

**AGENDA SUMMARY
TAVARES CITY COUNCIL
DATE OF MEETING: December 5, 2012**

AGENDA TAB NO: 21

SUBJECT TITLE: Approve Resolution No. 2012-17 authorizing issuance of an amount not to exceed \$4,725,000 Utility System Refunding Revenue Bonds, Series 2012A for refunding all outstanding Series 2000 Water and Sewer Revenue Bonds, AND to authorize the issuance of an amount not to Exceed \$3,000,000 in Utility System Improvement Revenue Bonds, Series 2012B to finance the cost of improvements to the Utility System and to pay related costs for issuance.

OBJECTIVE:

To seek Council's adoption of Resolution No. 2012-17 authorizing issuance of an amount not to exceed \$4,725,000 Utility System Refunding Revenue Bonds, Series 2012A for refunding all outstanding Series 2000 Water and Sewer Revenue Bonds, AND to authorize the issuance of an amount not to exceed \$3,000,000 in Utility System Improvement Revenue Bonds, Series 2012B to finance the cost of improvements to the Utility System and to pay related costs for issuance, and to authorize staff to execute financing documents with Pinnacle Public Finance for same.

On January 18, 2012, the City Council approved a contract with United Metering Solutions for an expedited program to upgrade all meters within the City. The exchange program will provide costs savings on meter reading activities, and the improved technology will provide more assurance for water loss initiatives as well. The approval also provided for the authorization to issue an RFP for debt issuance to fund the project. It is anticipated that debt service for the project will be funded from current budgeted amounts for the current meter replacement program.

On March 21, 2012, the City Council requested staff to issue Request for Proposals from financial institutions for possible savings in annual debt service costs for the Wastewater Refunding Bonds Series 2000, Issue Amount \$4,705,000.

On June 20, 2012, the City Council adopted Reimbursement Resolution No. 2012-09 in anticipation of debt issuance for the Meter Replacement Project.

On December 5, 2012, the City Council approved the award of financing for RFP No. 2013-0001 for refinance the Water &Wastewater Series 2000 Bonds, and Utility Improvement Financing to Pinnacle Public Finance at a rate of 2.69% and a term of 18 years.

Resolution No. 2012-17 has been prepared by the City's Bond Council, Mike Williams of Akerman Senterfitt and authorizes staff to execute financing documents with Pinnacle Public Finance for the issuance of City of Tavares Utility System Refunding Revenue Bonds, Series 2012A for refunding all outstanding Series 2000 Water and Sewer Revenue Bonds (an amount not to exceed \$4,725,000), AND authorizes issuance of an amount not to exceed \$3,000,000 in Utility System Improvement Revenue Bonds, Series 2012B to finance the cost of improvements to the Utility System and to pay related costs for issuance.

A copy of Resolution 2012-17 and related financing documents are attached for your review.

OPTIONS:

1. Adopt Resolution No. 2012-17 and authorize staff to execute financing documents with Pinnacle Public Finance for City of Tavares Utility System Refunding Revenue Bonds, Series 2012A for an amount not to exceed \$4,725,000, and City of Tavares Utility System Improvement Revenue Bonds Series 2012B for Refinancing of Capital Improvement Note for an amount not to exceed \$3,000,000 at rate of 2.69% for a term of 18 years.
2. Do not adopt Resolution No. 2012-17, and do not authorize staff to execute financing documents.

STAFF RECOMMENDATION:

Move to Adopt Resolution No. 2012-17 and authorize staff to execute financing documents with Pinnacle Public Finance for City of Tavares Utility System Refunding Revenue Bonds, Series 2012A for an amount not to exceed \$4,725,000, and City of Tavares Utility System Improvement Revenue Bonds Series 2012B for an amount not to exceed \$3,000,000 at a rate of 2.69% for a term of 18 years.

FISCAL IMPACT: Estimated annual savings: \$82,000 per year or \$1,490,000 over the life of the loan when compared to the debt service on the Series 2000 Bonds. Debt service has been included in the FY2013 Adopted Budget.

LEGAL SUFFICIENCY: Legally Sufficient.

Please note the following information related to issues supplanting the USDA-RD Resolution. On November 21, the City Council approved the Supplanting of the USDA-RD Loan with an FDEP SRF Application Request:

- *USDA-RD interprets the refinancing of the Water & Sewer Refunding Bonds as a change from the USDA Bond Resolution requiring USDA approval, and thus will require a second bond validation hearing, and most likely approval from USDA-RD Federal Underwriting.*
- *USDA-RD interprets the additional debt for the Meter Replacement Program as a change from the USDA Bond Resolution requiring USDA approval, and thus will require a second bond validation hearing, and additional approval from USDA-RD Federal Underwriting.*

MASTER UTILITY SYSTEM BOND RESOLUTION

RESOLUTION NO. 2012-17

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RESOLUTION NO. 2012-17

A RESOLUTION OF THE CITY OF TAVARES, FLORIDA AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$4,725,000 UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2012A FOR THE PURPOSE OF DEFEASING AND REFUNDING ALL OF THE CITY'S OUTSTANDING WATER AND SEWER REVENUE BONDS, SERIES 2000 AND PAYING COSTS RELATED THERETO AND AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$3,000,000 UTILITY SYSTEM IMPROVEMENT REVENUE BONDS, SERIES 2012B TO FINANCE THE COST OF IMPROVEMENTS TO THE UTILITY SYSTEM AND PAYING COSTS RELATED THERETO; PLEDGING NET REVENUES OF THE UTILITY SYSTEM FOR THE PAYMENT OF SUCH BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; COVENANTING NOT TO ISSUE ANY BONDS UNDER CITY RESOLUTION NO. 93-01; AUTHORIZING OTHER REQUIRED ACTIONS; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TAVARES, FLORIDA, as follows:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Article VIII, Section 2 of the Florida Constitution; Chapter 159, Part I, Florida Statutes; Chapter 166, Part II, Florida Statutes; the Charter of the City of Tavares, Florida; and other applicable provisions of law (collectively, the "Act").

SECTION 2. DEFINITIONS. Unless the context otherwise requires, the terms used in this Resolution shall have the meanings specified in this Section 2. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

“Acquired Obligations” shall mean cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, defeased municipal bonds rated “AAA” by S&P or “Aaa” by Moody’s (or any combination thereof) or direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank, certificates of beneficial ownership of the Farmers Home Administration, obligations of the Federal Financing Bank, participation certificates of the General Services Administration, Guaranteed Title XI financings of the U.S. Maritime Administration and project notes of the U.S. Department of Housing and Urban Development.

With respect to any Series of Bonds, the definition of Acquired Obligations set forth above may be further limited as set forth in a Supplemental Resolution of the Issuer adopted prior to the issuance of such Bonds.

“Additional Parity Obligations” shall mean additional obligations issued or incurred in compliance with the terms, conditions and limitations contained herein and which (i) shall have a lien on the Pledged Revenues equal to that of the Outstanding Bonds and any Parity Contract Obligations, (ii) shall be payable from the Pledged Revenues on a parity with the Outstanding Bonds and any Parity Contract Obligations, and (iii) shall rank equally in all other respects with the Outstanding Bonds and any Parity Contract Obligations.

“Amortization Installment” shall mean an amount designated as such by Supplemental Resolution of the Issuer and established with respect to any Term Bonds.

“Average Annual Bond Service Requirement” shall mean, as of each date on which a Series of Bonds is issued, the total amount of Bond Service Requirement which is to become due on all Bonds deemed to be Outstanding immediately after the issuance of such Series of Bonds divided by the total number of years for which Bonds are deemed to be Outstanding, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments to be made in prior Bond Years.

“Balloon Indebtedness” shall mean debt 25% or more of the original principal of which matures during any one Fiscal Year.

“Bond Counsel” shall mean Akerman Senterfitt, or any other attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Insurance Policy” shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the scheduled payment of principal of and interest on any portion of such Series of Bonds when due as determined by Supplemental Resolution, if any.

“Bond Service Fund” shall mean the Bond Service Fund created and established pursuant to Section 14 of this Resolution.

“Bond Service Requirement” shall mean, for any Bond Year, at any time, the amount required to be deposited in such Bond Year into the Bond Service Fund, as provided herein including any Reimbursement Obligations. In calculating such amount, the Issuer shall subtract therefrom any amounts to be transferred from the Construction Fund for the purpose of paying interest on the Bonds. Interest on any Series of Bonds issued as Direct Subsidy Bonds shall be included in the Bond Service Requirement only on a net basis, after taking into account Direct Pay Subsidies expected to be received on such Direct Subsidy Bonds on each respective Interest Payment Date. With respect to Variable Rate Bonds which are not subject to a Qualified Agreement, if any, the interest rate used to calculate the Bond Service Requirement shall be the higher of (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) if the indebtedness has been outstanding for twelve months or less, (1) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds which are not subject to a Qualified Agreement shall be deemed to bear interest at the actual rate per annum applicable during the test period. If Bonds are Option Bonds, the date or dates of tender shall be disregarded, unless actually tendered and not remarketed, and the stated maturity dates thereof shall be used for purposes of this calculation. If the Issuer has entered into a Qualified Agreement with respect to all or a portion of certain Variable Rate Bonds Outstanding hereunder or to be issued hereunder, the interest coming due on such Variable Rate Bonds or portion thereof for purposes of this definition shall be deemed to be based upon the synthetic fixed interest rate under the Qualified Agreement, without giving any regard to fees and expenses incurred in connection with the purchase of a liquidity facility. If the Issuer has entered into a Qualified Agreement with respect to certain Bonds Outstanding hereunder or to be issued hereunder which have a fixed rate of interest, the interest coming due on such Bonds for purposes of this definition shall be deemed to be based upon the assumptions described above for Variable Rate Bonds, without giving any regards to fees and expenses incurred in connection with the purchase of a liquidity facility. For purposes of this definition the Bond Service Requirement for Balloon Indebtedness shall be determined assuming such debt is amortized over 25 years at approximately level annual debt service.

“Bond Year” shall mean the period commencing on October 2 of the preceding year and ending twelve months later on October 1.

“Bonds” shall mean (i) the Series 2012 Bonds herein authorized to be issued, and (ii) any Additional Parity Obligations issued hereafter in accordance with the provisions hereof.

“Capital Appreciation Bonds” shall mean the aggregate principal amount of the Bonds that bear interest payable solely at maturity or upon redemption prior to maturity in the amounts

determined by reference to the Accreted Value, all as shall be determined by Supplemental Resolution of the Issuer. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

“Capital Appreciation Income Bonds” shall mean those Bonds initially issued as Capital Appreciation Bonds and which become Serial Bonds when the original issue amount and the Accreted Value equals \$5,000 principal amount or an integral multiple thereof as determined by Supplemental Resolution of the Issuer.

“Chief Financial Officer” shall mean the Finance Director of the Issuer, or any assistant or deputy Finance Director of the Issuer.

“City Attorney” shall mean the City Attorney of the Issuer, or any assistant or deputy City Attorney of the Issuer.

“City Clerk” shall mean the City Clerk of the Issuer, or any assistant or deputy City Clerk of the Issuer.

“City Council” shall mean the City Council of the Issuer.

“City Administrator” shall mean the City Administrator of the Issuer, or any assistant or deputy City Administrator of the Issuer.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

“Connection Fees” shall mean the charges imposed on those connecting to the System for the actual cost of physically connecting into the System; provided, however, that “Connection Fees” shall not include impact fees.

“Construction Fund” shall mean the Construction Fund created and established pursuant to Section 14 of this Resolution.

“Contributions in Aid of Construction” shall mean any amount or item of money, services, or property received by the Issuer, any portion of which is provided at no cost to the System, which represents an addition or transfer to the capital of the System, and which is utilized to offset the acquisition, improvement or construction costs of the System.

“Cost of Operation and Maintenance” of the System shall mean the then current expenses, paid or accrued, in the operation, maintenance and repair of the System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, general administrative and indirect labor costs, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include capital expenditures, any reserve for renewals and replacements, any allowance for depreciation, any Bond Service Requirement, costs associated with issuing Bonds or any other indebtedness hereunder, any payments in lieu of taxes, franchise fees or other transfers.

“Credit Facility” or “Credit Facilities” shall mean either individually or collectively, as appropriate, any bond insurance policy, surety bond, letter of credit, line of credit, guaranty or other instrument or instruments that would enhance the credit of the Bonds.

“Credit Facility Issuer” or “Credit Facility Issuers” shall mean the provider or providers of a Credit Facility or Credit Facilities.

“Direct Subsidy Bonds” means any Series of Bonds designated by the Issuer under and pursuant to Section 54AA of the Code or any successor provision thereto for which either (1) the Issuer receives direct subsidy payments in an amount equal to a percentage of the interest paid on such bond, or (2) the holder of such bond receives a tax credit in an amount equal to a percentage of the interest paid on such bond.

“Direct Pay Subsidies” means payments received by the Issuer from the United States Treasury or the Internal Revenue Service with respect to Direct Subsidy Bonds pursuant to Section 54AA or 6431 of the Code, as such Sections may be expanded or modified from time to time.

“Expansion Percentage” with respect to the Sewer System shall mean that number, expressed as a percentage, which represents that portion of the total cost of any Project or Projects financed from the proceeds of a particular Series of Bonds which is attributable to any improvements, extensions and additions to the Sewer System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the Sewer System, whether actual or anticipated, created by new users connecting to the Sewer System, as shall be determined by the Consulting Engineers and set forth in a certificate relating to such Project.

“Expansion Percentage” with respect to the Water System shall mean that number, expressed as a percentage, which represents that portion of the total cost of any Project or Projects financed from the proceeds of a particular Series of Bonds which is attributable to any improvements, extensions and additions to the Water System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the Water System, whether actual or anticipated, created by new users connecting to the Water System, as shall be determined by the Consulting Engineers and set forth in a certificate relating to such Project.

“FDEP” shall mean the Florida Department of Environmental Protection.

“Federal Securities” shall mean direct obligations of the United States of America and obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. Federal Securities shall also include direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities and the interest component of Resolution Funding Corp. (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form.

With respect to any Series of Bonds, the definition of Federal Securities set forth above may be further limited as set forth in a Supplemental Resolution of the Issuer adopted prior to the issuance of such Bonds.

“Financial Advisor” shall mean First Southwest Company, or any other financial advisor appointed from time to time by the Issuer.

“Fiscal Year” shall mean the period commencing on October 1 of each year and ending on the next succeeding September 30 or such other annual period as may be prescribed by law from time to time for the Issuer.

“Fitch” shall mean Fitch Ratings, and any assigns or successors thereto.

“Gross Revenues” or “Revenues” shall mean all income and earnings, including Connection Fees, received by the Issuer or accrued to the Issuer from the ownership, use or operation of the System and all parts thereof, including, without limitation, unencumbered, non-ad valorem special assessments which are not pledged for the repayment of, or as security for, any indebtedness of the Issuer, whether currently outstanding or hereafter issued, other than the Bonds and which are legally available to be used as contemplated hereunder, any Direct Pay Subsidies, if any, received from the United States Treasury relating to Direct Subsidy Bonds or any other interest subsidy or similar payments made by the Federal government, grant monies received by the Issuer as a result of ownership, use or operation of the System, proceeds from the sale or other disposition of the System or any part thereof pursuant to the terms of Section 18(G) hereof, moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms hereof, including any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year and designated by the Issuer as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to this Resolution, except the Rebate Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the Issuer as contemplated in Section 25 hereof, but “Gross Revenues” or “Revenues” shall not include internal services charges, non-ad valorem special assessments which are pledged for the repayment of, or as security for, any indebtedness of the Issuer, whether currently outstanding or hereafter issued, other than the Bonds, condemnation awards or proceeds of insurance received with respect to the System and moneys deposited to the Rate Stabilization Fund from the Surplus Fund, Contributions in Aid of Construction, impact fees or unrealized gains or losses from investments.

“Holder” or “Bondholders” or any similar term shall mean any persons who shall be the registered owner of any outstanding Bonds.

“Insurer” shall mean, with respect to any Series of Bonds, such Person as shall be insuring or guaranteeing the scheduled payment of principal of and interest on such Series of Bonds, when due.

“Interest Account” shall mean the special account of the same name created within the Bond Service Fund.

“Interest Date” or “interest payment date” shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided in the Bonds themselves.

“Issuer” or “City” shall mean the City of Tavares, Florida.

“Maximum Bond Service Requirement” shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirement for the then current or any future Bond Year, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments which were to be made in prior Bond Years.

“Mayor” shall mean the Mayor or the Vice Mayor of the Issuer.

“Moody’s” or “Moody’s Investors Service” shall mean Moody’s Investors Services, Inc., and any assigns or successors thereto.

“Net Revenues” of the System shall mean the Gross Revenues or Revenues, after deduction of the Cost of Operation and Maintenance.

“Option Bonds” shall mean Bonds subject to tender for payment prior to their maturity at the option of the Holder thereof.

“Outstanding” or “Bonds Outstanding” shall mean all Bonds which have been issued pursuant to this Resolution, except:

(i) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(ii) Bonds for the payment or redemption of which cash funds or Acquired Obligations or any combination thereof shall have been theretofore irrevocably set aside in a special account with an escrow agent (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Acquired Obligations, will be sufficient to pay the principal of, interest on and any redemption premium with respect to such Bonds at maturity or upon their earlier redemption; provided that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of this Resolution or irrevocable instructions directing the timely publication of such notice and directing the payment of the principal of and interest on all such Bonds at such redemption dates shall have been given; and

(iii) Bonds which are deemed paid pursuant to this Resolution or in lieu of which other Bonds have been issued under Sections 10 and 12 hereof.

