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

- *Special Risk Class and Special Risk Administrative Support Class Members* – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class. For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and accrual value by membership class. Members are also eligible for in-line-of-duty or regular disability and survivors' benefits. Pension benefits of retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The Deferred Retirement Option Program (DROP) became effective July 1, 1998, subject to provisions of Section 121.091(13), Florida Statutes. Defined benefit plan members who reach normal retirement are eligible to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a maximum of 60 months. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. Monthly retirement benefits remain in the FRS Trust Fund during DROP participation and accrue interest. As of June 30, 2014, the FRS Trust Fund projected \$3,389,125,451 in accumulated benefits and interest for 38,058 current and prior participants in the DROP.

The FRS is a cost-sharing multiple-employer public-employee retirement system with two primary plans. The Department of Management Services, Division of Retirement administers the FRS Pension Plan. The State Board of Administration (the "SBA") invests the assets of the FRS Pension Plan held in the FRS Trust Fund. Costs of administering the FRS Pension Plan are funded through earnings on investments of the FRS Trust Fund. Reporting of the FRS is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. Service retirement benefits are based upon the value of the member's account upon retirement. The FRS Investment Plan provides vesting after one year of service for Investment Plan contributions regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, six years of service (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds. The employer pays a contribution as a percentage of salary that is deposited into the individual member's account. The Investment Plan member directs the investment from the options offered under

the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.03% of payroll and by forfeited benefits of plan members. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

All participating employers must comply with statutory contribution requirements. Section 121.031(3), Florida Statutes, requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Florida Legislature as guidance for funding decisions. Employer and employee contribution rates are established in Section 121.71, Florida Statutes. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and Investment Plan rates) are recommended by the actuary but set by the Florida Legislature. Statutes require that any unfunded actuarial liability (UAL) be amortized within 30 plan years. Pursuant to Section 121.031(3)(f), Florida Statutes, any surplus amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. The balance of legally required reserves for all defined benefit pension plans at June 30, 2014, was \$150,014,335,000. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

Contribution Rates. The rates indicated in the chart below are uniform rates for all FRS members created by blending the FRS Investment Plan and the FRS Pension Plan rates and including UAL contribution rates. These rates do not include a 0.03% contribution for the FRS Investment Plan administration and educational program fee. In addition, the July 1, 2013, statutory employer rates do not include a 3.00% mandatory employee contribution required for all membership classes except for members in the DROP.

<u>Membership Class</u>	Uniform Employer Rates Recommended by Actuarial Valuation as of July 1, 2012 for the <u>Fiscal Year 2013-2014</u>	July 1, 2013 Statutory Rates <sup>(1)</sup> (Chapter 121, Florida Statutes)
Regular	5.72%	5.72%
Senior Management Service	17.08	17.08
Special Risk	17.83	17.83
Special Risk Administrative Support	34.73	34.73
Elected Officers – Judges	27.05	27.05
Elected Officers – Legislators/Attorneys/Cabinet	31.37	31.37
Elected Officers – County	31.80	31.80
Deferred Retirement Option Program <sup>(1)</sup>	11.64	11.64

(1) Applicable to members from all of the above classes or plans.

Source: The State of Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

The City contributed amounts were \$708,205.45, \$755,080.35 and \$539,453.23 for Fiscal Years ended 2015, 2014 and 2013, respectively, equal to the required contribution for each such year. These amounts include a 3% employee paid contribution.

The chart below shows the funding progress for the FRS which presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Schedule of Funding Progress  
for the Florida Retirement System<sup>(1)</sup>  
(000's)**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)<sup>(2)</sup></u>	UAAL As % of Covered Payroll <u>(b-a)/c</u>
7/1/10 <sup>(3)</sup>	\$120,929,666	\$139,652,377	\$18,722,711	86.59%	\$25,765,362	72.67%
7/1/11	126,078,053	145,034,475	18,956,422	86.93	25,686,138	73.80
7/1/12	127,891,781	148,049,596	20,157,815	86.38	24,491,371	82.31
7/1/13	131,680,615	154,125,953	22,445,338	85.44	24,568,642	91.36
7/1/14	138,621,201	160,130,502	21,509,301	86.57	24,723,565 <sup>(4)</sup>	87.00

(1) Calculations are based on GASB 27 requirements including traditional funding of DROP.

(2) For the plan year beginning on the Actuarial Valuation Date shown, includes payroll for members in DROP, Teachers' Retirement System and Institute of Food and Agricultural Sciences.

(3) As reported in July 1, 2010 actuarial valuation report, before impact of Senate Bill 2100 (2011).

(4) Includes Deferred Retirement Option Program (DROP) payroll.

Source: The Florida Retirement System, Pension Plan & Other State-Administered Systems, Annual Report: July 1, 2013 – June 30, 2013 and July 1, 2013 – June 30, 2014.

The information presented in the above schedule was determined as part of the actuarial valuations performed at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

**Florida Retirement System Assumptions**

Valuation Date	July 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Open
Equivalent single amortization period	30 years <sup>(1)</sup>
Asset Valuation Method	5-year Smoothed Method
Actuarial Assumptions:	
Investment Rate of Return	7.65% <sup>(2)</sup>
Cost-of-Living Adjustments	3.00%

(1) Used for GASB Statement 27 reporting purposes.

(2) Includes inflation at 2.60%.

Source: The Florida Retirement System, Pension Plan & Other State-Administered Systems, Annual Report: July 1, 2013 – June 30, 2014.

## **GASB 68**

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB No. 68") – an amendment to GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", which is effective for the City's Fiscal Year ended September 30, 2015. As a participating employer, the City implemented GASB No. 68, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The greatest impact of GASB No. 68 to the City will be the inclusion of the City's proportionate share of the FRS Net Pension Liability, which will reduce the City's net position. As a result of the implementation of GASB No. 68, the information contained in the City's audited financial statements for the fiscal year ended September 30, 2014 and related notes included relating to pension fund liability is not indicative of how pension fund liability will be reported by the City going forward.