“Parity Contract Obligation” shall mean the net payment obligations of the Issuer arising under a Qualified Agreement, which are calculated on the basis of interest on a notional amount

which may correspond with the principal amount of certain Bonds issued hereunder, or a particular series or maturity thereof, based upon a fixed or a variable rate index or formula, taking into account any like payment obligations of the Qualified Agreement Provider to the Issuer calculated in the same manner. Parity Contract Obligations include only regularly scheduled payments and/or receipts under a Qualified Agreement determined by reference to interest on a notional amount and shall not include any other payments and/or receipts under such Agreement (for example any termination fee, indemnification obligations or other fees payable to the Qualified Agreement Provider).

“Parity Contract Obligation Account” shall mean the special account of the same name created within the Bond Service Fund.

“Paying Agent” shall mean any paying agent for Bonds appointed by or pursuant to a Supplemental Resolution and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to a Supplemental Resolution. Once appointed, no resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of Paying Agent.

“Permitted Investments” shall mean investments permitted by applicable law and the Issuer’s written investment policy, if any, as may be further limited as set forth in a Supplemental Resolution of the Issuer.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

“Pledged Revenues” shall mean (i) the Net Revenues of the System, (ii) the Sewer System Development Charges, (iii) the Water System Development Charges, and (iv) until applied in accordance with this Resolution, the moneys on deposit in the various funds and accounts created pursuant to this Resolution, except (A) for the Rebate Fund, and (B) to the extent moneys on deposit in a subaccount of the Reserve Fund or the Construction Fund shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions hereof.

“Principal Account” shall mean the special account of the same name created within the Bond Service Fund.

“Project” or “Projects” shall mean any actual, proposed or potential acquisition, addition, extension, supplement, or replacement of the System or joint ownership of similar properties or any interest therein or any right to use the capacity from any facilities or services thereof, or any other lawful purpose related to the System, all as determined by the Issuer and in accordance with plans and specifications on file or to be filed with the Issuer.

“2012 Project” shall mean the Project authorized to be financed and/or reimbursed with the proceeds of the Series 2012B Bonds, consisting of the design, permitting, acquisition, construction and reconstruction of a meter replacement program and related capital projects. The costs of the 2012 Project may include any Project Costs.

“Project Costs” shall mean all costs authorized to be paid from the Construction Fund pursuant to Section 16 hereof to the extent permitted under the laws of the State. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of the Issuer related to the System which on the date of this Resolution or in the future shall be permitted to be funded with the proceeds of any Series of Bonds pursuant to the laws of the State.

“Prudent Utility Practice” shall mean, in respect of any particular municipal utility industry, any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of such utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

“Qualified Agreement” means, to the extent from time to time permitted pursuant to law, any contract or contracts entered into in connection with Bonds under which payments are, in whole or in part, based on interest rate, cashflow, or other basis desired by the Issuer, including, without limitation, contracts commonly known as current or forward interest rate swap or swaption agreements and interest rate floors or caps. Notwithstanding anything herein to the contrary, “Qualified Agreement” shall not include goods and service supply contracts.

“Qualified Agreement Provider” means, an entity whose senior long term obligations, other senior long term obligations or claims paying ability or whose payment obligations under a Qualified Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated at the time of execution of such Qualified Agreement either (i) at least as high as “A3” by Moody’s, and “A-” by S&P, or the equivalent thereof by any successor thereto for so long as such rating agency is then maintaining a rating on the Bonds Outstanding, or (ii) any such lower rating categories which each such rating agency then maintaining a rating on the Bonds Outstanding indicates in writing to the Issuer will not, by itself, result in a reduction or withdrawal of its rating on the Bonds Outstanding that is in effect prior to entering into such Qualified Agreement.

“Qualified Independent Consultant” shall mean one or more qualified and recognized independent consultants, having favorable repute, skill and experience with respect to the acts and duties of the Qualified Independent Consultant to be provided to the Issuer, as shall from time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants.

“Rate Stabilization Fund” shall mean the “Rate Stabilization Fund” established pursuant to Section 14 of this Resolution.

“Rebate Amount” means, relating to the Direct Subsidy Bonds or Bonds which are not Taxable Bonds, the excess of the future value, as of a computation date, of all receipts on

nonpurpose investments (as defined in Section 1.148-1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by regulations under the Code implementing Section 148 thereof.

“Rebate Fund” shall mean the City of Tavares Utility System Revenue Bonds Rebate Fund established pursuant to Section 28 hereof.

“Rebate Year” shall mean, with respect to a particular Series of Bonds issued hereunder, a one-year period (or shorter period from the date of issue) that ends at the close of business on the day in the calendar year selected by the Issuer as the last day of a Rebate Year. The final Rebate Year with respect to a particular Series of Bonds issued hereunder, however, shall end on the date of final maturity of that Series of Bonds.

“Record Date” shall mean each date that is on the 15th day of the calendar month immediately preceding an interest payment date on the Bonds.

“Redemption Account” shall mean the special account of the same name created within the Bond Service Fund.

“Refunded Bonds” shall mean all of the Issuer’s Outstanding Water and Sewer Revenue Bonds, Series 2000.

“Refunding Bonds” shall mean that amount of any Series of Bonds, the proceeds of which will be applied to the refunding of any previously issued Bonds.

“Registrar” shall mean any registrar for the Bonds appointed by or pursuant to Supplemental Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution. Once appointed, no resignation or removal of the Registrar shall become effective until a successor has been appointed and has accepted the duties of Registrar.

“Reimbursement Obligation” shall have the meaning set forth in Section 26 hereof.

“Renewal, Replacement and Improvement Fund” shall mean the Renewal, Replacement and Improvement Fund created and established pursuant to Section 14 of this Resolution.

“Reserve Fund” shall mean the Reserve Fund created and established pursuant to Section 14 of this Resolution.

“Reserve Fund Insurance Policy” shall mean an insurance policy or surety bond deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 18(B)(2) hereof.

“Reserve Fund Letter of Credit” shall mean an unconditional irrevocable letter of credit or line of credit (other than a Reserve Fund Insurance Policy) deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 18(B)(2) hereof.

“Reserve Requirement” shall be the lesser of (i) the Maximum Bond Service Requirement with respect to Bonds secured by the Reserve Fund, (ii) 125% of the Average Annual Bond Service Requirement with respect to Bonds secured by the Reserve Fund, or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes with respect to Bonds secured by the Reserve Fund; provided, however, the Issuer may establish by Supplemental Resolution a different Reserve Requirement for a subaccount of the Reserve Fund which secures a Series of Bonds pursuant to Section 18(B)(2) hereof.

“Resolution” shall mean this Resolution, as from time to time may be amended or supplemented by Supplemental Resolution, in accordance with the terms hereof.

“Revenue Fund” shall mean the Revenue Fund created and established pursuant to Section 14 of this Resolution.

“Rule” shall mean Rule 15c2-12 of the Securities and Exchange Commission.

“Serial Bonds” shall mean all of the Bonds other than Term Bonds.

“Series” or “Series of Bonds” or “Bonds of a Series” shall mean all Bonds designated as being of the same Series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to this Resolution.

“Series 2012 Bonds” shall mean collectively the Issuer’s Utility System Refunding Revenue Bonds, Series 2012A and the Issuer’s Utility System Improvement Revenue Bonds, Series 2012B.

“Series 2012A Bonds” shall mean the Issuer’s Utility System Refunding Revenue Bonds, Series 2012A.

“Series 2012B Bonds” shall mean the Issuer’s Utility System Revenue Bonds, Series 2012B.

“Sewer System” shall mean the complete sewer, wastewater and reclaimed water system now owned, operated and maintained by the Issuer and which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

“Sewer System Development Charges” shall mean the impact fees, if any, imposed by the Issuer upon and collected from new users of the Sewer System which represent a pro rata share of the costs of the Sewer System which are attributable to the increased demand such additional connections create upon the Sewer System. With respect to each Series of Bonds, the term “Sewer System Development Charges” in each year shall not include any amounts in excess

of the Bond Service Requirement for such Series of Bonds for such Bond Year multiplied by the Expansion Percentage.

“Sewer System Development Charges Fund” shall mean the Sewer System Development Charges Fund created and established pursuant to Section 14 of this Resolution.

“State” shall mean the State of Florida.

“Standard & Poor’s” or “Standard & Poor’s Corporation” or “S&P” shall mean Standard and Poor’s Ratings Group and any assigns and successors thereto.

“Stormwater System” shall mean the stormwater system operated by the Issuer and which the Issuer is responsible for maintaining, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter owned or used in connection therewith.

“Subordinated Debt” shall mean any obligations payable on a junior, inferior and subordinate basis under Section 18(P) hereof. “Subordinated Debt” shall include, but shall not be limited to, (i) Subordinated Contract Obligations, (ii) payments to a Qualified Agreement Provider pursuant to a Qualified Agreement which the Issuer has designated as Subordinated Debt, (iii) Reimbursement Obligations, and (iv) any other obligations payable from any of the Pledged Revenues on a junior, inferior and subordinate basis to the Bonds.

“Subordinated Debt Service Fund” shall mean the Subordinated Debt Service Fund.

“Supplemental Resolution” shall mean any resolution of the Issuer amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Sections 20 and 21 hereof.

“System” or “Utility System” shall mean, collectively, the Water System, the Sewer System and the Stormwater System of the Issuer. Upon compliance with the provisions of Section 24 hereof, the term “System” may be deemed to include other utility functions added to the System, including, but not limited to, the acquisition, distribution and sale of natural gas, the providing of electricity, the providing of cable television services, the providing of telecommunication services or other utility functions that are authorized from time to time pursuant to the Act and in accordance with Prudent Utility Practice. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interest in properties of the Issuer which the Issuer determines shall not constitute a part of the System for the purpose of this Resolution.

“Taxable Bond” shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income tax purposes or that such interest is subject to federal income taxation. The term “Taxable Bonds” shall not include Direct Subsidy Bonds.

“Term Bonds” shall mean the Bonds other than Serial Bonds which shall be stated to mature on one date, and shall have such Amortization Installments, as shall be determined by Supplemental Resolution of the Issuer.

“Utilities Director” shall mean the Utilities Director of the Issuer, or like position in the organizational chart, or any assistant or deputy Utilities Director of the Issuer.

“Variable Rate Bonds” shall mean obligations issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage at the date of issue for the entire term thereof as shall be determined by Supplemental Resolution of the Issuer.

“Water System” shall mean the complete water system now owned, operated and maintained by the Issuer and which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

“Water System Development Charges” shall mean the impact fees, if any, imposed by the Issuer upon and collected from new users of the Water System which represent a pro rata share of the costs of the Water System which are attributable to the increased demand such additional connections create upon the Water System. With respect to each Series of Bonds, the term “Water System Development Charges” in each year shall not include any amounts in excess of the Bond Service Requirement for such Series of Bonds for such Bond Year multiplied by the Expansion Percentage.

“Water System Development Charges Fund” shall mean the Water System Development Charges Fund created and established pursuant to Section 14 hereof.

The terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms shall refer to this Resolution; the term “heretofore” shall mean before the date of adoption of this Resolution; and the term “hereafter” shall mean after the date of adoption of this Resolution.

Words importing the masculine gender include every other gender. Words importing the singular number include the plural number, and vice versa.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

(A) The Issuer currently owns, operates and maintains the System and derives Gross Revenues, which such revenues are not pledged or encumbered in any manner, except for the payment of the Refunded Bonds and certain Subordinated Debt.

(B) The Issuer is authorized under the Act to issue the Series 2012A Bonds, to refund and legally defease all of the Refunded Bonds.

(C) The Issuer is authorized under the Act to issue the Series 2012B Bonds to reimburse and/or finance the 2012 Project.

(D) In order to modernize the bond covenants, to add the Stormwater System Net Revenues as a portion of the Pledged Revenues, and to achieve debt service savings with respect to the Refunded Bonds, the Issuer finds, determines and declares that it is necessary for the continued preservation of the health, welfare, convenience and safety of the Issuer, its citizens and other users of the System for the Issuer to provide for the issuance of the Series 2012A Bonds in an aggregate principal amount not to exceed \$4,725,000 to refund the Refunded Bonds and to provide for the issuance of the Series 2012B Bonds in an aggregate principal amount not to exceed \$3,000,000.

(E) The principal of and interest and redemption premium on the Bonds and all reserve and other payments contemplated hereunder shall be payable solely from the Pledged Revenues. The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Bonds herein authorized or to make any other payments provided for herein. The Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer or upon any property other than the Pledged Revenues.

(F) The Pledged Revenues should be sufficient to pay all principal of and interest and redemption premium on the Bonds to be issued hereunder, as the same become due, and to make all required deposits or payments required by this Resolution.

SECTION 4. AUTHORIZATION OF THE 2012 PROJECT AND REFUNDING OF REFUNDED BONDS. The Issuer does hereby authorize financing and/or reimbursing of the 2012 Project and the refunding of the Refunded Bonds.

SECTION 5. THIS RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of the Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 6. AUTHORIZATION OF BONDS. Subject and pursuant to the provisions hereof, obligations of the Issuer to be known as "Utility System Revenue Bonds" which may be issued from time to time are hereby authorized to be issued. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined herein or by Supplemental Resolution of the Issuer.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Issuer. The Issuer may issue Bonds which may be secured by a Credit Facility or by a Bond Insurance Policy all as shall be determined by Supplemental Resolution of the Issuer.

SECTION 7. EXECUTION OF BONDS. The Bonds in the form herein below set forth shall be signed by, or bear the facsimile signature of the Mayor and shall be attested by, or bear the facsimile signature of, the City Clerk, and a facsimile of the official seal of the Issuer shall be imprinted on the Bonds, and shall approved as to form and correctness by the City Attorney.

In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if such Person remained in office until such delivery. Any Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Bond, shall be the proper officers to sign such Bonds although, at the date of such Bond, such persons may not have been such officers.

SECTION 8. AUTHENTICATION OF BONDS. Only such of the Bonds as shall have endorsed thereon a certificate of authentication, duly executed by the Registrar, as authenticating agent, shall be entitled to any benefit or security under this Resolution. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such certificate of the Registrar upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The Registrar's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication of all of the Bonds that may be issued hereunder at any one time.

SECTION 9. EXCHANGE OF BONDS. Any Bonds, upon surrender thereof at the designated corporate trust office of the Registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Bondholder, be exchanged for an aggregate principal amount of Bonds of the same Series equal to the principal amount of the Bond or Bonds so surrendered.

The Registrar shall make provision for the exchange of Bonds at the designated corporate trust office of the Registrar.

SECTION 10. NEGOTIABILITY, REGISTRATION AND TRANSFER OF BONDS. The Registrar shall keep books for the registration of and for the registration of transfers of

Bonds as provided in this Resolution. The transfer of any Bonds may be registered only upon such books and only upon surrender thereof to the Registrar together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such registration of transfer, the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Bond, a new Bond or Bonds registered in the name of the transferee, and in an aggregate principal amount equal to the principal amount of such Bond or Bonds so surrendered and of the same Series.

In all cases in which Bonds shall be exchanged, the Issuer shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, a new Bond or Bonds of the same type (for example, Serial Bonds will be exchanged for Serial Bonds and Capital Appreciation Bonds will be exchanged for Capital Appreciation Bonds) and of the same Series in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Registrar. The Issuer or the Registrar may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Bondholder for the privilege of exchanging or registering the transfer of Bonds under the provisions of this Resolution. Neither the Issuer nor the Registrar shall be required to make any such exchange, registration or transfer of Bonds after the Record Date.

SECTION 11. OWNERSHIP OF BONDS. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Bond, and the interest on any such Bonds shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

SECTION 12. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, cause to be executed, and the Registrar shall authenticate and deliver, a new Bond of like date and tenor as the Bond so mutilated, destroyed, stolen or lost (for example, Serial Bonds shall be issued in exchange for Serial Bonds and Capital Appreciation Bonds shall be issued in exchange for Capital Appreciation Bonds) in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer and the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be canceled by the Issuer. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 12 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to

equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder.

SECTION 13. PROVISIONS FOR REDEMPTION. The Bonds may be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by Supplemental Resolution of the Issuer prior to or at the time of sale of such Bonds. The provisions of this Section may be modified as to any Series of Bonds by Supplemental Resolution adopted prior to the issuance thereof.

Notice of such redemption shall, at least thirty (30) days prior to the redemption date, be filed with the Registrar, and mailed by the Registrar on behalf of the Issuer, first class mail, postage prepaid, to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books hereinbefore provided for on the Record Date, but failure to mail such notice to one or more Holders of such Bonds, or any defect therein, shall not affect the validity of the proceedings for such redemption with respect to Holders of Bonds to which notice was duly mailed hereunder and no defect occurred. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of such Bonds, of one maturity are to be called, the distinctive numbers of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Any notice of optional redemption given pursuant to this Section 13 may state that it is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price, plus interest accrued to the redemption date, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price and accrued interest if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Paying Agent to affected Holders of such Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Official notice of redemption having been given as aforesaid, such Bonds or portions of 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 Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any such Bond, there shall be prepared for the Holder a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such partially redeemed Bond. All such Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

SECTION 14. CREATION OF FUNDS. There are hereby created and established the following funds and accounts, which funds and accounts shall be trust funds held by the Issuer for the purposes herein provided and used only in the manner herein provided:

(A) The “City of Tavares Utility System Revenue Fund” (hereinafter sometimes called the “Revenue Fund”) to be held by the Issuer and to the credit of which deposits of Gross Revenues shall be made as required by Section 18(A) hereof.

(B) The “City of Tavares Utility System Bond Service Fund” (hereinafter sometimes called the “Bond Service Fund”) to be held by the Issuer and to the credit of which deposits shall be made as required by Section 18(B)(1) hereof. In such fund there shall be maintained the following accounts: the Principal Account, the Interest Account, the Parity Contract Obligation Account and the Redemption Account.

(C) The “City of Tavares Utility System Reserve Fund” (hereinafter sometimes called the “Reserve Fund”) to be held by the Issuer and to the credit of which deposits shall be made as required by Section 18(B)(2) hereof. In such fund there may hereafter be established subaccounts pursuant to Supplemental Resolution

(D) The “City of Tavares Utility System Subordinated Debt Service Fund” (hereinafter sometimes called the “Subordinated Debt Service Fund”) to be held by the Issuer and to the credit of which deposits shall be made as required by Section 18(B)(3) hereof.

(E) The “City of Tavares Utility Renewal, Replacement and Improvement Fund” (hereinafter sometimes called the “Renewal, Replacement and Improvement Fund”) to be held by the Issuer and to the credit of which deposits shall be made as required by Section 18(B)(4) hereof.

(F) The “City of Tavares Utility System Construction Fund” (hereinafter sometimes called the “Construction Fund”) to be held by the Issuer and to the credit of which deposits shall be made as required by Section 15 hereof. Within such fund there shall be created, established and maintained separate accounts for each Series of Bonds.

(G) The “City of Tavares Utility System Rate Stabilization Fund” (hereinafter sometimes called the “Rate Stabilization Fund”) to be held by the Issuer and to the credit of which deposits may be made as required by Section 18(R) hereof.

(H) The “City of Tavares Utility System Surplus Fund” (hereinafter sometimes called the “Surplus Fund”) to be held by the Issuer and to the credit of which deposits may be made as required by Section 18(B)(5) hereof.

(I) The “City of Tavares Sewer System Development Charges Fund” (hereinafter sometimes called the “Sewer System Development Charges Fund”) to be held by the Issuer and to the credit of which deposits shall be made as required by Section 18(S) hereof.

(J) The “City of Tavares Water System Development Charges Fund” (hereinafter sometimes called the “Water System Development Charges Fund”) to be held by the Issuer and to the credit of which deposits shall be made as required by Section 18(T) hereof.

The Revenue Fund, the Bond Service Fund (including the accounts therein), the Reserve Fund (including any subaccounts that may hereafter be created therein pursuant to Supplemental Resolution), the Renewal, Replacement and Improvement Fund, the Construction Fund, the Rate

Stabilization Fund, the Surplus Fund and any other special funds herein established and created shall be deemed to be held in trust for the purposes provided herein for such funds. The money in all such funds shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State.

The cash required to be accounted for in each of the funds and accounts described in this Section 14 may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such funds and accounts as herein provided. The designation and establishment of the various funds in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the funds, accounts and subaccounts established hereby. Such depository or depositaries shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees. Any such depository shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than fifty million dollars (\$50,000,000).

SECTION 15. APPLICATION OF BOND PROCEEDS. The proceeds, including accrued interest and premium, if any, received from the sale of a Series of the Bonds shall be applied by the Issuer simultaneously with the delivery of such Series of the Bonds to the purchaser thereof, as provided in a resolution adopted at or prior to sale of such Series of the Bonds.

SECTION 16. DISBURSEMENTS FROM CONSTRUCTION FUND. Moneys on deposit from time to time in the Construction Fund shall be used to pay or reimburse the following Project Costs:

(A) Costs incurred directly or indirectly for or in connection with a Project or a proposed or future Project or acquisition including, but not limited to, those for preliminary planning and studies, architectural, construction management services, legal, financial, engineering and supervisory services, labor, services, materials, equipment, accounts receivable, acquisitions, land, rights-of-way, improvements and installation;

(B) Premiums attributable to all insurance required to be taken out and maintained during the period of construction with respect to a Project to be acquired or constructed, the premium on each surety bond, if any, required with respect to work on such facilities, and taxes, assessments and other charges hereof that may become payable during the period of construction with respect to such a Project;

(C) Costs incurred directly or indirectly in seeking to enforce any remedy against a contractor or subcontractor in respect of any default under a contract relating to a Project or costs incurred directly or indirectly in defending any claim by a contractor or subcontractor with respect to a Project;

(D) Financial, legal, accounting, appraisals, title evidence and printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of such Series of Bonds;

(E) Capitalized interest funded from Bond proceeds, if any, for a reasonable period of time;

(F) Any other incidental and necessary costs including without limitation any expenses, fees and charges relating to the acquisition, construction or installation of a Project, and the making of extraordinary repairs, renewals and replacements, decommissioning or retirement of any portion of the System, including the cost of temporary employees of the Issuer retained to carry out duties in connection with the acquisition, construction or erection of a Project and costs related to transition of such Project into ownership by the Issuer;

(G) Costs incurred directly or indirectly in placing any Project in operation in order that completion of such Project may occur;

(H) Costs of acquiring an existing utility system from a Person, including but not limited to the costs relating to any real estate transaction related thereto;

(I) Any other costs relating to the System authorized pursuant to a Supplemental Resolution of the Issuer and permitted under the laws of the State subject to the prior written approval of Bond Counsel; and

(J) Reimbursements to the Issuer for any of the above items hereinbefore paid by or on behalf of the Issuer, to the extent deemed permissible by Bond Counsel and advisable by the Financial Advisor.

Notwithstanding anything else in this Resolution to the contrary, in the case of an Event of Default, the trustee acting for the Holders of Bonds shall, to the extent there are no other available funds held hereunder, use the remaining funds in the each subaccount in the Construction Fund to pay principal and interest on the Series of Bonds to which it was established.

SECTION 17. SPECIAL OBLIGATIONS OF ISSUER. The Bonds and any Parity Contract Obligations shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State, but shall be payable solely from and secured by a lien upon and a pledge of the Pledged Revenues as herein provided. No Holder or Holders of any Bonds issued hereunder or Qualified Agreement Provider shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real or personal property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer.

With respect to any Bonds issued as Direct Subsidy Bonds, Pledged Revenues shall also include Direct Pay Subsidies received by the Issuer, if applicable, with respect to that particular Series of Direct Subsidy Bonds. Notwithstanding anything herein to the contrary, nothing herein shall be deemed to grant or create a lien on any Direct Pay Subsidies received by the Issuer with respect to a particular Series of Direct Subsidy Bonds in favor of the Bondholders of any other Series of Bonds.

The payment of principal of and interest on the Bonds and any Parity Contract Obligations shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Bondholders and any Qualified Agreement Provider (to the extent set forth in the related Qualified Agreement) an irrevocable lien on the Pledged Revenues, prior and superior to all other liens or encumbrances on such Pledged Revenues and the Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of, redemption premium, if any, and interest on the Bonds and any Parity Contract Obligations, for the reserves therefor and for all other payments required hereunder. Such amounts hereby pledged and assigned shall immediately be subject to the lien of this pledge without any further physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof.

SECTION 18. COVENANTS OF THE ISSUER. For so long as any of the principal of and interest on any of the Bonds or Qualified Agreements shall be outstanding and unpaid or until the Issuer has made provision for payment of principal, interest and redemption premiums, if any, with respect to the Bonds and payment pursuant to any Qualified Agreements, as provided herein, the Issuer covenants with the Holders of any and all Bonds as follows:

(A) Revenue Fund. All Gross Revenues of the System shall, upon receipt thereof, be deposited in the Revenue Fund. All deposits into such Revenue Fund shall be deemed to be held in trust for the purposes herein provided and used only for the purposes and in the manner herein provided.

(B) Disposition of Revenues. All amounts on deposit in the Revenue Fund after payment of Cost of Operation and Maintenance shall be disposed of monthly, but not later than the twenty-fifth (25th) day of each month commencing in the month immediately following the delivery of the first Series of Bonds issued hereunder only in the following manner and the following order of priority:

(1) The Issuer shall first deposit into the Bond Service Fund and credit to the following accounts, in the following order (except that payments into the Interest Account and the Parity Contract Obligations Account shall be on parity with each other, and the payments into the Principal Account and the Redemption Account shall be on a parity with each other), the following identified sums:

(a) Interest Account: Taking into account actual and anticipated earnings in the Interest Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Outstanding Bonds, on the next interest payment date;

provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within such Interest Account is sufficient for such purpose. In the event the Issuer has issued Variable Rate Bonds pursuant to the provisions hereof, Net Revenues shall be deposited at such other or additional times and amounts as necessary to pay any interest coming due on such Variable Rate Bonds on the next interest payment date, all in the manner provided in a Supplemental Resolution of the Issuer. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such Series. Moneys in the Interest Account may be used only for the purposes set forth in this paragraph (a). Deposits required pursuant to the foregoing shall be increased or decreased each month to the extent required to timely pay interest next becoming due and payable after making allowance for any accrued and capitalized interest, and to make up any deficiency or loss that may otherwise arise in such fund or account.

(b) Parity Contract Obligations Account: Taking into account the actual and anticipated earnings in the Parity Contract Obligations Account in the Bond Service Fund within the current Bond Year, a pro rata estimated amount necessary to build up over time the amount of any Parity Contract Obligation which will next be due and payable or reasonably expected to be due and payable under any Qualified Agreement on the next payment date thereunder; provided, however, that the monthly amount to be so deposited may be adjusted, as appropriate, to reflect the frequency of payment dates thereunder (for example, if such Parity Contract Obligations are required to be paid semi-annually, the Issuer shall be required to deposit monthly an amount which is estimated to equal one-sixth (1/6th) of the next such payment). Moneys in the Parity Contract Obligations Account may be used only for the purposes set forth in this paragraph (b). Deposits required pursuant to the foregoing shall be increased or decreased each month to the extent required to timely pay Parity Contract Obligations next becoming due and payable and to make up any deficiency or loss that may otherwise arise in such fund or account.

(c) Principal Account: Taking into account actual and anticipated earnings in the Principal Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of the principal amount of the Outstanding Bonds which will mature and become due on such annual maturity dates beginning the month which is twelve (12) months prior to the first principal maturity date; provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series. Moneys in the Principal Account may be used only for the purposes set forth in this paragraph (c). Deposits required pursuant to

the foregoing shall be increased or decreased each month to the extent required to timely pay principal next becoming due and payable and to make up any deficiency or loss that may otherwise arise in such fund or account.

(d) Redemption Account: Taking into account actual and anticipated earnings in the Redemption Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such annual maturity date beginning the month which is twelve (12) months prior to the first Amortization Installment date; provided, however, that monthly deposits into the Redemption Account, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting Amortization Installments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Amortization Installments applicable to such Series. The moneys in the Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The Issuer may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the Issuer may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. If Term Bonds are so purchased by the Issuer, the Issuer shall credit the account of such purchased Term Bonds against any current Amortization Installment to be paid by the Issuer. If the Issuer shall purchase or call for redemption in any year Term Bonds in excess of the Amortization Installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the Issuer shall determine. Moneys in the Redemption Account in the Debt Service Fund may be used only for the purposes set forth in this paragraph (d). Deposits required pursuant to the foregoing shall be increased or decreased each month to the extent required to timely pay Amortization Installments next becoming due and payable and to make up any deficiency or loss that may otherwise arise in such fund or account.

(2) To the extent that the amounts on deposit in the Reserve Fund are less than the applicable Reserve Requirement, the Issuer shall next make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all required current payments for Cost of Operation and Maintenance as set forth above and all current applications and allocations to the Bond Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal from the Reserve Fund, in no event shall the Issuer be required to deposit into the Reserve Fund an amount greater than that amount necessary to ensure that the difference between the Reserve Requirement and the amounts on deposit in the Reserve Fund on the date of calculation shall be restored not

later than sixty (60) months after the date of such deficiency (assuming equal monthly payments into the Reserve Fund for such sixty (60) month period).

Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as herein provided, the Issuer may, on the date of delivery of such Additional Parity Obligations, increase the sum required to be accumulated and maintained on deposit in the Reserve Fund to be at least equal to the Reserve Requirement on all Outstanding Bonds secured by such Reserve Fund including the Additional Parity Obligations then issued. Such required sum may be paid in full or in part from the proceeds of such Additional Parity Obligations or may be accumulated in equal monthly payments to the Reserve Fund over a period of months from the date of issuance of the Additional Parity Obligations, which shall not exceed the greater of (a) twelve (12) months, or (b) the number of months for which interest on such Additional Parity Obligations has been capitalized, as determined by the applicable Supplemental Resolution. In the event moneys in the Reserve Fund are accumulated as provided above, (i) the amount in said Reserve Fund on the date of delivery of the Additional Parity Obligations shall not be less than the Reserve Requirement on all Bonds Outstanding secured by such Reserve Fund (excluding the Additional Parity Obligations) on such date, and (ii) the incremental difference between the Reserve Requirement on all Bonds Outstanding secured by such Reserve Fund (excluding the Additional Parity Obligations) on the date of delivery of the Additional Parity Obligations and the Reserve Requirement on all such Bonds and the Additional Parity Obligations shall be twenty-five percent (25%) funded upon delivery of the Additional Parity Obligations.

Notwithstanding anything herein to the contrary, the Issuer may also establish a separate subaccount in the Reserve Fund for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Fund, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Fund. Moneys in a separate subaccount of the Reserve Fund shall be maintained at the Reserve Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate subaccount of the Reserve Fund at such level as the Issuer deems appropriate. Moneys shall be deposited in the separate subaccounts in the Reserve Fund on a pro-rata basis.

Notwithstanding the foregoing, in lieu of or in substitution for the required deposits into the Reserve Fund, the Issuer may cause to be deposited into the Reserve Fund a Reserve Fund Insurance Policy and/or a Reserve Fund Letter of Credit in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the Reserve Fund plus the amounts to be deposited therein pursuant to the preceding paragraph.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Fund Letter of Credit or Reserve Fund Insurance Policy by executing and delivering a reimbursement agreement therefore which evidences a Reimbursement Obligation;

provided, however, any reimbursement agreement (1) shall not be or create a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of the Issuer, and (2) shall be payable or obligate the Issuer to pay solely from the Pledged Revenues in a manner which is not inconsistent with the terms hereof.

Notwithstanding anything herein to the contrary, Reimbursement Obligations relating to a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit for any fees, expenses, claims or draws upon such Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall be subordinate to the payment of debt service on the Bonds and to the payment of any Parity Contract Obligations. The right of the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit to payment of reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Fund, and its right to reimbursement for claims or draws shall be prior to the replenishment of the cash drawn from the Reserve Fund.

If any Reserve Fund Letter of Credit or Reserve Fund Insurance Policy shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Fund over a period not to exceed twelve (12) months during which it shall make consecutive equal monthly payments in order that the amount on deposit in the Reserve Fund shall equal the Reserve Requirement; provided, the Issuer may obtain a new Reserve Fund Letter of Credit or a new Reserve Fund Insurance Policy in lieu of making the payments required by this paragraph.

Moneys in the Reserve Fund and subaccounts therein shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Outstanding Bonds secured thereby when the other moneys allocated to the Bond Service Fund are insufficient therefor, and for no other purpose.

Permitted Investments on deposit in the Reserve Fund shall be valued at fair value pursuant to generally accepted accounting principles at least annually. In the event of the refunding of any Series of Bonds, the Issuer may withdraw from the Reserve Fund or subaccount securing such Series, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the resolution authorizing the refunding of such Series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the Reserve Fund after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Bonds then Outstanding which are secured thereby.

(3) From the moneys remaining in the Revenue Fund, the Issuer shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the resolution or agreement of the Issuer authorizing such Subordinated Debt, but for no other purposes.

(4) The Issuer shall next apply and deposit monthly from the moneys remaining on deposit in the Revenue Fund into the Renewal, Replacement and

Improvement Fund, an amount at least equal to one-twelfth (1/12th) of five percent (5%) of the Gross Revenues received during the immediately preceding Fiscal Year, or such other amount as is recommended by a Qualified Independent Consultant. The moneys in the Renewal, Replacement and Improvement Fund shall be used only for the purpose of paying the cost of extraordinary repairs, extensions, enlargements or additions to, or the replacement of capital assets of the System or emergency repairs thereto. Funds on hand in the Renewal, Replacement and Improvement Fund may be used to pay current Cost of Operation and Maintenance to the extent moneys on deposit in the Revenue Fund are insufficient for such purposes. The moneys on deposit in such fund may also be used to supplement the Reserve Fund, if necessary, in order to prevent a default in the payment of the principal and interest on the Bonds.

(5) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made shall be deposited into the Surplus Fund and may be used for any lawful purpose of the Issuer; provided, however, that none of such moneys shall be used for any purposes other than those hereinabove specified unless all current payments, including any deficiencies for prior payments, have been made in full and unless the Issuer shall have complied fully with all the covenants and provisions of this Resolution.

(C) Investments. Moneys in any fund or account created hereunder may be invested and reinvested in Permitted Investments which mature not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. All income on such investments, except as otherwise provided, shall be deposited in the respective funds and accounts from which such investments were made and be used for the purposes thereof unless and until the maximum required amount (or, with respect to the Construction Fund, the amount required to acquire, construct and erect the Project) is on deposit therein, and thereafter shall be deposited in the Revenue Fund.