### **Insurance Considerations Affecting the City**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance cover for any of the last three years. Insurance against losses is provided by Florida Municipal Investment Trust for the following types of risk:

- **Florida Municipal Insurance Trust**
  - Workers' Compensation and Employer's Liability
  - General Liability and Automobile Liability
  - Real and Personal Property Damage
  - Automobile Physical Damage
  - Public Employees' Blanket Bond
  - Boiler Officials' Liability
  - Law Enforcement Officers' Professional Liability and Other Mandated Coverage
  - Accidental Death and Dismemberment
  - Auxiliary Reserve Policy
  - Law Enforcement Officers' Professional Liability

The City's coverage for workers' compensation is under a retrospectively related policy. Premiums are accrued based on the ultimate cost to date of the City's experience.

Section 768.28, Florida Statutes, provides limits on the liability of the State and its subdivisions of \$200,000 to any one person, or \$300,000 for any single incident or occurrence. See "– Ability to be Sued, Judgments Enforceable" below. Under the protection of this limit and Chapter 440, Florida Statutes, covering Workmen's Compensation, the City currently is self-insured for workers' compensation and property and casualty liability. Third-party coverage is currently maintained for workers' compensation claims in excess of \$350,000, and for general liability and property damage claims in excess of \$100,000. Settlements have not exceeded insurance coverage for each of the last three years.



## **Ability to be Sued, Judgments Enforceable**

Notwithstanding the liability limits described below, the laws of the State provide that each city has waived sovereign immunity for liability in tort to the extent provided in Section 768.28, Florida Statutes. Therefore, the City is liable for tort claims in the same manner and, subject to limits stated below, to the same extent as a private individual under like circumstances, except that the City is not liable for punitive damages or interest for the period prior to judgment. Such legislation also limits the liability of a city to pay a judgment in excess of \$200,000 to any one person or in excess of \$300,000 because of any single incident or occurrence. Judgments in excess of \$200,000 and \$300,000 may be rendered, but may be paid from City funds only pursuant to further action of the Florida Legislature in the form of a "claims bill." See " – Insurance Considerations Affecting the City" above. Notwithstanding the foregoing, the City may agree, within the limits of insurance coverage provided, to settle a claim made or a judgment rendered against it without further action by the Florida Legislature, but the City shall not be deemed to have waived any defense of sovereign immunity or to have increased the limits of its liability as a result of its obtaining insurance coverage for tortuous acts in excess of the \$200,000 or \$300,000 waiver provided by Florida Statutes.

## **FLORIDA CONSTITUTIONAL LIMITATIONS AND PROPERTY TAX REFORM**

Several constitutional and legislative amendments affecting ad valorem taxes have been approved by voters in the past including the following:

Save Our Homes Amendment. By voter referendum held on November 3, 1992, Article VII, Section 4 of the State Constitution was amended by adding thereto a subsection which, in effect, limits the increases in assessed just value of homestead property to the lesser of (1) three percent of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. Further, the amendment provides that (1) no assessment shall exceed just value, (2) after any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status, (3) new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead, and (4) changes, additions, reductions or improvements to homestead shall initially be assessed as provided for by general law, and thereafter as provided in the amendment. This amendment is known as the "Save Our Homes Amendment." The effective date of the amendment was January 5, 1993 and, pursuant to a ruling by the Florida Supreme Court, it began to affect homestead property valuations commencing January 1, 1995, with 1994 assessed values being the base year for determining compliance.

Limitations on State Revenue Amendment. In the 1994 general election, State voters approved an amendment to the State Constitution which is commonly referred to as the "Limitation on State Revenues Amendment." This amendment provides that state revenues collected for any fiscal year shall be limited to state revenues allowed under the amendment for the prior fiscal year plus an adjustment for growth. Growth is defined as an amount equal to the average annual rate of growth in State personal income over the most recent twenty quarters times the state revenues allowed under the amendment for the prior fiscal year. State revenues collected for any fiscal year in excess of this limitation are required to be transferred to a budget stabilization fund until the fund reaches the maximum balance specified in the amendment to the State Constitution, and thereafter is required to be refunded to taxpayers as provided

by general law. The limitation on state revenues imposed by the amendment may be increased by the Florida Legislature, by a two-thirds vote in each house.

The term "state revenues," as used in the amendment, means taxes, fees, licenses, and charges for services imposed by the Florida Legislature on individuals, businesses, or agencies outside state government. However, the term "state revenues" does not include: (1) revenues that are necessary to meet the requirements set forth in documents authorizing the issuance of bonds by the State; (2) revenues that are used to provide matching funds for the federal Medicaid program with the exception of the revenues used to support the Public Medical Assistance Trust Fund or its successor program and with the exception of State matching funds used to fund elective expansions made after July 1, 1994; (3) proceeds from the State lottery returned as prizes; (4) receipts of the Florida Hurricane Catastrophe Fund; (5) balances carried forward from prior fiscal years; (6) taxes, licenses, fees and charges for services imposed by local, regional, or school district governing bodies, or (7) revenue from taxes, licenses, fees and charges for services required to be imposed by any amendment or revision to the Florida Constitution after July 1, 1994. This amendment took effect on January 1, 1995, and was first applicable to the State's fiscal year 1995-1996.

Millage Rollback Legislation. In 2007, the Florida Legislature adopted Chapter 2007-321, Laws of Florida, a property tax plan which significantly impacted ad valorem tax collections for Florida local governments. One component of the adopted legislation required counties, cities and special districts to rollback their millage rates for the 2007-2008 fiscal year to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in fiscal year 2006-2007; provided, however, depending upon the relative growth of each local government's own ad valorem revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing 2006-2007 ad valorem revenues by zero to nine percent (0% to 9%). In addition, the legislation limited how much the aggregate amount of ad valorem revenues may increase in future fiscal years. A local government may override certain portions of these requirements by a supermajority, and for certain requirements, a unanimous vote of its governing body.