In determining the amount of any of the payments required to be made pursuant to this Section 18(C), credit may be given for all investment income accruing to the respective funds and accounts described herein, except as otherwise provided.

(D) Operation and Maintenance. The Issuer will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

(E) Rate Covenant. The Issuer will fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide, Net Revenues in each Fiscal Year sufficient to pay one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.

In addition to compliance with the paragraph above, Net Revenues in each Fiscal Year shall also be sufficient to provide one hundred percent (100%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, any amounts required by the terms hereof

to be deposited into the Reserve Fund (including any subaccount therein) or with any Credit Facility Issuer as a result of a withdrawal from the Reserve Fund (including any subaccount therein), the Renewal, Replacement and Improvement Fund and debt service on other obligations payable from the Net Revenues of the System, and other payments, and all allocations and applications of revenues herein required in such Fiscal Year.

Net Revenues shall not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by this Resolution.

(F) Books and Accounts; Audit. The Issuer shall keep proper books, records and accounts, separate and apart from all other records and accounts, showing correct and complete entries of all transactions of the System, and the Holders of any of the Bonds or any duly authorized agent or agents of such Holders shall have the right at any and all reasonable times to inspect such books, records and accounts.

Copies of each such audit report shall be placed on file with the Issuer and be made available at reasonable times for inspection by Holders of the Bonds.

(G) Disposition of System. The System may be sold or otherwise disposed of as a whole or substantially as a whole, only if the net proceeds to be realized, together with other moneys available for such purpose, shall be sufficient to fully retire all of the Outstanding Bonds issued pursuant to this Resolution and all interest thereon to their respective dates of maturity or earlier redemption dates and to make any termination payments required under any Qualified Agreement. The proceeds from such sale or other disposition of the System shall immediately be deposited first in the Bond Service Fund and then in the Subordinated Debt Service Fund and shall be used only for the purpose of paying Parity Contract Obligations, and paying the principal of and interest on the Bonds and Subordinated Debt as the same shall become due, or the redemption of callable Bonds and Subordinated Debt, or the purchase of Bonds and Subordinated Debt at a price not greater than the redemption price of said Bonds and Subordinated Debt, or, if the Bonds or Subordinated Debt are not then redeemable prior to maturity, at prices not greater than the redemption price of such Bonds or Subordinated Debt on the next ensuing redemption date.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease, exchange or otherwise dispose of any of the tangible property or ownership interest in tangible property comprising a part of the System in the following manner, if any one of the following conditions exist: (a) such property is not necessary for the operation of the System or (b) such property is not useful in the operation of the System or (c) such property is not profitable in the operation of the System.

Prior to any sale, lease, exchange or other disposition of said property:

(1) if the amount to be received therefor is not in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the System, the officer of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought, may determine

that such property comprising a part of such System is either no longer necessary, useful or profitable in the operation thereof.

(2) if the amount to be received therefor is in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the System, the officer of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought and the Utilities Director shall each first make a finding in writing determining that such property comprising a part of such System is either no longer necessary, useful or profitable in the operation thereof, and the Issuer shall, by resolution duly adopted, approve and concur in the finding of such authorized officer and the Utilities Director.

The net proceeds realized from such disposal of a part of the System shall be deposited in the Renewal, Replacement and Improvement Fund to the extent necessary to make the amount on deposit therein equal to the amount then required to be on deposit therein; and any additional moneys not needed for said fund shall be used for any capital expenditures in connection with the System or the purchase or redemption of Outstanding Bonds.

Notwithstanding any other provision of this Section 18(G) or this Resolution to the contrary, except for the initial paragraph of this Section 18(G), the Issuer may sell, lease, exchange or otherwise dispose of tangible property or an ownership interest in tangible property comprising a part of the System provided the duly authorized officer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought, and the Qualified Independent Consultant each make a finding in writing, adopted and confirmed by resolution of the Issuer, determining that (i) such sale, lease, exchange or other disposition will not materially impair or restrict the Issuer's ability to realize Gross Revenues in compliance with the requirements therefor as set forth herein, and (ii) such sale, lease, exchange or other disposition is in the economic best interests of the Issuer.

Notwithstanding any other provision of this Section 18(G) or this Resolution to the contrary, the Issuer may transfer ownership and/or operation of all or a portion of the System to any public body authorized by the laws of the State to own and/or operate such System on an installment sale basis provided that the Issuer (i) has received an opinion of Bond Counsel stating the federal income tax exemption of the interest on the Bonds (not including taxable Bonds) will not be affected and has received an opinion of Bond Counsel stating that such sale is not prohibited by any applicable Florida law, and (ii) the Issuer adopts a resolution to the effect that, based upon such certificates and opinions of its independent certified public accountants, Bond Counsel, Financial Advisor or other Qualified Independent Consultant as the Issuer shall deem necessary, desirable or appropriate, such transfer will not materially adversely affect the rights of the Holders of the Bonds.

(H) Insurance. The Issuer shall provide protection for the System both in accordance with the requirements of all agreements, if any, to which the Issuer may at the time be a party with respect to joint ownership of properties by the Issuer with others which is part of the System, and in accordance with Prudent Utility Practice. Said protection may consist of insurance, self insurance and indemnities. The Issuer will keep, or cause to be kept, the works, plants and facilities comprising the properties of the System insured, and will carry such other

insurance against fire and other risks, accidents or casualties at least to the extent and of the kinds that insurance is usually carried by utilities operating like properties. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the Issuer and may provide for such deductibles, exclusions, limitations, restrictions, and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the System. Any self insurance shall be in the amounts, manner and of the type provided by entities operating properties similar to the properties of the System. In the event of any loss or damage to the System covered by insurance, the Issuer will, with respect to each such loss, promptly repair, reconstruct or replace the parts of the System affected by such loss or damage to the extent necessary to the proper conduct of the operation of the business of the System in accordance with Prudent Utility Practice, shall cause the proceeds of such insurance to be applied for that purpose to the extent required therefor, and pending such application, shall hold the proceeds of any insurance policy covering such damage or loss in trust to be applied for that purpose to the extent required therefor. Any excess insurance proceeds received by the Issuer may be used by the Issuer for any lawful purpose. Notwithstanding the foregoing or any provisions of this Resolution to the contrary, the Issuer shall not be required to maintain insurance with respect to facilities for which insurance shall not be available at reasonable cost or for facilities which, in accordance with Prudent Utility Practice, are not customarily insured.

(I) No Free Service. So long as any Bonds are outstanding, the Issuer shall not furnish or supply the facilities, services and commodities of the System either free of charge or for a nominal charge to any person, firm or corporation, public or private, including the Issuer's departments, agencies and instrumentalities which avail themselves of the services of the System. The Issuer shall promptly enforce the payment of any and all accounts owing to the Issuer and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

(J) Mandatory Cut Off. The Issuer shall establish a written policy consistent with sound business judgment for the disconnection from the System of any customer who fails to pay for services rendered by the System, and shall enforce such policy diligently and fairly.

(K) Enforcement of Collections. The Issuer will diligently enforce and collect the rates, fees and other charges for the services and facilities of the System and will take all steps, actions and proceedings for the enforcement and collection of such rates, charges and fees as shall become delinquent to the full extent permitted or authorized by law; and will maintain accurate records with respect thereof. All such fees, rates, charges and revenues shall, as collected, be held in trust to be applied as herein provided.

(L) Operating Budget. The Issuer shall annually, prior to commencement of each of its Fiscal Years, prepare and adopt a budget of the estimated expenditures for the operation and maintenance of the System during such next succeeding Fiscal Year. The Issuer shall mail copies of such annual budgets (including any amendments thereto) to any Holder or Holders of Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets be furnished him and shall make available such budgets of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders. Bondholders shall pay reasonable actual cost of printing and mailing of such copies.

(M) Mandatory Connections; No Competing System. So long as service is in fact available as reasonably determined by the Issuer, the Issuer will, to the full extent permitted by law, require all lands, buildings and structures within the area being served by the System, to connect with and use such facilities within one year after notification. To the extent permitted by law, the Issuer will not grant a franchise for the operation of any competing utility system or systems within the area served by the System until all Bonds issued hereunder, together with the interest thereon, and premium, if any, have been paid in full. Notwithstanding the foregoing, the Issuer shall not be required to duplicate services being provided by private or public utilities in the area being served by such private or public utilities on the date of issuance of the first Series of Bonds hereunder. In addition, the Issuer shall not be prohibited from allowing other private or public utilities to provide services within the area being served by the System, if the Issuer shall not be providing such service in such area on that date. Nothing herein shall be deemed to constitute the approval of the Issuer for any private or public utility (other than the System) to provide any services within the boundaries of the Issuer or within the area being served by the System or within any other area of the Issuer.

(N) Supervisory Personnel. The Issuer, in operating the System, will employ or designate, as manager, one or more of its qualified employees, or an independent contractor, who have demonstrated ability and experience in operating similar facilities, and will require all such employees or independent contractors, as the case may be, who may have possession of money derived from the operation of the System to be covered by a fidelity bond, written by a responsible indemnity company in amounts fully adequate to protect the Issuer from loss.

(O) Payment of Taxes, Assessments and Other Claims. The Issuer shall from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the properties constituting the System or the Gross Revenues when the same shall become due, as well as all lawful claims for labor and materials and supplies which, if not paid, might become a lien or charge upon such properties or any part thereof, or upon the Gross Revenues or which might in any way impair the security of the Bonds, except assessments, charges or claims which the Issuer shall in good faith contest by proper legal proceedings.

(P) Issuance of Other Obligations. The Issuer shall issue no bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Bonds or any Parity Contract Obligations with respect to payment or lien, nor shall the Issuer create or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds and any Parity Contract Obligations upon said Pledged Revenues except for Additional Parity Obligations under the conditions and in the manner provided herein. Any obligations of the Issuer, other than the Bonds and any Parity Contract Obligations, which are payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds and any Parity Contract Obligations as to lien on and source and security for payment from such Pledged Revenues.

(Q) Issuance of Additional Parity Obligations. No Additional Parity Obligations shall be issued after the issuance of the Series 2012 Bonds herein authorized, except upon the conditions and in the manner hereinafter provided:

(1) There shall have been obtained and filed with the Clerk a certificate of the Chief Financial Officer stating: (a) that the books and records of the Issuer relative to the System and the Net Revenues have been reviewed by the Director of Finance; and (b) that the amount of the Net Revenues derived for any consecutive twelve (12) months out of the preceding thirty (30) months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as provided in paragraphs (2), (3), (4), (5) and/or (6) below, is equal to and not less than 120% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Qualified Independent Consultants, the Net Revenues certified pursuant to (b) in the previous paragraph may be adjusted for purposes of this Section 18(Q) by including: (a) 100% of the additional Net Revenues which in the opinion of the Qualified Independent Consultant would have been derived by the Issuer from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been adopted before the issuance of the Additional Parity Obligations, and (b) 100% of the additional Net Revenues estimated by the Qualified Independent Consultant to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(3) Upon recommendation of the Qualified Independent Consultants, if the Additional Parity Obligations are to be issued for the purpose of acquiring an existing water system and/or sewer system and/or any other utility system in accordance with Section 24 hereof, the Net Revenues certified pursuant to Section 18(Q)(1)(b) may be adjusted by including: 100% of the additional estimated Net Revenues which in the written opinion of the Qualified Independent Consultants will be derived from the acquired facilities during the first full 12-month period after the issuance of such Additional Parity Obligations (the Qualified Independent Consultants' report shall be based on the actual operating revenues of the acquired utility for a recent 12-month period adjusted to reflect the Issuer's ownership and the Issuer's rate structure in effect with respect to the System at the time of the issuance of the Additional Parity Obligations).

(4) Upon recommendation of the Qualified Independent Consultants, if the number of connections as of the first day of the month in which the proposed Additional Parity Obligations are to be issued exceeds the average number of such connections during such twelve (12) consecutive month period, then the Net Revenues certified pursuant to Section 18(Q)(1)(b) may be adjusted to include the Net Revenues which would have been received in such twelve (12) consecutive months if those additional connections had also been connected to the System during all of such twelve (12) consecutive months.

(5) Upon recommendation of the Qualified Independent Consultant, if the Issuer shall have entered into a contract, which contract shall be for a duration of not less

than the final maturity of the proposed Additional Parity Obligations, with any public body, whereby the Issuer shall have agreed to furnish services for the collection, treatment or disposal of sewage or agreed to furnish services in connection with any water system or any other utility system, then the Net Revenues certified pursuant to Section 18(Q)(1)(b) may be increased (to the extent such amounts were not reflected in such Net Revenues) by the minimum amount which the public body shall guarantee to pay in any one year for the furnishing of services by the Issuer, after deducting from such payment the estimated Cost of Operation and Maintenance attributable in such year to such services.

(6) Upon recommendations of the Qualified Independent Consultants, if there is an estimated increase in Net Revenues to be received by the Issuer as a result of additions, extensions or improvements to the System during the period of three (3) years following the completion of such additions, extensions or improvements financed with the proceeds of Bonds or Additional Parity Obligations, then the Net Revenues derived from the System certified pursuant to Section 18(Q)(1)(b) may be increased by fifty percent (50%) of the average annual additional Net Revenues calculated for such three year period.

(7) The Issuer need not comply with the provisions of paragraph (1) of this Section 18(Q) if and to the extent the Additional Parity Bonds to be issued are refunding bonds, if the Issuer shall cause to be delivered a certificate of the Chief Financial Officer of the Issuer setting forth the Maximum Annual Debt Service Requirement (i) for the Bonds then Outstanding and (ii) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Maximum Annual Debt Service Requirement pursuant to (ii) above is not greater than that set forth pursuant to (i) above.

(8) The Issuer need not comply with the provisions of paragraph (1) of this Section 18(Q) if and to the extent the Bonds to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the System ("Completion Bonds") if originally financed with the proceeds of Bonds; provided that such Completion Bonds for which the Issuer need not comply with the provision of such paragraph (1) of this Section 18(Q) may not exceed 10% of the total principal amount of Bonds estimated to be required for such improvements to the System at the time of issuance of the initial Series of Bonds to finance such improvements.

(9) The Chief Financial Officer shall have certified that the Issuer is not in default in the carrying out of any of the obligations assumed under this Resolution and no event of default shall have occurred under this Resolution and shall be continuing, and all payments required by this Resolution to be made into the funds and accounts established hereunder shall have been made to the full extent required.

(10) The Supplemental Resolution authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained herein will be applicable to such Additional Parity Obligations.

(11) Notwithstanding anything herein to the contrary, no Additional Parity Obligations shall be issued if an Event of Default would continue beyond such issuance.

(R) Rate Stabilization Fund. The Issuer may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Surplus Fund as it deems appropriate. The Issuer may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Parity Contract Obligation Account, the Principal Account and the Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due and to pay any Parity Contract Obligations.

(S) Sewer System Development Charges. All Sewer System Development Charges, if any, shall be deposited into the Sewer System Development Charges Fund. All moneys remaining on deposit in such fund shall be utilized on or before the 26th day of each month, as follows:

(1) Such moneys shall, in the case of a deficiency in the Bond Service Fund, first be applied and allocated to the Bond Service Fund to supplement other Pledged Revenues to be deposited therein or in substitution of other Pledged Revenues to be deposited therein.

(2) Thereafter, all moneys in the Sewer System Development Charges Fund may be applied by the Issuer for any use allowed by law.

Notwithstanding any provision of this Resolution to the contrary, the amount of Sewer System Development Charges used for the payment of principal of, redemption premium, if any, and interest on any Series of Bonds in any Bond Year shall never exceed the maximum amount permitted by law.

(T) Water System Development Charges. All Water System Development Charges, if any, shall be deposited into the Water System Development Charges Fund. All moneys remaining on deposit in such fund shall be utilized on or before the 26th day of each month, as follows:

(1) Such moneys shall, in the case of a deficiency in the Bond Service Fund, first be applied and allocated to the Bond Service Fund to supplement other Pledged Revenues to be deposited therein or in substitution of other Pledged Revenues to be deposited therein.

(2) Thereafter, all moneys in the Water System Development Charges Fund may be applied by the Issuer for any use allowed by law.

Notwithstanding any provision of this Resolution to the contrary, the amount of Water System Development Charges used for the payment of principal of, redemption premium, if any, and interest on any Series of Bonds in any Bond Year shall never exceed the maximum amount permitted by law.

SECTION 19. DEFAULTS; EVENTS OF DEFAULT AND REMEDIES. Except as provided below, if any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default:"

(A) Default in the due and punctual payment of any interest on the Bonds;

(B) Default in the due and punctual payment of the principal of and premium, if any, on any Bond, at the stated maturity thereof, or upon proceedings for redemption thereof;

(C) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in this Resolution or in the Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Issuer given by the Holders of not less than twenty-five percent (25%) of aggregate principal amount of Bonds then Outstanding (provided, however, that with respect to any obligation, covenant, agreement or condition which requires performance by a date certain, if the Issuer performs such obligation, covenant, agreement or condition within thirty (30) days of written notice as provided above, the default shall be deemed to be cured);

(D) Failure by the Issuer promptly to remove any execution, garnishment or attachment of such consequence as will materially impair its ability to carry out its obligations hereunder; or

(E) Any act of bankruptcy or the rearrangement, adjustment or readjustment of the obligations of the Issuer under the provisions of any bankruptcy or moratorium laws or similar laws relating to or affecting creditors' rights.

The term "default" shall mean default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Resolution, any Supplemental Resolution or in the Bonds, exclusive of any period of grace required to constitute a default or an "Event of Default" as hereinabove provided.

Notwithstanding the foregoing, the occurrence of any default under a Qualified Agreement, including without limitation failure on the part of the Issuer to pay Parity Contract Obligations or to pay a termination fee under a Qualified Agreement, shall not be construed as or deemed to constitute an "Event of Default" hereunder; rather, such occurrence shall be remedied pursuant to such Qualified Agreement and applicable legal and equitable principles taking into account the parity status as to lien on Pledged Revenues which the counterparty to such Qualified Agreement enjoys as to Parity Contract Obligations only, relative to that of the Bondholders and their rights to payments hereunder.

For purposes of Section 19(A) and (B) hereof, no effect shall be given to any payments made under any Bond Insurance Policy.

Any Holder of Bonds issued under the provisions hereof or any trustee acting for the Holders of such Bonds may, either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under State or federal law, or

granted and contained herein, and may enforce and compel the performance of all duties required herein or by any applicable law to be performed by the Issuer or by any officer thereof.

Nothing herein, however, shall be construed to grant to any Holder of the Bonds any lien on any property of the Issuer, except the Pledged Revenues.

The foregoing notwithstanding:

(i) No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder.

(ii) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient.

(iii) No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

(iv) Acceleration of the payment of principal of and interest on the Bonds shall not be a remedy hereunder in the case of an Event of Default.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Bondholders shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and the funds pending such proceedings, with such powers as the court making such appointment shall confer.

Notwithstanding any provision of this Resolution to the contrary, for all purposes of this Section 19, except the giving of notice of any Event of Default to the Holder of the Bonds, any Insurer shall be deemed to be the Holder of the Bonds it has insured.

On the occurrence of an Event of Default, to the extent such rights may then lawfully be waived, neither the Issuer nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Resolution, and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent it may lawfully do so, the benefit of all such laws and all right of redemption to which it may be entitled.

Within 30 days of knowledge thereof, both the Issuer and the Paying Agent shall provide notice to any and all Insurers of Bonds of the occurrence of any Event of Default.

The respective Insurers of Bonds shall be included as a party in interest and as a party entitled to (i) notify the Issuer or any applicable receiver of the occurrence of an Event of

Default, and (ii) request the receiver to intervene in judicial proceedings that affect the Bonds or the security therefor. The receiver is required to accept notice of default from each Insurer of Bonds.

Anything in this Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Insurers of Bonds in default shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders under this Resolution, and the Insurers of Bonds in default shall also be entitled to approve all waivers of events of default.

SECTION 20. AMENDING AND SUPPLEMENTING OF RESOLUTION WITHOUT CONSENT OF HOLDERS OF BONDS. The Issuer, from time to time and at any time and without the consent or concurrence of any Holder of any Bonds, may adopt a Supplemental Resolution amendatory hereof or supplemental hereto if the provisions of such Supplemental Resolution shall not materially adversely affect the rights of the Holders of the Bonds then Outstanding, for any one or more of the following purposes:

(A) To make any changes or corrections in this Resolution as to which the Issuer shall have been advised by Bond Counsel that are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or omission or mistake or manifest error contained in this Resolution, or to insert in this Resolution such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable;

(B) To add additional covenants and agreements of the Issuer for the purpose of further securing the payments of the Bonds and any Parity Contract Obligations;

(C) To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Resolution;

(D) To confirm, as further assurance, any lien, pledge or charge or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Resolution;

(E) To grant to or confer upon the Holders or any Qualified Agreement Provider any additional right, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(F) To assure compliance with federal "arbitrage" provisions in effect from time to time;

(G) To provide such changes as may be necessary in order to adjust the terms hereof (but not including the provisions of Section 18(E) and Section 18(Q) hereof) so as to facilitate the issuance of Variable Rate Bonds, Option Bonds, the execution of any Qualified Agreement, or to obtain a Credit Facility;

(H) To provide for the combination of the System with any other utility provided the conditions set forth in Section 24 hereof are satisfied;

(I) To provide for the transfer of the ownership and/or operation of the System pursuant to a governmental reorganization as set forth in Section 23 hereof; or

(J) To modify any of the provisions of this Resolution in any other aspects provided that such modifications shall not be effective until after the Bonds Outstanding at the time such Supplemental Resolution is adopted shall cease to be Outstanding, or until the Holders thereof consent thereto pursuant to Section 21 hereof, and any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such Supplemental Resolution.

(K) To amend Section 28 hereof to make covenants relating to Direct Subsidy Bonds, if appropriate.

(L) To provide for the issuance of Additional Parity Obligations.

Except for Supplemental Resolutions providing for the issuance of Bonds pursuant hereto, the Issuer shall not adopt any Supplemental Resolution authorized by the foregoing provisions of this Section unless, in the opinion of Bond Counsel, the adoption of such Supplemental Resolution is permitted by the foregoing provisions of this Section.

Notwithstanding anything else in this Resolution to the contrary, any amendment or supplement to this Resolution, with the exception of Supplemental Resolutions relating to the issuance of Additional Parity Obligations, shall be subject to the prior written consent of each of the Insurers of the Bonds. Each of the Insurers of the Bonds shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

SECTION 21. AMENDMENT OF RESOLUTION WITH CONSENT OF HOLDERS OF BONDS. Except as provided in Section 20 hereof, no material modification or amendment of this Resolution or of any resolution supplemental hereto shall be made without the consent in writing of the Holders of fifty-one percent (51%) or more in the principal amount of the Bonds of each Series so affected and then Outstanding and any Qualified Agreement Provider. For purposes of this Section, to the extent any Bonds are insured by a Bond Insurance Policy or are secured by a Credit Facility and such Bonds are then rated in as high a rating category as the rating category in which such Bonds were rated at the time of initial issuance and delivery thereof by either S&P, Moody's or Fitch or successors and assigns, then the consent of the Insurer or Insurers of such Bond Insurance Policy or the issuer or issuers of such letter of credit shall be deemed to constitute the consent of the Holder of such Bonds. No modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent of the Holder or Holders of all such obligations. For purposes of the immediately preceding sentence, the issuer or issuers of a Bond Insurance Policy or a Credit Facility shall not consent on behalf of the Holders of the Bonds. No amendment or supplement pursuant to this Section 21 (but not including Section 20 hereof) shall be made without the consent of each of the Insurers of Bonds.

SECTION 22. DEFEASANCE. The covenants and obligations of the Issuer shall be defeased and discharged under terms of this Resolution as follows:

(A) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to any Qualified Agreement Provider any and all Parity Contract Obligations and to the Holders of all Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, then the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to any Qualified Agreement Provider and the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to any Qualified Agreement Provider any and all Parity Contract Obligations and to the Holders of any Outstanding Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, such Parity Contract Obligations and such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Issuer to any Qualified Agreement Provider and the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) The Bonds, redemption premium, if any, and interest due or to become due for the payment or redemption of which moneys shall have been set aside and shall be held in trust (through deposit by the Issuer of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section 22. Subject to the provisions of paragraph (C) and (D) of this Section 22, any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the escrow agent instructions accepted in writing by the escrow agent to notify Holders of Outstanding Bonds in the manner required herein of the redemption of such Bonds on said date, and (ii) there shall have been deposited with the escrow agent either moneys in an amount which shall be sufficient, or Acquired Obligations (including any Acquired Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the escrow agent at the same time, shall be sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be. In the event of a defeasance pursuant to clause (ii) above, the Issuer shall cause to be delivered a verification report of an independent nationally recognized certified public accountant and an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion of interest on the Bonds from gross income of the Holders for federal income tax purposes. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding project relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement and this Resolution, the terms of the escrow agreement and this Resolution shall be controlling.

(C) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Acquired Obligations and moneys, if any, in accordance with paragraph (B) of this Section 22, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated assuming that interest thereon will accrue at the maximum rate of interest such Variable Rate Bonds may bear pursuant to the Supplemental Resolution authorizing the issuance thereof, or the maximum rate permitted by law if such Supplemental Resolution provides no maximum rate of interest.

(D) Option Bonds shall be deemed to have been paid in accordance with the second sentence of paragraph (B) of this Section 22 only if, in addition to satisfying the requirements of clauses (i) and (ii) of such sentence, there shall have been deposited with the escrow agent moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and redemption premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the escrow agent pursuant to paragraph (B) of this Section 22, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph (D). If any portion of the moneys deposited with the escrow agent for the payment of the principal of and redemption premium, if any, and interest on Option Bonds is not required for such purpose, the escrow agent shall, if requested by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

SECTION 23. GOVERNMENTAL REORGANIZATION. Notwithstanding any other provisions of this Resolution, this Resolution shall not prevent any lawful reorganization of the governmental structure of the Issuer, including a merger or consolidation of the Issuer with another public body or the transfer of a public function of the Issuer to another public body, provided that any reorganization which affects the System shall provide that the System shall be continued as a single enterprise and that any public body which succeeds to the ownership and operation of the System shall also assume all rights, powers, obligations, duties and liabilities of the Issuer under this Resolution and pertaining to all Bonds and any Qualified Agreement.

SECTION 24. ADDITIONAL UTILITY FUNCTIONS. The Issuer may expand the utility functions of the System as they exist on the date hereof as permitted in the definition of "System" contained herein, provided that the Issuer has received the prior written consent of the Insurer (provided the Insurer is not in default of its obligations under its Credit Facility), and adopted resolutions of the Issuer to the effect that, based upon such certificates and opinions of its independent certified public accountants, Bond Counsel, Financial Advisor or other Qualified Independent Consultants as the Issuer shall deem necessary, desirable or appropriate, the addition of such utility functions (a) will not impair the ability of the Issuer to comply with the provisions of this Resolution, and (b) will not materially adversely affect the rights of the Holders of the Bonds.

SECTION 25. QUALIFIED AGREEMENTS. Any payments received by the Issuer from a Qualified Agreement Provider shall constitute Gross Revenues hereunder. Any payments to a Qualified Agreement Provider under a Qualified Agreement so designated by the Issuer, can

constitute Parity Contract Obligations or Subordinated Debt. Notwithstanding the foregoing, termination payments, indemnification payment, or other fees to be paid by the Issuer to a Qualified Agreement Provider under a Qualified Agreement and which do not constitute regularly scheduled payments determined by reference to interest on a notional amount may only constitute Subordinated Debt, and may not constitute Parity Contract Obligations.

The Issuer may enter into one or more Qualified Agreements with respect to one or more Series of Bonds (or portions thereof); provided, however, that if such Qualified Agreement is not entered into at the time of initial issuance of the Series of Bonds to which it relates, the requirements of Section 18(Q)(1) hereof must be met, applying the same as if \$1.00 in principal amount of Additional Parity Bonds is being issued as of the effective date of such Qualified Agreement.

SECTION 26. PAYMENTS TO CREDIT FACILITY. In connection with any Bonds, the Issuer may obtain or cause to be obtained one or more Credit Facilities and agree with any Credit Facility Issuer to reimburse such issuer directly for amounts paid under the terms of such Credit Facility, together with interest thereof. Such payments are referred to herein as “Reimbursement Obligations.” Any Reimbursement Obligation may be secured by a pledge of and a lien on the Pledged Revenues on a subordinate basis to the lien created herein in favor of the Holders of the Bonds and any Qualified Agreement Provider. Any such Reimbursement Obligation shall be deemed to be a part of the Series to which the Credit Facility which gave rise to such Reimbursement Obligation relates. Payments to reimburse the issuer of a Credit Facility shall constitute Subordinated Debt.

SECTION 27. CAPITAL APPRECIATION BONDS. For the purposes of (i) receiving payment of the redemption price of a Capital Appreciation Bond if redeemed prior to maturity, (ii) computing Bond Service Requirement, and (iii) computing the amount of Holders required for any notice, consent, request or demand hereunder for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 28. TAX COVENANTS.

(A) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become includable in the gross income of the Holder thereof for federal income tax purposes.

(B) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds not issued as Taxable Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes.

(C) The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion of interest on the Bonds from the gross income of the Holder thereof for federal income tax purposes, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code and that the Issuer will remain qualified to receive Direct Pay Subsidies with respect to Direct Subsidy Bonds

(D) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income tax purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become includable in the gross income of the Holder thereof for federal income tax purposes. The covenants set forth in paragraphs (A), (B) and (C) above shall not apply to any Taxable Bonds.

(E) There is hereby created and established a fund to be known as the "City of Tavares Utility System Revenue Bonds Rebate Fund" (the "Rebate Fund"), and a separate account therein for each Series of Bonds. The Issuer shall deposit into the appropriate account in the Rebate Fund, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Issuer, an amount equal to the Rebate Amount for such Rebate Year. The Issuer shall use such moneys deposited in the appropriate account in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by this Section 28. In complying with the foregoing, the Issuer may rely upon any instructions or opinions from Bond Counsel.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder that are not Taxable Bonds and after payment in full of the Rebate Amount to the United States in accordance with the terms hereof, such amounts shall be available to the Issuer for any lawful purpose.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Issuer, shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

SECTION 29. ADDITIONAL RIGHTS TO INSURERS. Pursuant to one or more Supplemental Resolutions, the Issuer may provide additional rights, covenants, agreements and restrictions relating to any Insurer and any Bond Insurance Policy.

SECTION 30. COVENANTING NOT TO ISSUE BONDS UNDER ISSUER RESOLUTION NO. 93-01. The Issuer hereby covenants and agrees not to issue any Bonds or other indebtedness under the grant of authority provided in Issuer Resolution No. 93-01.

SECTION 31. SEVERABILITY. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid or shall in any manner be held to adversely affect the

validity of the Bonds, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

SECTION 32. SALE OF BONDS. The Bonds may be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the requirements of this Resolution and other applicable provisions of law.

SECTION 33. GENERAL AUTHORITY. The members of the City Council of the Issuer and the Issuer's officers, attorneys and other agents and employees are hereby authorized to perform all acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel to effectuate the sale of the Bonds to said initial purchasers.

SECTION 34. NO THIRD PARTY BENEFICIARIES. Except such other Persons as may be expressly described herein, in the Bonds, or in a Qualified Agreement, nothing in this Resolution, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person, other than the Issuer and the Holders, any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Bonds or any Qualified Agreement, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer and the Persons who shall from time to time be the Holders and any Qualified Agreement Provider.

SECTION 35. NO PERSONAL LIABILITY. Neither the members of the City Council of the Issuer, any person executing the Bonds, any other charter employees, nor employees of the Issuer shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 36. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

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Passed and adopted by the City Council of the City of Tavares, Florida this 5th day of December, 2012.

CITY OF TAVARES, FLORIDA

Robert W. Wolfe, Mayor, Tavares City Council

Nancy A. Barnett, City Clerk

APPROVED AS TO FORM:

Robert Q. Williams, City Attorney

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**AGENDA SUMMARY
TAVARES CITY COUNCIL
DATE OF MEETING: December 5, 2012**

AGENDA TAB NO: 22

SUBJECT TITLE: Resolution No. 2012-18 - Supplementing Resolution No. 2012-17, Awarding the sale of the Authorized Bonds in Resolution 2012-17, Series, 2012A & 2012B, to Pinnacle Public Finance and appointing a Paying Agent and Registrar, and designating the bonds as "Bank Qualified"

OBJECTIVE:

To seek Council's adoption of Resolution No. 2012-18 *supplementing* Resolution No. 2012-17 which authorized the issuance of an amount not to exceed \$4,725,000, Utility System Refunding Revenue Bonds, Series 2012A for refunding all outstanding Series 2000 Water and Sewer Revenue Bonds, AND authorized the issuance of an amount not to exceed \$3,000,000 for Utility System Improvement Revenue Bonds, Series 2012B to finance the cost of improvements to the Utility System and to pay related costs for issuance, and to authorize staff to execute financing documents with Pinnacle Public Finance for same.

Resolution No. 2012-18 awards the sale of the Series 2012 Bonds to Pinnacle Public Finance Inc., makes certain findings in connection with the Bonds, appoints a paying agent and registrar for the Series 2012 Bonds, authorizes the execution of an escrow deposit agreement, authorizes the execution and delivery of documents in connection with the Series 2012 bonds, and designates the Series 2012 Bonds as "Bank Qualified", and makes certain covenants.

Resolution No. 2012-18 which supplements Resolution No. 2012-17 has been prepared by the City's Bond Council, Mike Williams of Akerman Senterfitt and a copy of Resolution 2012-18 is attached for your review.

OPTIONS:

1. Adopt supplementing Resolution No. 2012-18 and authorize staff to execute documents with Pinnacle Public Finance for City of Tavares Utility System Refunding Revenue Bonds, Series 2012A for an amount not to exceed \$4,725,000, and City of Tavares Utility System Improvement Revenue Bonds Series 2012B for Refinancing of Capital Improvement Note for an amount not to exceed \$3,000,000 at rate of 2.69% for a term of 18 years.
2. Do not adopt Resolution No. 2012-18, and do not authorize staff to execute financing documents.

STAFF RECOMMENDATION:

1. **Move to** Adopt supplementing Resolution No. 2012-18 and authorize staff to execute documents with Pinnacle Public Finance for City of Tavares Utility System Refunding Revenue Bonds, Series 2012A for an amount not to exceed \$4,725,000, and City of Tavares Utility System Improvement Revenue Bonds Series 2012B for Refinancing of Capital Improvement Note for an amount not to exceed \$3,000,000 at rate of 2.69% for a term of 18 years.