Amendments Related to Ad Valorem Exemptions. On January 29, 2008, in a special election held in conjunction with the State's presidential primary, the requisite number of voters approved amendments to the Florida Constitution exempting certain portions of a property's assessed value from taxation. These amendments were effective for the 2008 tax year (fiscal year 2008-2009 for local governments). The following is a brief summary of certain important provisions contained in such amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000.

2. Permits owners of homestead property to transfer their Save Our Homes Amendment benefit (up to \$500,000) to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their Save Our Homes Amendment benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. As discussed above, the Save Our Homes Amendment generally

limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation.

3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax.

4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10-year period, subject to extension by an affirmative vote of electors.

Over the last few years, the Save Our Homes Amendment assessment cap and portability provisions described above have been subject to legal challenge. The plaintiffs in such cases have argued that the Save Our Homes Amendment assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property in violation of the equal protection provisions of the Florida Constitution and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution. The plaintiffs also argued that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes Amendment. The courts in each case have rejected such constitutional arguments and upheld the constitutionality of such provisions; however, there is no assurance that any future challenges to such provisions will not be successful.

In addition, the constitutionally mandated Florida Taxation and Budget Reform Commission (required to be convened every 20 years) (the "TBRC") completed its meetings on April 25, 2008 and placed several constitutional amendments on the November 4, 2008 General Election ballot. Three of such amendments were approved by the voters of Florida, which, among other things, do the following: (a) allow the Florida Legislature, by general law, to exempt from assessed value of residential homes, improvements made to protect property from wind damage and installation of a new renewable energy source device; (b) assess specified working waterfront properties based on current use rather than highest and best use; (c) provide a property tax exemption for real property that is perpetually used for conservation (began in 2010); and, (d) for land not perpetually encumbered, require the Florida Legislature to provide classification and assessment of land use for conservation purposes solely on the basis of character or use.

Exemption for Deployed Military Personnel. In the November 2010 General Election, voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the Florida Legislature. This constitutional amendment took effect on January 1, 2011.

Other Proposals Affecting Ad Valorem Taxation. During the Florida Legislature's 2011 Regular Session, it passed Senate Joint Resolution 592 ("SJR 592"). SJR 592 allows totally or partially disabled veterans who were not Florida residents at the time of entering military service to qualify for the combat-related disabled veteran's ad valorem tax discount on homestead property. The amendment was approved and took effect on January 1, 2013.

During the Florida Legislature's 2012 Regular Session, it passed House Joint Resolution 93 ("HJR 93"). HJR 93 allows the Florida Legislature to provide ad valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. The amount

of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. The amendment took effect on January 1, 2013.

Also during the Florida Legislature's 2012 Regular Session, it passed House Joint Resolution 169 ("HJR 169") allowing the Florida Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance to allow either or both of the following additional homestead exemptions: (i) up to \$50,000 for any person who has the legal or equitable title to real estate and maintains thereon the permanent residence of the owner, who has attained age 65 and whose household income does not exceed \$20,000; or (ii) the amount of the assessed value of the property for any person who has the legal or equitable title to real estate with a just value less than \$250,000 and has maintained thereon the permanent residence of the owner for at least 25 years, who has attained age 65, and whose household income does not exceed the income limitation prescribed in (i) above, adjusted annually as prescribed by Section 196.075(3). The additional homestead tax exemption authorized by HJR 169 would not apply to school property taxes. The City has enacted an ordinance granting the homestead exemption to any person who has the legal or equitable title to real estate and maintains thereon the permanent residence of the owner, who has attained age 65, and whose household income does not exceed \$20,000, adjusted as prescribed therein and in Section 196.075(3).

Each of the above described proposals was approved as an amendment to the Florida Constitution by the voters on November 6, 2012.

During the Florida Legislature's 2013 Regular Session, it passed Senate Bill 1830 ("SB 1830"), which was signed into law by the Governor and creates a number of changes affecting ad valorem taxation and which became effective July 1, 2013. SB 1830 (i) provides long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances and extends the time for property owners to appeal value adjustment board decisions on transfers of assessment limitations to conform with general court filing timeframes, (ii) inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the term "algacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock, (iii) allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions, (iv) deletes a statutory requirement that the owner of the property must reside upon the property to qualify for a homestead exemption, (v) clarifies the property tax exemptions counties and cities may provide for certain low income persons age 65 and older, (vi) removes a residency requirement that a senior disabled veteran must have been a Florida resident at the time they entered the service to qualify for certain property tax exemptions, (vii) repeals the ability for certain limited liability partnerships to qualify for the affordable housing property tax exemption, and (viii) exempts property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 277 ("HB 277"), which was signed into law by the Governor. HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 took effect on July 1, 2013.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 1193 ("HB 1193"), which was signed into law by the Governor. HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural land. Additionally, HB 1193 relieves the value adjustment board of the authority to review certain property classifications of the property appraisers. HB 1193 is effective immediately and will apply retroactively to January 1, 2013.

There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the City's finances.

Legislative Proposals Relating to Ad Valorem Taxation. During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation and revenue limitation have been introduced in the Florida Legislature. Many of these proposals provide for new or increased exemptions to ad valorem taxation, limit increases in assessed valuation of certain types of property or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the City's finances. To the extent ad valorem tax collections are reduced or restricted, the effect could be a reduction in the amount of Non-Ad Valorem Revenues available to be budgeted and appropriated under the Resolution.