FISCAL IMPACT: Estimated annual savings: \$82,000 per year or \$1,490,000 over the life of the loan when compared to the debt service on the Series 2000 Bonds. Debt service has been included in the FY2013 Adopted Budget.

LEGAL SUFFICIENCY: Legally Sufficient.

RESOLUTION NO. 2012-18

A RESOLUTION OF THE CITY OF TAVARES, FLORIDA, SUPPLEMENTING RESOLUTION NO. 2012-17, WHICH RESOLUTION AUTHORIZED THE ISSUANCE BY THE CITY OF NOT TO EXCEED \$4,725,000 UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2012A AND NOT TO EXCEED \$3,000,000 UTILITY SYSTEM IMPROVEMENT REVENUE BONDS, SERIES 2012B BY APPROVING THE FORM AND TERMS OF SUCH SERIES 2012 BONDS; AWARDED THE SALE OF SUCH SERIES 2012 BONDS TO PINNACLE PUBLIC FINANCE, INC. AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH; APPOINTING A PAYING AGENT AND REGISTRAR FOR THE SERIES 2012 BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION OF AN ESCROW DEPOSIT AGREEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS IN CONNECTION WITH SAID SERIES 2012 BONDS; DESIGNATING THE SERIES 2012 BONDS AS "BANK QUALIFIED;" MAKING CERTAIN COVENANTS AND AGREEMENTS FOR THE BENEFIT OF THE OWNER OF SUCH BONDS; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TAVARES, FLORIDA, AS FOLLOWS:

SECTION 1. Definitions. Terms used herein and not otherwise defined herein shall have the meanings ascribed thereto by Resolution No. 2012-17 of the City of Tavares, Florida (the "City") adopted by the City Council on December 5, 2012 (the "Base Resolution"). In addition, when used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires.

"Acquired Obligations" means, in connection with any defeasance of the Series 2012 Bonds, direct obligations of the United States of America and obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor.

"Purchaser" means Pinnacle Public Finance, Inc., a Bank United company.

SECTION 2. Authority for This Resolution. This Resolution is adopted pursuant to the provisions of the Act.

SECTION 3. Approval, Description, Execution and Terms of Series 2012 Bonds. The Series 2012A Bonds and the Series 2012B Bonds which have been authorized pursuant to the Base Resolution shall be in substantially the form attached hereto as Exhibit A. The City hereby approves the Series 2012 Bonds in substantially the form attached hereto as Exhibit A and authorizes the Mayor or the Vice Mayor of the City (collectively, the "Mayor") and the City Clerk or any deputy or assistant City Clerk of the City (collectively, the "City Clerk") to execute and deliver on behalf of the City the Series 2012 Bonds in substantially the form attached hereto,

with such changes, insertions and additions as they may approve, their execution thereof being evidence of such approval.

SECTION 4. Paying Agent and Registrar for Series 2012 Bonds. The City hereby appoints the City Clerk as the Paying Agent and Registrar with respect to the Series 2012 Bonds.

SECTION 5. Award of the Series 2012 Bonds. The City hereby determines that a negotiated sale of the Series 2012 Bonds is in the best interest of the City and the citizens and inhabitants of the City because the City can obtain the best terms through negotiation. Based on a recommendation from the City's financial advisor and in consultation with the City staff, the City hereby accepts the terms and conditions set forth in the Purchaser letter dated October 24, 2012 attached hereto as Exhibit B and awards the sale of the Series 2012 Bonds to the Purchaser. Prior to the issuance of the Series 2012 Bonds, the Purchaser shall file with the City the disclosures required by Section 218.385, Florida Statutes, and competitive bidding for the Series 2012 Bonds is hereby waived pursuant to the authority of Section 218.385, Florida Statutes.

SECTION 6. Approval and Authorization of Execution of Escrow Deposit Agreement and Redemption of Refunded Bonds. The Mayor is authorized and directed for and in the name of the City to execute and deliver an Escrow Deposit Agreement, in substantially the form attached hereto as Exhibit C, to provide for the refunding and redemption of the Refunded Bonds, with such changes as shall be approved by the official executing the same consistent with this Resolution, such execution to constitute conclusive evidence of such approval. The City hereby appoints U.S. Bank National Association as Escrow Agent pursuant to the Escrow Deposit Agreement.

The City hereby irrevocably elects, effective upon and only upon the issuance of the Series 2012A Bonds, that the Refunded Bonds shall be called for redemption on such dates and for such prices as specified in the Escrow Deposit Agreement.

SECTION 7. Application of Series 2012 Bonds Proceeds. Proceeds from the sale of the Series 2012A Bonds shall be applied to make the deposit to the escrow deposit trust fund as required by the Escrow Deposit Agreement, and any balance shall be applied to pay costs of issuance of the Series 2012A Bonds. All proceeds of the Series 2012B Bonds less amounts to be applied to pay costs of issuance of any of the Series 2012 Bonds shall be deposited in the Construction Fund and applied to pay Project Costs of the 2012 Project.

SECTION 8. Security for Series 2012 Bonds. The Series 2012 Bonds have been authorized pursuant to the Base Resolution and shall be secured by and payable from the Pledged Revenues as provided therein provided the Reserve Requirement for both the Series 2012A Bonds and the Series 2012B Bonds shall be zero and such Series 2012 Bonds shall not be secured by any amounts on deposit in the Reserve Fund or any account therein.

SECTION 9. Authorization of Other Documents to Effect Transaction. To the extent that other documents, including but not limited to redemption notices, certificates, opinions or other items, are needed to effect any of the transactions referenced in this Resolution, the Series 2012 Bonds, and the security therefor, the Mayor, the City Clerk, the City Administrator, the Finance Director, the City Attorney and Bond Counsel are hereby authorized to execute and

deliver such documents, certificates, opinions, or other items and to take such other actions as are necessary for the full, punctual, and complete performance of the covenants, agreements, provisions and other terms as are contained herein and in the documents included herein by reference.

SECTION 10. No Personal Liability. No representation, statement covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Series 2012 Bonds, or in any certificate or other instrument to be executed on behalf of the City in connection with the issuance of the Series 2012 Bonds, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any member of the City Council, officer, employee or agent of the City in his or her individual capacity, and none of the foregoing persons nor any officer of the City executing the Series 2012 Bonds or any certificate or other instrument to be executed in connection with the issuance of the Series 2012 Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof.

SECTION 11. No Third Party Beneficiaries. Except such other Persons as may be expressly described herein or in the Series 2012 Bonds, nothing in this Resolution, or in the Series 2012 Bonds, express or implied, is intended or shall be construed to confer upon any Person other than the City and the Holders any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Series 2012 Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the City and the Persons who shall from time to time be the Holders.

SECTION 12. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Series 2012 Bonds issued hereunder.

SECTION 13. Designation of Each Series of Series 2012 Bonds as Bank Qualified. The City designates the Series 2012 Bonds as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code") to the extent required so that such Series 2012 Bonds are issued as "qualified tax-exempt obligations." The City does not reasonably anticipate that the City, any subordinate entities of the City, and issuers of debt that issue "on behalf" of the City, will during the calendar year 2012 issue more than \$10,000,000 of "tax-exempt" obligations, exclusive of those obligations described in Section 265(b)(3)(C)(ii) of the Code.

SECTION 14. Repeal of Inconsistent Resolutions. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 15. Headings Not Part Hereof. The headings preceding the several articles and sections hereof shall be solely for convenience of reference and shall not constitute a part of this Resolution or affect its meaning, construction or effect.

SECTION 16. Effective Date. This Resolution shall become effective immediately upon its passage.

PASSED AND ADOPTED THIS 5TH DAY OF DECEMBER, 2012.

CITY OF TAVARES, FLORIDA

[SEAL]

By: _____
Robert Wolfe, Mayor
Tavares City Council

ATTEST:

By: _____
Nancy A. Barnett, City Clerk

Approved as to form:

By: _____
Robert Q. Williams, City Attorney

Exhibit A to
Resolution 2012-18

THIS BOND MAY ONLY BE TRANSFERRED IN MINIMUM DENOMINATIONS OF \$100,000 AND TO A HOLDER WHO IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

**CITY OF TAVARES, FLORIDA
UTILITY SYSTEM IMPROVEMENT REVENUE BOND, SERIES 2012B**

<u>Principal Sum</u>	<u>Maturity Date</u>	<u>Bond Rate</u>	<u>Date of Issuance</u>
\$ _____	August 1, 2030	2.69%	December 7, 2012

THE CITY OF TAVARES, FLORIDA (the "City"), for value received, hereby promises to pay, solely from the sources described in the within mentioned Resolution, to the order of PINNACLE PUBLIC FINANCE, INC., or its assigns (the "Holder"), the Principal Sum stated above on the Maturity Date stated above except as the provisions for mandatory redemption hereinafter on each August 1 as set forth on Schedule I hereto are required to be made, together with any accrued and unpaid interest, and to pay (but only out of the sources hereinafter mentioned) interest on the outstanding principal amount hereof from the most recent date to which interest has been paid or provided for, or if no interest has been paid, from the Date of Issuance shown above, on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on February 1, 2013, until payment of said principal sum has been made or provided for, at the Bond Rate. Payments due hereunder shall be payable in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts, which payments shall be made to the Holder hereof by check mailed to the Holder at the address designated in writing by the Holder for purposes of payment or by bank wire or transfer as such Holder may specify in writing to the City or otherwise as the City and the Holder may agree.

The Bond Rate shall be adjusted if the Holder either (i) receives notice, in any form, from the Internal Revenue Service; or (ii) reasonably determines, based on an opinion of Bond Counsel, in either case that the Holder may not exclude the interest on this Bond from federal gross income because the City breached a covenant contained in the Resolution, then the City shall pay to the Holder, within thirty (30) days after the Holder notifies the City of such determination, the amount which, with respect to interest payments previously paid and taking into account all penalties, fines, interest and additions to tax (including all federal, state and local taxes imposed on the interest on this Bond due through the date of such event) that are imposed as a result of the loss of the exclusion, will restore to the Holder the same after-tax yield on this Bond (assuming tax at the highest marginal corporate tax rate) that it would have realized had the exclusion not been lost. Additionally, the City agrees that upon the occurrence of such an event, it shall pay additional interest to the Holder on each succeeding Interest Payment Date in such amount as will maintain such after-tax yield to the Holder.

All capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Resolution (as hereinafter defined).

The Bond may be prepaid by the City in whole but not in part on any Interest Payment Date from any legally available monies at a prepayment price of 101% of the principal amount to be redeemed, plus accrued interest to the prepayment date. Prepayment shall be made on such date as shall be specified by the City in a written notice delivered to the Holder not less than fifteen (15) days prior to the specified prepayment date.

Notice having been given as aforesaid, the principal amount shall become due and payable on the prepayment date stated in such notice, together with interest accrued and unpaid to the prepayment date on the principal amount; and the amount of principal and interest then due and payable shall be paid upon presentation and surrender of this Bond to the office of the City. If, on the prepayment date, funds for the payment of the principal amount, together with interest to the prepayment date on such principal amount, shall have been given to the Holder, as above provided, then from and after the prepayment date interest on the principal amount of this Bond shall cease to accrue.

Notwithstanding anything in the Resolution to the contrary, payment of a portion of this Bond upon mandatory sinking fund redemption shall be paid without presentation and surrender of this Bond to the Paying Agent. Any such redemption shall be noted on the books of the Paying Agent, which notation shall be conclusive as to the amount redeemed absent manifest error.

This Bond is authorized to be issued in the outstanding aggregate principal amount equal to the Principal Sum under the authority of and in full compliance with the Constitution and statutes of the State of Florida, including, particularly, Chapter 159, Part I and Chapter 166, Part II, Florida Statutes and other applicable provisions of law and the City's Resolution No. 2012-17 adopted by the City Council on December 5, 2012 as supplemented (the "Resolution"), and is subject to all terms and conditions of the Resolution.

This Bond is a limited, special obligation of the City, payable from and secured solely by a lien upon and pledge of the Pledged Revenues, as defined and described and in the manner provided in the Resolution.

Notwithstanding any provision in this Bond to the contrary, in no event shall the interest contracted for, charged or received in connection with this Bond (including any other costs or considerations that constitute interest under the laws of the State of Florida which are contracted for, charged or received) exceed the maximum rate of nonusurious interest allowed under the State of Florida as presently in effect and to the extent an increase is allowable by such laws, but in no event shall any amount ever be paid or payable by the City greater than the amount contracted for herein. In the event the maturity of this Bond is accelerated or prepaid in accordance with the provisions hereof, then such amounts that constitute payments of interest, together with any costs or considerations which constitute interest under the laws of the State of Florida, may never exceed an amount which would result in payment of interest at a rate in excess of that permitted by Section 215.84(3), Florida Statutes, as presently in effect and to the extent an increase is allowable by such laws; and excess interest, if any, shall be cancelled automatically as of the date of such acceleration, or, if theretofore paid, shall be credited on the principal amount of this Bond unpaid, but such crediting shall not cure or waive any default under the Resolution.

THIS BOND SHALL NOT BE OR CONSTITUTE AN INDEBTEDNESS OF THE CITY OR THE STATE OF FLORIDA (THE "STATE"), WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER LIMITATIONS OF INDEBTEDNESS, BUT SHALL BE PAYABLE SOLELY FROM THE PLEDGED REVENUES, AS PROVIDED IN THE THE RESOLUTION. THE HOLDER SHALL NEVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY, OR TAXATION IN ANY FORM OF ANY PROPERTY THEREIN TO PAY THIS BOND OR THE INTEREST THEREON.

Upon the occurrence of an Event of Default, the Holder shall also have such other remedies as described in the Resolution.

The City hereby waives presentment, demand, protest and notice of dishonor. This Bond is governed and controlled by the Resolution and reference is hereby made thereto regarding interest rate adjustments and other matters.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the City has caused this Bond to be signed by its Mayor, either manually or with facsimile signature, and the seal of the City to be affixed hereto or imprinted or reproduced hereon, and attested by the Clerk of the City, either manually or with facsimile signature, and this Bond to be dated the Date of Issuance set forth above.

CITY OF TAVARES, FLORIDA

[SEAL]

By: _____
Mayor

ATTEST:

By: _____
City Clerk

FORM OF CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This Bond is being delivered pursuant to the within mentioned Resolution.

CITY OF TAVARES, FLORIDA,
as Registrar

By: _____
City Clerk

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto _____ (please print or typewrite name, address and tax identification number of assignee) _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Name of Bondholder: _____

By: _____

Schedule I

Principal on this Bond shall be payable on August 1 of the following years and in the following amounts:

<u>Year</u>	<u>Principal Amortization</u>
2013	\$
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	

Exhibit B
to Resolution 2012-18



October 24, 2012

Mr. John Rumble
Purchasing Department
City of Tavares
201 E. Main Street, 2nd Floor
Tavares, Florida 32778

**RE: Request for "Bank Qualified" Bank Loan Proposals
Water and Sewer Refunding Revenue Note, Series 2012**

Dear Mr. Rumble,

Pinnacle Public Finance, Inc., a BankUnited Company, is pleased to respond to your financing request.

Corporate Overview: In October 2010, BankUnited acquired the municipal finance business from Koch Financial Corporation and now operates it under the name Pinnacle Public Finance, Inc. Pinnacle is headquartered in Scottsdale, Arizona and is a market leader in providing tax-exempt financing directly to its state and local government clients and through its vendor programs and alliances. With more than \$6 billion in financing and transactional experience in every state in the U.S., our team has the knowledge and the resources to fund complex programs that require innovative and flexible financing solutions.

As Koch Financial Corporation, our group managed a portfolio in excess of \$1 billion and 2,600 municipal obligations. Since beginning operations as Pinnacle, we have built a portfolio in excess of \$340 million and more than 400 transactions.

Given that BankUnited is based in Florida, Pinnacle is strongly committed to meeting the needs of our Florida clients. Members of this team have worked with the City of Cape Coral (\$17.6 million), the City of Fort Lauderdale (\$9.7 million), the Village of Key Biscayne (\$7.2 million) and the City of Crystal River (\$5.2 million) to successfully close financings similar to the City's proposed transaction

Our proposed terms and conditions are as follows:

Lessor: Pinnacle Public Finance, Inc. ("Pinnacle")
Lessee: City of Tavares ("City")
Issue Type: Bank Qualified, tax exempt fixed rate loan.
Amount Financed: Not to exceed \$ 7,705,000

Pinnacle

Key Contacts:

Our team includes the professionals listed below. These individuals are located in the Pinnacle Corporate Headquarters at 8377 E. Hartford Drive, Suite 115, Scottsdale Arizona 85255.

Paul Haerle, President
Phaerle@ppf-inc.com, (480) 419-3501

Cathy Jimenez, Senior Vice President, Operations
Cjimenez@ppf-inc.com, (480) 585-3789

Blair Swain, Vice President, Direct Markets
Bswain@ppf-inc.com, (480) 419-3634

David Cherry, Senior Vice President, Senior Credit Officer
Dcherry@ppf-inc.com, (480) 419-4809

Purpose: Proceeds will be used to refund the City’s outstanding Water and Sewer Revenue Bonds, Series 2000 and to fund a portion of the City’s water, wastewater, reclaimed water and storm water capital improvements program estimated at \$3 million.

Term: Sixteen (16) years, final maturity of August 1, 2030.

Interest Rate: 2.69%

Interest Rate Expiration: The above rate is valid for 45 days.

Projected Funding Date: On or about November 13, 2012.

Payment Frequency: Interest will be paid semi-annually each February 1 and August 1, commencing February 1, 2013.

Principal will be paid annually each August 1, commencing August 1, 2013.

Prepayment Terms: The obligation is subject to prepayment in full, but not in part, after August 1, 2018 at a price equal to 102% of the remaining principal balance plus accrued interest to the payment date. *Subject to negotiation.*

Debt Service Requirements: Please see the Preliminary Debt Service Schedule attached. This schedule is based on information included in the RFP.

Documentation: Pinnacle understands that the City’s Bond Counsel, Akerman Senterfitt, will provide all necessary documentation for review and acceptance by Pinnacle and its outside counsel, Chapman and Cutler LLP. Pinnacle understands Akerman Senterfitt will provide validity and tax opinions as well.

This proposal is subject to Pinnacle and Chapman and Cutler’s acceptance of all documentation.

Gross-Up Provision: Pinnacle will request a Gross-Up Provision be included in the documentation. This provision will be to protect our yield in the event the transaction becomes taxable.

Additional Bonds

Test: Pinnacle accepts the test of 120% for the issuance of additional parity obligations as stated in the “Draft” resolution.

Assignment: Pinnacle proposes to have the ability to assign to a sophisticated investor without the City’s prior written consent provided the assignee executes an investor letter stating they are a “qualified institutional buyer” or an “accredited investor” each as defined by the appropriate regulations. The executed investor letter will be delivered to the City prior to the effective date of any such assignment. *Subject to negotiation.*

Fees/Closing Costs: None other than those listed herein, however the City will be responsible for any fees or expenses with respect to its (i) issuing costs, if any, (ii) City’s legal counsel, if any, and (iii) title/registration fees. Pinnacle is willing to finance any of the City’s expenses related to closing the transaction.

Pinnacle proposes to include \$4,000 for its outside counsel in the costs of issuance. *Subject to negotiation.*

**Pinnacle’s Role
As Purchaser:**

Pinnacle will be acting in this transaction solely as purchaser for its own account and not as a fiduciary for the City or in the capacity of broker, dealer, municipal securities underwriter or municipal advisor. Pinnacle has not provided, and will not provide, financial, legal, tax, accounting or other advice to or on behalf of the City with respect to the proposed financing. The City will seek and obtain financial, legal, tax, accounting and other advice (including as it relates to structure, timing, terms and similar matters) with respect to the financing from its own financial, legal and other advisors (and not from Pinnacle) to the extent that the City deems necessary or appropriate and desires to obtain such advice.

Pinnacle Public Finance, Inc.
City of Tavares – RFP for “Bank-Qualified” Bank Loan Proposals
October 25, 2012
Page 4 of 5

This proposal is subject to final credit approval and final documentation. Please feel free to call me at 480-419-3634 with any questions or further clarification.

Thank you for the opportunity to present this proposal.

Sincerely,

A handwritten signature in cursive script, appearing to read "Blair Swain".

Blair Swain
Vice President, Direct Markets

CC: Mark Galvin
FirstSouthwest

Preliminary Debt Service Schedule

Totals:		\$9,073,862.56	\$1,968,862.56	\$7,105,000.00	Rate 2.6900%	
Pmt #	Payment Date	Payment Amount	Interest	Principal	Purchase Price	Outstanding Balance
	11/13/2012					\$7,105,000.00
1	2/1/2013	\$41,410.31	\$41,410.31	\$0.00	NA	\$7,105,000.00
2	8/1/2013	\$310,562.25	\$95,562.25	\$215,000.00	NA	\$6,890,000.00
3	2/1/2014	\$92,670.50	\$92,670.50	\$0.00	NA	\$6,890,000.00
4	8/1/2014	\$297,670.50	\$92,670.50	\$205,000.00	NA	\$6,685,000.00
5	2/1/2015	\$89,913.25	\$89,913.25	\$0.00	NA	\$6,685,000.00
6	8/1/2015	\$414,913.25	\$89,913.25	\$325,000.00	NA	\$6,360,000.00
7	2/1/2016	\$85,542.00	\$85,542.00	\$0.00	NA	\$6,360,000.00
8	8/1/2016	\$425,542.00	\$85,542.00	\$340,000.00	NA	\$6,020,000.00
9	2/1/2017	\$80,969.00	\$80,969.00	\$0.00	NA	\$6,020,000.00
10	8/1/2017	\$430,969.00	\$80,969.00	\$350,000.00	NA	\$5,670,000.00
11	2/1/2018	\$76,261.50	\$76,261.50	\$0.00	NA	\$5,670,000.00
12	8/1/2018	\$436,261.50	\$76,261.50	\$360,000.00	NA	\$5,310,000.00
13	2/1/2019	\$71,419.50	\$71,419.50	\$0.00	\$5,416,200.00	\$5,310,000.00
14	8/1/2019	\$441,419.50	\$71,419.50	\$370,000.00	\$5,038,800.00	\$4,940,000.00
15	2/1/2020	\$66,443.00	\$66,443.00	\$0.00	\$5,038,800.00	\$4,940,000.00
16	8/1/2020	\$446,443.00	\$66,443.00	\$380,000.00	\$4,651,200.00	\$4,560,000.00
17	2/1/2021	\$61,332.00	\$61,332.00	\$0.00	\$4,651,200.00	\$4,560,000.00
18	8/1/2021	\$456,332.00	\$61,332.00	\$395,000.00	\$4,248,300.00	\$4,165,000.00
19	2/1/2022	\$56,019.25	\$56,019.25	\$0.00	\$4,248,300.00	\$4,165,000.00
20	8/1/2022	\$466,019.25	\$56,019.25	\$410,000.00	\$3,830,100.00	\$3,755,000.00
21	2/1/2023	\$50,504.75	\$50,504.75	\$0.00	\$3,830,100.00	\$3,755,000.00
22	8/1/2023	\$470,504.75	\$50,504.75	\$420,000.00	\$3,401,700.00	\$3,335,000.00
23	2/1/2024	\$44,855.75	\$44,855.75	\$0.00	\$3,401,700.00	\$3,335,000.00
24	8/1/2024	\$474,855.75	\$44,855.75	\$430,000.00	\$2,963,100.00	\$2,905,000.00
25	2/1/2025	\$39,072.25	\$39,072.25	\$0.00	\$2,963,100.00	\$2,905,000.00
26	8/1/2025	\$489,072.25	\$39,072.25	\$450,000.00	\$2,504,100.00	\$2,455,000.00
27	2/1/2026	\$33,019.75	\$33,019.75	\$0.00	\$2,504,100.00	\$2,455,000.00
28	8/1/2026	\$498,019.75	\$33,019.75	\$465,000.00	\$2,029,800.00	\$1,990,000.00
29	2/1/2027	\$26,765.50	\$26,765.50	\$0.00	\$2,029,800.00	\$1,990,000.00
30	8/1/2027	\$501,765.50	\$26,765.50	\$475,000.00	\$1,545,300.00	\$1,515,000.00
31	2/1/2028	\$20,376.75	\$20,376.75	\$0.00	\$1,545,300.00	\$1,515,000.00
32	8/1/2028	\$510,376.75	\$20,376.75	\$490,000.00	\$1,045,500.00	\$1,025,000.00
33	2/1/2029	\$13,786.25	\$13,786.25	\$0.00	\$1,045,500.00	\$1,025,000.00
34	8/1/2029	\$518,786.25	\$13,786.25	\$505,000.00	\$530,400.00	\$520,000.00
35	2/1/2030	\$6,994.00	\$6,994.00	\$0.00	\$530,400.00	\$520,000.00
36	8/1/2030	\$526,994.00	\$6,994.00	\$520,000.00	\$0.00	\$0.00

ESCROW DEPOSIT AGREEMENT

ESCROW DEPOSIT AGREEMENT, dated as of December __, 2012, by and between **CITY OF TAVARES, FLORIDA**, a duly constituted and existing municipal corporation of the State of Florida (the "City"), and **U.S. BANK NATIONAL ASSOCIATION** (the "Escrow Agent"), a national banking association organized and existing under the laws of the United States of America, as Escrow Agent hereunder.

WHEREAS, the City issued on August 22, 2000 its Water and Sewer Revenue Bonds, Series 2000 (the "Refunded Bonds") pursuant to City Resolution No. 93-01 as supplemented by City Resolution No. 2000-14 (collectively, the "Refunded Bonds Resolution"); and

WHEREAS, City Resolution No. 93-01 provides that the Refunded Bonds shall be deemed to have been paid within the meaning and with the effect expressed in such resolution upon compliance by the City with the provisions of Section 24 thereof, which provisions the City hereby represents have not been amended; and

WHEREAS, the City has determined to issue, pursuant to its Resolution No. 2012-17 adopted by the City on December 5, 2012, as supplemented, its \$_____ aggregate principal amount of Utility System Refunding Revenue Bonds, Series 2012A (the "2012 Bond"); and

WHEREAS, a portion of the proceeds of the 2012 Bond will be deposited to the Escrow Fund created pursuant to Section 4 hereof to provide for the payment for the Refunded Bonds and to discharge and satisfy the covenants, agreements and other obligations of the City under the Refunded Bonds Resolution in regard to such Refunded Bonds; and

WHEREAS, the issuance of the 2012 Bond, the deposit of such cash into the Escrow Fund to be held by the Escrow Agent and the discharge and satisfaction of the covenants, agreements and other obligations of the City under the Refunded Bonds Resolution in regard to the Refunded Bonds shall occur as a simultaneous transaction; and

WHEREAS, this Agreement is intended to effectuate such simultaneous transaction;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. The recitals stated above are true and correct and incorporated herein.
2. Receipt of true and correct copies of the above-mentioned Refunded Bonds Resolution is hereby acknowledged by the Escrow Agent. The applicable and necessary provisions of the Refunded Bonds Resolution, in particular Section 24 thereof are incorporated herein by reference. Reference herein to or citation herein of any provisions of the Refunded Bonds Resolution shall be deemed to incorporate the same as a part hereof in the same manner and with the same effect as if the same were fully set forth herein.

3. In accordance with the Refunded Bonds Resolution, the City by this agreement exercises the option to have the covenants, agreements and other obligations of the City to the holders of the Refunded Bonds discharged and satisfied.

4. There is hereby created and established with the Escrow Agent a special, segregated and irrevocable escrow fund designated the "The City of Tavares Water and Sewer 2000 Escrow Deposit Fund" (the "Escrow Fund"), which Escrow Fund is to be held in the custody of the Escrow Agent as a trust fund for the benefit of the holders of the Refunded Bonds as provided more specifically below, separate and apart from other funds of the City and the Escrow Agent. The Escrow Agent hereby accepts the Escrow Fund and acknowledges the receipt of and deposit thereunder of the sum of \$_____ in immediately available funds received by the City from the sale and delivery of the 2012 Bond and \$_____ previously held in the funds and accounts securing the Refunded Bonds, which amounts the City directs the Escrow Agent to hold uninvested and apply as provided herein (the "Escrow Proceeds").

5. The City represents and warrants that the Escrow Proceeds (without consideration of any reinvestment of such maturing principal and interest), are sufficient to pay the amounts of principal of, and interest due and to become due on the Refunded Bonds as described in **Schedule "A"** attached hereto. If the Escrow Proceeds shall be insufficient to make such payments, the City shall timely deposit in the Escrow Fund, solely from legally available funds of the City, such additional amounts as may be required to pay the Refunded Bonds as described in **Schedule "A"** hereto. Notice of any insufficiency shall be given by the Escrow Agent to the City as promptly as possible, but the Escrow Agent shall in no manner be responsible for the City's failure to make such deposits.

6. The deposit of the Escrow Proceeds shall constitute an irrevocable deposit in trust of moneys with the Escrow Agent solely for the payment of the principal and interest on the Refunded Bonds at such time and in such amount as set forth in **Schedule "A"** hereto, and such Escrow Proceeds shall be used solely for such purposes.

7. The City hereby directs, and the Escrow Agent hereby agrees, that it will undertake the timely transfer of money to the Paying Agent for the Refunded Bonds or any successors or assigns thereto (collectively, the "Refunded Bonds Paying Agent") in accordance with **Schedule "A"** attached hereto, in order to effectuate this Agreement and to pay the Refunded Bonds in the amount and at the time provided in said **Schedule "A"**. The liability of the Escrow Agent to make such transfer for the payment of the principal of and interest on the Refunded Bonds pursuant to this Agreement shall be limited to the application of the Escrow Proceeds for such purposes.

8. The City hereby irrevocably instructs the Escrow Agent to direct the Refunded Bonds Paying Agent as the registrar for the Refunded Bonds to give, at the appropriate times, the notice or notices required by the Refunded Bonds Resolution in connection with the redemption of the Refunded Bonds. All of the Refunded Bonds shall be redeemed on January 9, 2013 at 100% of the principal amount thereof plus accrued interest to such redemption date.

9. Concurrently with the deposit of the Escrow Proceeds and cash set forth in Section 4 hereof, the Refunded Bonds are hereby deemed to have been paid within the meaning and with the effect expressed in the Refunded Bonds Resolution.

10. The Escrow Fund hereby created shall be irrevocable and the holders of the Refunded Bonds shall have an express lien on all Escrow Proceeds deposited in the Escrow Fund pursuant to the terms hereof until paid out, used and applied in accordance with this Agreement. Neither the City nor the Escrow Agent shall cause or permit any other lien or interest to be imposed upon the Escrow Proceeds.

11. This Agreement is made for the benefit of the City and the holders from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders and the written consent of the Escrow Agent provided, however, that the City and the Escrow Agent may, without the consent of, or notice to, such holders enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant, or confer upon, the Escrow Agent for the benefit of the holders of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Escrow Agent shall be entitled to rely exclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section 11, including the extent, if any, to which any change, modification or addition affects the rights of the holders of the Refunded Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section 11.

12. In consideration of the services rendered by the Escrow Agent under this Agreement, the City is simultaneously paying to the Escrow Agent \$_____ as its fee and expenses provided, that such amount shall not include any expenses associated with the performance by the Escrow Agent at the request of the City of any extraordinary services hereunder, which are payable by the City upon presentation of an invoice therefor from the Escrow Agent. The Escrow Agent shall have no lien whatsoever upon any of the Escrow Proceeds in said Escrow Fund for the payment of such proper fees and expenses.

13. The Escrow Agent shall not be liable in connection with the performance of its duties hereunder except for any loss or damage directly caused by its own negligence or willful misconduct. The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of the Escrow Proceeds to pay the Refunded Bonds as set forth on **Schedule "A"** hereto. So long as the Escrow Agent applies the Escrow Proceeds to pay the Refunded Bonds as provided herein, and complies fully with the terms of this Agreement, the Escrow Agent shall not be liable for any deficiencies in the amounts necessary to pay the Refunded Bonds. Notwithstanding any provision herein to the contrary, in no event shall the Escrow Agent be

liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

The duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement and no implied warrants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent may consult with nationally recognized bond counsel with respect to any matter as to which it has reasonable doubt as to its responsibilities under this Agreement, and be entitled to receive from the City reimbursement of the reasonable fees and expenses of such counsel. The Escrow Agent shall not be liable for any action it takes or omits to take in good faith reliance on such advice of counsel. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City and the Escrow Agent may in good faith conclusively rely upon such certificate.

The Escrow Agent and any agents and attorneys therefor may conclusively rely upon and shall be fully protected in acting and relying upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of counsel), affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any payment obligation of the Escrow Agent hereunder shall be paid from, and is limited to funds available, established and maintained hereunder; the Escrow Agent shall not be required to expend its own funds for the performance of its duties hereunder. The Escrow Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Escrow Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

The City further agrees to indemnify and save the Escrow Agent harmless, to the extent allowed by law, against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or misconduct. Such indemnification shall survive the termination of this Agreement and/or the sooner resignation or removal of the Escrow Agent and shall inure to the benefit of the Escrow Agent's successors and assigns.

14. The Escrow Agent, at the time acting hereunder, may at any time resign and be discharged from the duties and obligations hereby created by giving not less than ten (10) days written notice to the City and mailing notice thereof, specifying the date when such resignation will take effect, to the holders of all Refunded Bonds then outstanding, but no such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the holders of a majority in aggregate principal amount of the Refunded Bonds then outstanding or by the City as

hereinafter provided and such successor Escrow Agent shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, delivered to the Escrow Agent and to the City and signed by the holders of a majority in aggregate principal amount of the Refunded Bonds then outstanding.

In the event the Escrow Agent hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case the Escrow Agent shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the holders of a majority in aggregate principal amount of the Refunded Bonds then outstanding by an instrument or concurrent instruments in writing, signed by such holders, or by their attorneys in fact, duly authorized in writing; provided, nevertheless, that in any such event, the City shall appoint a temporary Escrow Agent to fill such vacancy until a successor Escrow Agent shall be appointed by the holders of a majority in aggregate principal amount of the Refunded Bonds then outstanding in the manner above provided, and any such temporary Escrow Agent so appointed by the City shall immediately and without further act be superseded by the Escrow Agent so appointed by such holders.

In the event that no appointment of a successor Escrow Agent or a temporary successor Escrow Agent shall have been made by such holders or the City pursuant to the foregoing provisions of this Section 14 within ten (10) days after written notice of resignation of the Escrow Agent has been given to the City, the holder of any of the Refunded Bonds or any retiring Escrow Agent may apply to any court of competent jurisdiction for the appointment of a successor Escrow Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Escrow Agent.