#### **ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds received from the sale of the Series 2016 Bonds, together with other legally available funds of the City, are expected to be applied as follows:

<b>SOURCES OF FUNDS:</b>	
Principal Amount of Series 2016 Bonds	\$
Plus/Less Net Original Issue Premium/Discount	
Other Legally Available Funds	
 <b>TOTAL SOURCES</b>	 <b>\$</b>
 <b>USES OF FUNDS:</b>	
Deposit to Construction Fund	\$
Deposit to Escrow Account	
Costs of Issuance <sup>(1)</sup>	
 <b>TOTAL USES</b>	 <b>\$</b>

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(1) Includes the Purchaser's discount, legal fees, registrar and paying agent fees, financial advisor fees and printing costs.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service on the Series 2016 Bonds.

Year Ending <u>October 1</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Debt Service</u>
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
TOTAL			

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## **THE CITY**

The City, located in the County, was originally incorporated as Newnansville in 1839 and established as the City of Alachua in 1905 under the legal authority of Chapter 165, Florida Statutes. Under its Charter, the City functions under a City Manager-Commission form of government. The elected officials of the City are the five commissioners, each of whom is elected for three-year terms. The elections are staggered so that two members of the Commission are elected at one time, two are elected one year later and one is elected one year later and one is elected in the following year, in order to provide continuity of service by the Commission. Commission members run for specific seats and all elections are non-partisan.

For additional information concerning the City, see "APPENDIX A - General Information Concerning the City" attached hereto.

## **RISK FACTORS**

The purchase of the Series 2016 Bonds involves a degree of risk, as is the case with all investments. Factors that could affect the City's ability to perform its obligations under the Resolution, including the timely payment of principal of and interest on the Series 2016 Bonds, include, but are not limited to, the following:

1. There is no assurance that any rating assigned to the Series 2016 Bonds by the rating agencies will continue for any given period of time or that it will not be lowered or withdrawn entirely by such rating agency, if in its judgment, circumstances warrant. A downgrade change in or withdrawal of any rating may have an adverse effect on the market price of the Series 2016 Bonds.
2. In the event of a default in the payment of principal of and interest on the Series 2016 Bonds, the remedies of the owners of the Series 2016 Bonds are limited under the Resolution.
3. The City is not required and does not covenant to maintain any services or programs which generate Non-Ad Valorem Revenues. Cancellation of any services or programs which are not essential services that generate Non-Ad Valorem Revenues could have an adverse effect on the City fulfilling its covenant obligations under the Resolution.

Prospective purchasers of the Series 2016 Bonds should review carefully the provisions of the Resolution, the form of which is included as Appendix C to this Official Statement.

## **MUNICIPAL BOND INSURANCE OPTION**

This Preliminary Official Statement has been provided to major municipal bond insurers. In the event that the successful bidder or bidders for the Series 2016 Bonds elect to purchase insurance for one or more maturities, at its expense, the appropriate disclosure regarding such bond insurer and its policy of insurance will be inserted in the Official Statement in this location.

## TAX MATTERS

### General

The Code establishes certain requirements which must be met subsequent to the issuance of the Series 2016 Bonds in order that interest on the Series Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Series 2016 Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2016 Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Series 2016 Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The City has covenanted in the Resolution with respect to the Series 2016 Bonds to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Series 2016 Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2016 Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Series 2016 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the Series 2016 Bonds may be subject to the federal alternative minimum tax when any Series 2016 Bond is held by a corporation. The federal alternative minimum taxable income of a corporation must be increased by seventy-five percent (75%) of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Bonds.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Series 2016 Bonds. Prospective purchasers of Series 2016 Bonds should be aware that the ownership of Series 2016 Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2016 Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on Series 2016 Bonds; (iii) the inclusion of interest on Series 2016 Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on Series 2016 Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on Series 2016 Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2016 Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2016 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING,



BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

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

Interest paid on tax-exempt bonds, such as the Series 2016 Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2016 Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2016 Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Series 2016 Bonds and proceeds from the sale of Series 2016 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2016 Bonds. This withholding generally applies if the owner of Series 2016 Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2016 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

### **Other Tax Matters**

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2016 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2016 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2016 Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2016 Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2016 Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Series 2016 Bonds.

Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2016 Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

### **Tax Treatment of Original Issue Discount**

Under the Code, the difference between the maturity amount of the Series 2016 Bonds maturing on October 1 in the years 20\_\_ through and including 20\_\_ (collectively, the "Discount Bonds"), and the

initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he or she holds the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Holders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the State and local tax consequences of owning and disposing of the Discount Bonds.

### **Tax Treatment of Bond Premium**

The difference between the principal amount of the Series 2016 Bonds maturing on October 1 in the years 20\_\_ through and including 20\_\_ (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Holders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### **LITIGATION**

There is no litigation pending or, to the knowledge of the City, threatened, seeking to restrain or enjoin the issuance or delivery of the Series 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the City to their respective offices is being contested.

In the opinion of the City Attorney, except as described above, any pending, or to her knowledge after due inquiry threatened, litigation against the City, which represents potential liability for the City, will not have a material effect on its financial position or its ability to perform its obligations to the Series 2016 Bondholders.

## **COMPETITIVE SALE**

The Series 2016 Bonds are being purchased at competitive sale by Gateway Bank of Central Florida (the "Purchaser") at an aggregate price of \$\_\_\_\_\_ (representing the par amount of the Series 2016 Bonds [plus net original issue premium] [less net original issue discount] of \$\_\_\_\_\_ and less Purchaser's discount of \$\_\_\_\_\_). The Purchaser's obligations are subject to certain conditions precedent described in the Official Notice of Sale and it will be obligated to purchase all of the Series 2016 Bonds if any Series 2016 are purchased. The yields shown on the inside cover page hereof were furnished by the Purchaser.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Series 2016 Bonds are subject to the approval of Bryant Miller Olive P.A., Tampa, Florida, Bond Counsel. The proposed legal opinion, in the form attached hereto as APPENDIX E, will be delivered with the Series 2016 Bonds. The actual legal opinion to be delivered by Bond Counsel may vary from the form attached hereto if necessary to reflect facts and law on the date of delivery of the opinion. The opinion will speak only as of its date, and subsequent distribution by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has renewed or expressed any opinion concerning any of the matters referenced in the opinion subsequent to the date of the opinion. Certain other legal matters will be passed upon for the City by the City Attorney, Marian Rush, Esq., Alachua, Florida, and by Bryant Miller Olive P.A., Tampa, Florida, Disclosure Counsel.

The legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **FINANCIAL ADVISOR**

The City has retained Public Financial Management, Inc., as financial advisor (the "Financial Advisor") in connection with the City's financing plans and with respect to the authorization and issuance of the Series 2016 Bonds. The Financial Advisor is not obligated to, and has not undertaken to, independently verify or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Financial Advisor may receive a fee for bidding certain investments to be deposited into the Escrow Account.

## **VERIFICATION OF ARITHMETICAL COMPUTATIONS**

At the time of the delivery of the Series 2016 Bonds, the Verification Agent, will deliver a report on the arithmetical accuracy of the computations contained in schedules provided to them and prepared by the Financial Advisor on behalf of the City relating to (a) the sufficiency of the anticipated cash to pay, when due, the principal, whether at maturity or upon prior redemption, interest and call premium requirements, if any, of the Escrow Bonds and (b) the "yield" on the Series 2016 Bonds considered by

Bond Counsel in connection with its opinion that the Series 2016 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code, as amended.

## **RATING**

Moody's Investors Service is expected to assign its municipal bond rating of "\_\_\_\_" to the Series 2016 Bonds. Such rating reflects only the views of such rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2016 Bonds. An explanation of the significance of the rating may be obtained only from the rating agency at the following address: Moody's Investor Services, Inc., 7 World Trade Center, 250 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007.

## **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of the Beneficial Owners of the Series 2016 Bonds to provide certain financial information relating to the Non-Ad Valorem Revenues and the Series 2016 Bonds in each year, and to provide notices of the occurrence of certain enumerated events. Annual financial information and operating data and the audited financial statements will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of events, when and if they occur, shall be timely filed by the City with the MSRB. The specific nature of the financial information, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX D - Form of Disclosure Dissemination Agent Agreement" attached hereto. The Disclosure Dissemination Agent Agreement between the City and Digital Assurance Certification L.L.C. ("DAC") will be executed on or prior to the issuance of the Series 2016 Bonds. The City has contracted with and designated DAC as dissemination agent under the Disclosure Dissemination Agent Agreement. Such dissemination services may be discontinued at any time. Information concerning the Series 2016 Bonds may be found at DAC's website [www.dacbond.com](http://www.dacbond.com).

The City believes it has not failed to comply in all material respects in the last five years with any prior continuing disclosure undertakings.

## **FINANCIAL STATEMENTS**

The Comprehensive Annual Financial Report of the City, at and for the fiscal year ended September 30, 2014, including the City's Financial Statements for such fiscal year and report thereon of the City's independent certified public accountants (the "Auditor"), has been included as APPENDIX B to this Official Statement as a matter of public record and the consent of the Auditors to include such documents was not requested. The Auditor was not requested to perform and has not performed any services in connection with the preparation of this Official Statement or the issuance of the Series 2016 Bonds.

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

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

## **CONTINGENT FEES**

The City has retained Bond Counsel, the Financial Advisor and Disclosure Counsel with respect to the authorization, sale, execution and delivery of the Series 2016 Bonds. Payment of the fees of such professionals is contingent upon the issuance of the Series 2016 Bonds.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Series 2016 Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Resolution or the Series 2016 Bonds, may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX C – Form of Resolution" attached hereto for a description of events of default and remedies.

## **MISCELLANEOUS**

The City has furnished all information in this Official Statement except where attributed to other sources.

References herein to the Resolution, the Series 2016 Bonds and certain other contracts, agreements and other materials not purporting to be quoted in full are brief summaries of certain provisions thereof, and do not purport to describe all the provisions thereof. Reference is hereby made to such documents and other materials for the complete provisions thereof, copies of which will be furnished by the City upon written request.

The information herein is subject to change without notice and neither the delivery of the Official Statement nor any sale of the Series 2016 Bonds made hereunder shall, under any circumstances,

create any implication that there has been no change in the affairs of the City, except as stated herein, since the date hereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Statements herein, while not guaranteed, are based upon information which the City believes to be reliable.

#### **CERTIFICATE CONCERNING OFFICIAL STATEMENT**

The undersigned Mayor and City Manager and City Clerk of the City of Alachua, Florida, do hereby certify that (i) the delivery of the Official Statement has been duly authorized by the Commission; (ii) to the best of their knowledge and belief, the statements herein are true and correct; and (iii) nothing has come to their attention which would lead them to believe that the Official Statement (excluding the information regarding DTC and its book-entry only system of registration as to all of which no opinion is expressed), as of its date and as of the date of delivery of the Series 2016 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included herein for the purpose for which the Official Statement is intended to be used, or which is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

CITY OF ALACHUA, FLORIDA

By: \_\_\_\_\_  
Mayor

By: \_\_\_\_\_  
City Manager and City Clerk

## **APPENDIX A**

### **General Information Concerning the City**

## APPENDIX A

### GENERAL INFORMATION CONCERNING THE CITY

#### General

The City is located in the central portion of peninsular Florida in Alachua County. The City lies approximately 70 miles southwest of Jacksonville (Duval County), 146 miles northeast of Tampa and St. Petersburg, 122 miles north of Orlando, 346 miles north of Miami and 128 miles south of Tallahassee. The 2014 population estimate for the City was 9,300. The City is one of nine incorporated municipalities in Alachua County. The largest being the City of Gainesville, the county seat.

The City's major operations include various utility services, electric, water and wastewater, as well as police protection, road and street maintenance, parks, recreation, and other general government services. The City contracts with Alachua County for the provision of fire service at a fixed cost which is renegotiated annually. The City leases the fire station and equipment to Alachua County at no cost. Sanitation services are provided by private company, but billed by the City to its customers. The City retains an administrative fee on sanitation services.

#### Ad Valorem Taxes

Set forth below is information concerning ad valorem taxes assessed and collected by the City for the fiscal years ended September 30, 2005 through and including 2014 and the principal taxpayers for the fiscal year ended September 30, 2014.

#### Assessed Value and Estimated Actual Value of Taxable Property

Fiscal Year	Residential Property	Commercial Property	Agricultural Property	Industrial Property	Non-Taxable Real Property	Personal and Centrally Assessed Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2005	\$304,669,400	\$58,459,200	\$24,485,700	\$81,063,300	\$52,295,000	\$79,854,354	\$164,686,240	\$436,140,714	5.7000
2006	365,001,800	67,234,800	30,265,500	86,254,300	62,440,300	82,886,340	199,049,550	495,033,490	5.7000
2007	449,024,100	85,797,400	32,490,500	85,250,300	72,842,900	93,854,996	235,711,400	583,548,796	5.5000
2008	535,100,200	102,112,900	35,005,500	100,646,800	77,307,900	99,036,273	265,998,252	683,211,321	4.6480
2009	569,343,300	111,092,400	37,888,600	163,769,900	97,840,300	127,181,206	340,977,840	766,137,866	4.6966
2010	531,600,770	113,537,800	69,227,500	158,400,600	108,260,600	141,482,934	321,027,840	801,482,364	5.5000
2011	319,077,965	104,257,104	60,791,620	145,987,301	261,136,703	144,519,173	272,288,306	763,481,560	5.5000
2012	275,660,770	104,238,080	59,247,070	129,060,290	260,266,024	146,380,912	272,929,424	701,923,442	5.5000
2013	279,161,950	106,282,970	57,665,520	130,863,550	286,179,813	103,588,381	281,987,533	681,763,651	5.5000
2014	281,698,170	106,926,610	56,734,615	128,789,230	285,937,360	108,914,101	281,927,200	687,072,886	5.5000

Source: City of Alachua, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014.



### Property Tax Levies and Collections

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$2,486,002	\$2,376,834	95.6%	\$13,112	\$2,389,946	96.1%
2006	2,821,691	2,715,521	96.2	6,363	2,721,884	96.5
2007	3,209,518	3,063,926	95.5	13,648	3,077,574	95.9
2008	3,175,566	3,056,030	96.2	15,354	3,071,384	96.7
2009	3,598,243	3,459,305	96.1	5,073	3,464,378	96.3
2010	4,408,153	4,234,528	96.1	6,473	4,241,001	96.2
2011	4,199,149	4,042,368	96.3	9,578	4,051,947	96.5
2012	3,860,579	3,688,577	95.5	6,729	3,695,307	95.7
2013	3,749,700	3,612,853	96.4	37,712	3,650,565	97.4
2014	3,778,901	3,643,042	96.4	7,521	3,650,563	96.6

Source: City of Alachua, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014.

### Principal Property Taxpayers

Name	Taxable Assessed Value <sup>(1)</sup>	Percentage of Total City Taxable Assessed Value
Wal-Mart Stores East LP	\$74,952,140	10.91%
Dolgencorp, Inc.	50,838,550	7.40
Baugh Southeast Cooperative, Inc.	30,910,600	4.50
Regeneration Technologies, Inc.	23,123,760	3.37
SNH Medical Office Properties, Trust	15,491,700	2.25
Waco of Alabama, Inc.	10,918,700	1.59
South Redistribution Center, Inc.	10,120,750	1.47
Alachua Development, LLC	9,328,240	1.36
Lowes Home Centers, Inc.	8,534,170	1.24
MAS Holding Company	<u>5,213,620</u>	<u>0.76</u>
	<u>\$239,432,230</u>	<u>34.85%</u>

(1) The total taxable assessed value of the City for the fiscal year ended September 30, 2014 was \$239,432,230.

Source: City of Alachua, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014.

## Demographics

The following tables provide population and income, projected population, principal employers, unemployment rates, employment by sector and building permit activity for the period shown:

### Population and Income

<u>Year</u>	<u>City Population</u>	<u>Gainesville MSA Population</u>	<u>Per Capita Income<sup>(1)</sup></u>
2005	7,557	240,764	\$30,435
2006	7,657	243,779	31,391
2007	8,500	243,985	32,766
2008	9,115	257,099	32,510
2009	9,306	273,625	32,928
2010	9,500	277,030	34,122
2011	9,424	281,475	35,543
2012	9,108	266,369	34,859
2013	9,134	268,232	36,179
2014	9,300	270,382	38,045

(1) Per Capital Income figures are based on Gainesville Metropolitan Statistical Area.

Source: City of Alachua, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014.

### Principal Employers

<u>Name</u>	<u>Number of Employees</u>
Walmart Distribution Center	736
Dollar General Distribution Center	624
Regeneration Technologies, Inc.	365
School Board of Alachua County	254
Sage Software*	220
Sandvik Mining & Construction USA, LLC**	150
State of Florida	144
Baugh Southeast Cooperative, Inc.	132
Hitchcock & Sons, Inc.	129
City of Alachua	115

\* Formerly Medical Manger

\*\* Formerly Drilltech

Source: City of Alachua, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014.

**Unemployment Rates**  
**Alachua County, State of Florida and the United States**

<u>Fiscal Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2005	2.9%	3.7%	5.1%
2006	2.7	3.2	4.6
2007	3.0	4.0	4.6
2008	4.4	6.3	5.8
2009	7.1	10.4	9.3
2010	8.0	11.1	9.6
2011	7.6	10.0	8.9
2012	6.6	8.5	8.1
2013	5.7	7.3	7.4
2014	5.2	6.3	6.2

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Source: Florida Research and Economic Information Database Application, Labor Market Statistics, Local Area Unemployment Statistics Program.

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The following chart shows the average monthly employment in the various sectors of the labor force in actual numbers of people employed in the County and the average annual wage:

### Employment By Sector

<u>Industry Title</u>	<u>Average Employment</u>	<u>Average Annual Wages</u>
Accommodation and Food Services	11,954	\$15,392
Administration and Waste Services	5,309	21,944
Agriculture, Forestry, Fishing and Hunting	1,119	23,920
Arts, Entertainment, and Recreation	1,680	36,816
Construction	4,216	37,908
Educational Services	23,982	56,940
Finance and Insurance	3,795	54,756
Health Care and Social Assistance	26,145	50,128
Information	1,641	56,628
Management of Companies and Enterprises	561	72,748
Manufacturing	4,065	51,844
Mining	***	***
Other Services, Ex. Public Administration	3,096	28,028
Professional and Technical Services	5,519	53,560
Public Administration	6,499	48,932
Real Estate and Rental and Leasing	2,167	31,252
Retail Trade	13,068	23,608
Transportation and Warehousing	2,670	43,888
Unclassified	16	28,132
Utilities	***	***
Wholesale Trade	<u>2,382</u>	<u>56,992</u>
<b>Total, All Industries</b>	<b><u>5,709</u></b>	<b><u>\$37,781</u></b>

Source: Florida Department of Economic Opportunity, Florida Employment and Wages by County, Annual NAICS Sector (2014).

## Building Permits

Fiscal <u>Year</u>	Residential Construction	
	Number <u>of Units</u>	Building <u>Costs</u>
2005	2,293	\$241,496,483
2006	1,949	211,058,274
2007	1,388	185,388,469
2008	1,006	99,295,982
2009	519	64,582,902
2010	454	58,430,084
2011	444	63,100,147
2012	589	75,871,216
2013	770	107,104,562
2014	762	106,852,012

Fiscal <u>Year</u>	Commercial Industrial Construction	
	Number <u>of Units</u>	Building <u>Costs</u>
2005		
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		

Source: City of Alachua, Department of Community Development.

## Fiscal Policies

Debt Management Policy. The City's debt management policy was adopted September 23, 2013 (the "Debt Management Policy") to establish guidance for the issuance and management of the debt of the City. The Debt Management Policy provides guidance for the issuance of short term and long term debt, the manner of sale of debt, the amortization structure, and the issuance of variable rate debt. The Debt Management Policy is to be reviewed and revised as needed not less than every three (3) years.

Investment Policy. The City's investment policy (the "Investment Policy") is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. The Investment Policy applies to all cash and investments held or controlled by the City with the exception of Pension Funds and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. The Investment Policy's objective is the safety of the principal of those funds within the portfolios and management to preserve liquidity to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses are required to be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity. The Investment Policy requires the Finance Director to establish a system of internal controls and operational procedures that

are in writing and made a part of the City's operational procedures which are review as a normal part of the financial audit.

Authorized City staff and Investment Advisors may only purchase securities from financial institutions, which are qualified as public depositories by the Treasurer of the State of Florida, institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York, or from direct issuers of commercial paper and bankers' acceptances and may only enter into repurchase agreements with financial institutions that are state qualified public depositories and primary securities dealers as designated by the Federal Reserve Bank of New York.

To the extent possible, an attempt must be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years. The maturities of the underlying securities of a repurchase agreement must follow the requirements of the Master Repurchase Agreement.

The Investment Policy sets forth policies regarding competitive selection of investment instruments as well as performance measurement standards and internal reporting requirements. Subject to certain portfolio allocation limits, the following are the investment requirements. Investments not listed in the Investment Policy are prohibited.

- A. The Florida Local Government Surplus Funds Trust Fund ("SBA")
- B. United States Government Securities, including
  - Cash Management Bills
  - Treasury Securities – State and Local Government Series ("SLGS")
  - Treasury Bills
  - Treasury Notes
  - Treasury Bonds
  - Treasury Strips
- C. United States Government Agencies, including bonds, debentures, notes or callables issued or guaranteed by the United States Governments agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities will include, but not be limited to the following:
  - United States Export – Import Bank
    - Direct obligations or fully guaranteed certificates of beneficial ownership
  - Farmer Home Administration
    - Certificates of beneficial ownership
  - Federal Financing Bank
    - Discount notes, notes and bonds
  - Federal Housing Administration Debentures
  - General Services Administration
  - United States Maritime Administration Guaranteed
    - Title XI Financing
  - New Communities Debentures
    - United States Government guaranteed debentures

- United States Public Housing Notes and Bonds  
United States Government guaranteed public housing notes and bonds
  - United States Department of Housing and Urban Development  
Project notes and local authority bonds
- D. Federal Instrumentalities (United States Government sponsored agencies), including bonds, debentures, notes or callables issued or guaranteed by United States Government sponsored agencies (Federal Instrumentalities) which are non-full faith and credit agencies limited to the following:
- Federal Farm Credit Bank (FFCB)
  - Federal Home Loan Bank or its district banks (FHLB)
  - Federal National Mortgage Association (FNMA)
  - Federal Home Loan Mortgage Corporation (Freddie-Macs) including Federal - Home Loan Mortgage
  - Corporation participation certificates
  - Student Loan Marketing Association (Sallie-Mae)
- E. Interest Bearing Time Deposit or Saving Accounts, including non-negotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes. Additionally, the bank shall not be listed with any recognized credit watch information service.
- F. Repurchase Agreements composed of only those investments based on the requirements set forth by the City's Master Repurchase Agreement. All firms are required to sign the Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.
- G. Registered Investment Companies (Money Market Funds) open-end and no-load money market funds provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. § 270.2a-7.
- H. Intergovernmental Investment Pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives.

Investments in any derivative products or the use of reverse repurchase agreements are prohibited, with the exception of those risk mitigation actions transacted in accordance with the Bulk Power Purchase Risk Management Policy.

Budget Adoption Process and Requirements. An annual City budget is prepared, approved and adopted for each fiscal year. The budget controls the levy of taxes and expenditure of money for all City purposes. The budget is conducted in accordance with Chapters 166, 200 and 218 of the Florida Statutes, as amended. By July 1, the Property Appraiser must certify the (initial) taxable value of property within each taxing district. Within 35 days of either July 1, or the date the Property Appraiser certifies the

taxable value of property, whichever is later, the Commission must set proposed millage rates. At that time, a date, time and place is set for a public hearing on the proposed budget and millage rates. Within 65 to 80 days of July 1, or the date the Property Appraiser certifies the taxable value, the Commission must hold a public hearing, after 5:00 p.m., to hear public testimony and to adopt a proposed budget and proposed millage rates. The percentage increase in the proposed millage rate over the rolled-back rate and the specific purpose for which Ad Valorem Revenues are being increased must be discussed in a public hearing. The Commission may amend the proposed budget as it deems necessary, adopt the amended proposed budget, recompute its proposed millage rates and publicly announce the percent, if any, by which the recomputed proposed millage exceeds the rolled-back rate. A date, time, and place for a second public hearing is set at this hearing, also to be held after 5:00 p.m.

Within two to five days after the advertisements are published, a second public hearing is held to hear public testimony and to adopt a final budget and final millage rates. If, for any reason, the adoption of the final budget is delayed beyond the start of the next fiscal year, the Commission can expend moneys as outlined in Chapter 200.065(2) (g) of the Florida Statutes, as amended.

Upon final adoption of the budget, the budget regulates the expenditures of the City and the budget shall not be amended, except as provided for in Chapter 166, Florida Statutes, as amended, unless otherwise specified in the Charter.

The City will establish and maintain practices for the administration and amendment of the annual budget to:

1. Provide that all budget amendments/transfers will first be reviewed by the director (or authorized designee) of the requesting department/division, followed by a second review from the Finance Department, prior to the subsequent approval/denial by the City Manager and/or the Commission, as set forth by the following provisions of this policy.
2. Budgetary Levels of Authority:
  - a. Budget Transfer: Transfers requested within a major expenditure categories, and/or between divisions within the same Department, or between activity codes within the same department require approval by the Finance Director and City Manager.
  - b. Budget Amendment: Transfers between Departments or from Reserve for Contingency require Commission approval.
  - c. Budget Amendment: Establishing a budget for revenues that were not anticipated during the annual budget process requires that the Commission adopt a resolution to recognize the revenue, appropriate the revenue, and establish a new fund if appropriate.
  - d. Budget Adjustments: Upon completion of the prior fiscal year's Comprehensive Annual Financial Report, the operating budget may be adjusted to reflect actual beginning fund balances if deemed necessary by the Finance Director. Amendments not specifically authorized in F.S. Chapter 129.06(2)(a-e) require the amendment by authorized by resolution or ordinance of the Commission and adopted following a public hearing. The public hearing must be advertised at least 2 days, but not more



than 5 days, before the date of the hearing. The advertisement and adoption procedures are similar to those required for adoption of the annual budget.

Use of Contingency Reserves. Contingency reserves are established to provide for the following:

- Funding for authorized mid-year increases that will provide for a level of service that was not anticipated during the budget process.
  - Funding for unexpected increases in the cost of providing existing levels of service.
  - Temporary and nonrecurring funding for unanticipated projects.
  - Funding of a local match for public or private grants.
  - Funding to off-set losses in revenue caused by actions of other governmental bodies and/or unanticipated economic downturns.
  - Funding to accommodate unanticipated program mandates from other governmental bodies.
  - Funding for emergencies, whether economic, natural disaster or act of war.
- a. Reserve for contingency requests must be approved by the Commission. Such requests must be evaluated to insure consistency with other City policies; the urgency of the request; the scope of services to be provided; the short and long-term fiscal impact of the request; a review of alternative methods of funding or providing the services; a review for duplication of services with other agencies; a review of efforts to secure non-City funding; a discussion of why funding was not sought during the normal budget cycle; and a review of the impact of not funding or delaying funding to the next fiscal year.
- b. A reserve for contingency must be calculated and established by the Finance Department for each operating fund in an amount not greater than 10% of the total budget and in accordance with Florida Statutes 129.01(2)(c).
- c. The reserve for contingency must be separate from any cash carry forward balances.
- d. The City's budget will be amended at such time as the Commission authorizes the use of contingency reserves. All requests for the use of any reserve for contingency shall be accompanied by information prepared by the Finance Department showing the year-to-date activity of the reserve account as well as the current account balance and the net effect on the account balance.
- e. The City is required to maintain an annual unappropriated or cash carry forward balance at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing. The unappropriated fund balance must be separate from the reserve for contingency.
- f. The amount of cash carry forward to be budgeted must be analyzed and determined during the annual budget process; the carry forward balances must be jointly agreed upon by the Finance Director and City Manager.

**APPENDIX B**

**City of Alachua, Florida**

**Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014**

## **APPENDIX C**

### **Form of Resolution**

## **APPENDIX D**

### **Form of Disclosure Dissemination Agent Agreement**

## **APPENDIX E**

### **Proposed Form of Opinion of Bond Counsel**