No successor Escrow Agent shall be appointed unless such successor Escrow Agent shall be a corporation with trust powers organized under the banking laws of the United States or any state thereof, and shall have at the time of appointment capital and surplus of not less than \$75,000,000.

Every successor Escrow Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the City an instrument in writing accepting such appointment hereunder and thereupon such successor Escrow Agent, without any further act, deed or conveyance, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor; but such predecessor shall nevertheless, on the written request of such successor Escrow Agent or the City execute and deliver an instrument transferring to such successor Escrow Agent all the estates, properties, rights, powers and trust of such predecessor hereunder; and every predecessor Escrow Agent shall deliver all securities and moneys held by it to its successor; provided, however, that before any such delivery is required to be made, all fees, advances and expenses of the retiring or removed Escrow Agent shall be paid in full. Should any transfer, assignment or instrument in writing from the City be required by any successor Escrow Agent for more fully and certainly vesting in such successor Escrow Agent the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor Escrow Agent, any

such transfer, assignment and instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

Any corporation into which the Escrow Agent, or any successor to it in the trusts created by this Agreement, may be merged or converted or with which it or any successor to it may be consolidated, or transfers all or substantially all of its corporate trust business to, or any corporation resulting from any merger, conversion, consolidation or tax-free reorganization to which the Escrow Agent or any successor to it shall be a party, if satisfactory to the City, shall be the successor Escrow Agent under this Agreement without the execution or filing of any paper or any other act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

15. This Agreement, except for Sections 12 and 13 hereof, shall terminate when all transfers and payments required to be made by the Escrow Agent under the provisions hereof shall have been made. Upon such termination, all moneys remaining in the Escrow Fund shall be released to the City.

16. This Agreement shall be governed by the applicable laws of the State of Florida without regard to conflict of law principles.

17. If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

18. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

19. The Issuer will not accelerate the maturity of any Refunded Bonds or exercise any option to redeem any Refunded Obligations except as set forth in Section 8 hereof.

20. Any notice, authorization, request or demand required or permitted to be given in accordance with the terms of this Agreement shall be in writing and sent by registered or certified mail addressed to:

City of Tavares, Florida
201 East Main Street
Tavares, Florida 32278
Attention: City Administrator

U.S. Bank National Association
225 Water Street, Suite 700
Jacksonville, FL 32202
Attention: Vicki B. Bellamy

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Deposit Agreement to be executed by their duly authorized officers as of the date first above written.

CITY OF TAVARES, FLORIDA

ATTEST:

By: _____
Mayor

City Clerk

*(Signature page of Escrow Deposit Agreement dated December ____, 2012
re: City of Tavares, Florida)*

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Vice President

SCHEDULE A

Refunded Bonds

<u>Payment Date</u>	<u>Interest</u>	<u>Principal Redeemed</u>	<u>Total</u>
January 9, 2013	\$69,573.19	\$4,705,000	\$4,774,573.19

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**AGENDA SUMMARY
TAVARES CITY COUNCIL
DATE OF MEETING: December 5, 2012**

AGENDA TAB NO. 23

SUBJECT TITLE: Royal Harbor Pressure Monitoring Report and recommended solution, cost and funding program.

OBJECTIVE:

To present the results of the Royal Harbor Potable Water Pressure Monitoring Report and recommended solution, cost and funding program.

SUMMARY:

Royal Harbor is a 775 home gated, active adult community in Tavares, Florida on the shores of Little Lake Harris. The City has logged a history of complaints from home owners in Royal Harbor regarding low water pressure dating back to 2002. The City supplies drinking water to the community and has undertaken steps to determine a best course of action to prevent low water pressure to residents.

Recently the City hired Malcom Pirnie to conduct water pressure monitoring within the Royal Harbor Community and then issue a report that summarizes the pressure along with any recommended improvements needed for the system. The report concludes that about 80% of the home owners report good pressure and 20% report poor pressure. The pressure ranges from 30 PSI at the top of the hill to 72 PSI at the bottom of the hill. Florida Administrative Codes establishes 20 PSI as the bare minimum for homes (this would be very low as most people rate 50 PSI and lower as poor pressure). In Florida, community water PSI ranges from 40 PSI to 80 PSI. 70 PSI appears to be the optimum level and is what most people experience in Tavares and what most people experience in Florida communities. The full report is attached.

The solution to the pressure problem at Royal Harbor is simple, straight forward and costly. The system needs a booster pump estimated to cost \$890,000 (designed, engineered, permitted, bid-out constructed and installed).

The City of Tavares took over the responsibility of the water system from the community's developer in 2002. Based on this fact and on the findings of the report, it is recommended that the City install a booster pump as soon as possible (this fiscal year).

OPTIONS:

1. Accept the report and amend the Utility Capital Budget for FY 2013 by budgeting \$890,000 for the Royal Harbor Booster Pump Station with \$375,000 coming from Utility Reserves and \$515,000 coming from the system wide upgrade capital loan program to fund this project.
2. Accept the report and postpone budgeting this until next fiscal year.
3. Accept the report and leave the system as is.

STAFF RECOMMENDATION:

Move to accept the report and amend the Utility Capital Budget for FY 2013 by budgeting \$890,000 for the Royal Harbor Booster Pump Station with \$375,000 coming from Utility

Reserves and \$515,000 coming from the system wide upgrade capital loan program to fund this project.

FISCAL IMPACT: The Utility Fund has \$3,450,807 in reserves which is sufficient to accommodate the recommended use of \$375,000 from it towards this project. The city is in the application process for a loan from DEP for a system wide utility upgrade and can include the recommended \$515,000 for this upgrade in that loan. The City's independent Rate Consultant, independent Financial Advisor, Finance Director and City Administrator have reviewed and concur with the recommended funding recommendation.

LEGAL SUFFICIENCY: The City Attorney has reviewed the recommendation and finds it legally sufficient.



ARCADIS U.S., Inc.
2301 Maitland Center Parkway
Suite 244
Maitland
Florida 32751-7414
Tel 407 660 1133
Fax 407 660 9550

EVALUATION LETTER

To:
Brad Hayes, Utility Director
City of Tavares
2770 Woodlea Road
Tavares, Florida 32778

Copies:
John Drury, Tavares
Scott Shannon, Pirnie/ARCADIS

Florida License Numbers
Engineering
67

From:
Alexis Stewart, P.E., Pirnie/ARCADIS

Date:
October 5, 2012

ARCADIS Project No.:
06033028.0000

Subject:
Royal Harbor Pressure Monitoring and Data Evaluation

The Royal Harbor subdivision is a gated, active adult community in Tavares, Florida on the shores of Little Lake Harris. The subdivision was built out at 755 single family homes and is bordered by State Road 19 to the west, and Little Lake Harris to the south. The City of Tavares supplies potable water for irrigation and residential consumption to the community and has received complaints of low water pressure from customers in this subdivision. The City of Tavares authorized Malcolm Pirnie, the Water Division of ARCADIS (Pirnie/ARCADIS), to perform flow and pressure monitoring of the Royal Harbor subdivision and analyze the results.

The intent of the pressure monitoring exercise is to better understand the water pressure within the subdivision as well as enable the City to measure the pressure differential between the distribution system and the residential (hose bibb) connection. The purpose of this technical memorandum is to summarize the findings of the pressure monitoring and recommend improvements to address the pressure complaints.

Previous efforts to identify low pressure concerns in the Royal Harbor subdivision have included pressure monitoring and hydraulic modeling. A hydraulic model uses a computer program to simulate water demands and pressures in the water distribution system. The model indicated that some areas of Royal Harbor may have lower water pressures at higher elevations during peak demands. Pressure monitoring has been performed by attaching pressure monitoring equipment at fire hydrants. While effective for the monitoring the City's distribution system, this placement does not monitor the pressure on the customer's side of the water meter. This evaluation includes monitoring at selected fire hydrants in the subdivision, as well as at residential locations on exterior hose bibbs. In addition ultrasonic flow meters were installed at two locations where potable water enters Royal Harbor's distribution system to measure the subdivision's water usage.

Resident Survey

Pirnie/ARCADIS and the City surveyed the Royal Harbor residents to determine areas of observed low water pressure. The survey data included frequency, location within the household, and days of the week when residents observed low pressure events. The survey also requested voluntary participation of the residents to avail their home or property for use as a pressure monitoring location. The survey is included as Attachment 1.

Survey Results

Residents were eager to provide information with 74 percent of the residents completing and returning the survey. A summary of the survey results is located in Table 1, identifying water pressure satisfaction, low pressure location, and time of day when low pressure is most noticeable. Figure 1 illustrates the months residents had low pressures and how those months correspond to the dry and wet weather seasons as well as the influx of residents during seasonal population time frame. The months when low pressures are noticed most frequently correspond to the months with high irrigation demands due to the dry season and months when the population tends to be higher due to more seasonal residents being present. The results also indicate that lower pressures are noticed during daily peak use, such as 6:00 AM to 10:00 AM when high water demands are typically observed in residential communities. The results of the survey also identified resident satisfaction with water pressure on a scale of 1 through 5, shown on Table 1 and shown on a map of the subdivision in Figure 2. Figure 2 illustrates that the concentration of residents who are least satisfied with their water pressure are located at the highest elevations within the subdivision. Royal Harbor has significant elevation changes within the subdivision; elevations range from 58 to 170 feet above sea level. Most customers who rated their water pressure unsatisfactory (rated 1 or 2) reside in parcels with an elevation of 135 feet or greater which includes approximately 100 homes.

Figure 1: Low Pressure vs. Month Comparison

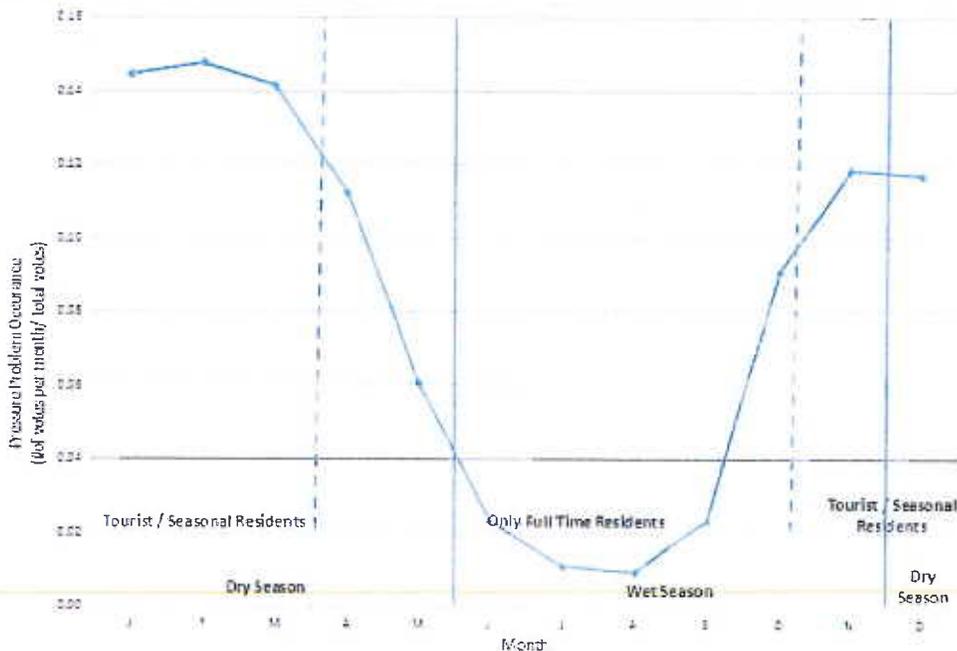
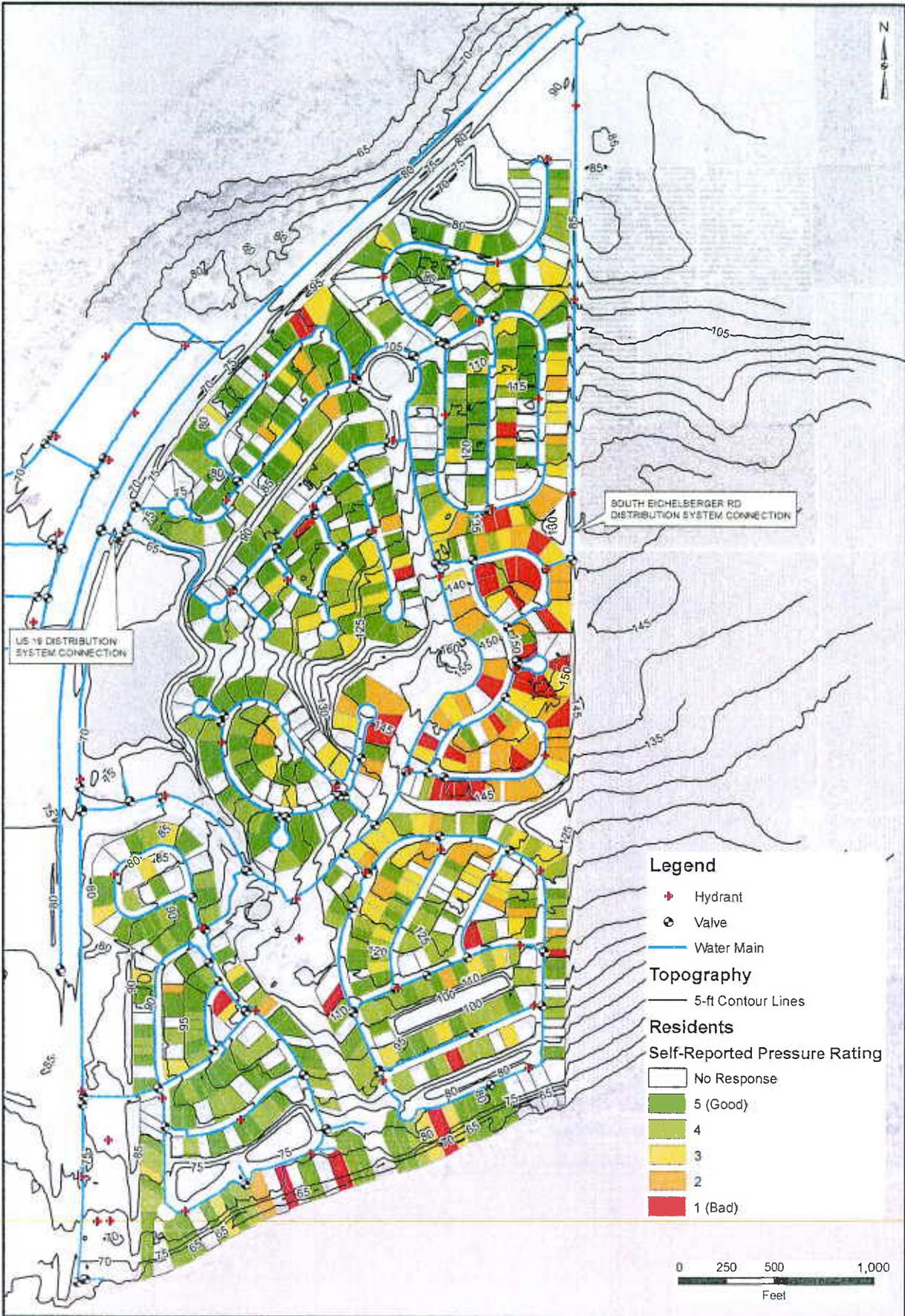


Table 1: Summary of Survey Results

Number of Residence Responses:		561
Number of Full-Time Residences:		
		459
Satisfaction with water pressure:		
(least satisfied)	Ranking of 1	39 (7%)
	Ranking of 2	57 (10%)
	Ranking of 3	89 (16%)
	Ranking of 4	145 (26%)
(most satisfied)	Ranking of 5	230 (41%)
Location where low pressure was most noticeable:		
(most often noticed)	Ranking of 1	Bath / Shower
	Ranking of 2	Irrigation System
	Ranking of 3	Kitchen Sink
	Ranking of 4	Toilet Fill
	Ranking of 5	Bathroom Sink
(least often noticed)	Ranking of 6	Washing Machine
	Other	Outside Hose Connections
Time of Day when low pressure was most noticeable:		
6:00 AM – 10:00 AM		Rank #1 (most often noticed)
10:00 AM – 2:00 PM		Rank #4
2:00 PM – 6:00 PM		Rank #3
6:00 PM – 10:00 PM		Rank #2
10:00 PM – 2:00 AM		Rank #6 (least often noticed)
2:00 AM – 6:00 AM		Rank #5
Number of residents who have modified irrigation systems, added booster pumps or plumbing fixtures due to low pressure:		13



Flow and Pressure Monitoring

The geographical representation of resident's water pressure satisfaction and contour elevations helped provide the basis of where to locate the pressure logging equipment. The location of the residents and hydrants monitored during the four weeks is shown in Attachment 2. To best evaluate the low pressure complaints, hydrant pressure loggers were located around the highest concentration of resident complaints, and residential pressure loggers were placed across the subdivision making sure to sample the highest concentration of complaints as well as the extents of the subdivision at residences that agreed to participate in the study. One homeowner with an in-line booster pump and pressure tank (modified system) for irrigation was selected to quantify the effect of reduced pressure created by the suction when this residential pump is operating.

The City installed pressure data loggers to an exterior garden hose connection (hose bibb) at the homes of the residents who volunteered to participate in the study. These pressure data loggers collect water pressure data every 5 minutes. The electronic data is periodically downloaded onto a laptop computer for evaluation. Pressure data loggers at the fire hydrants and the two flow meters on the incoming water mains also required periodic download of the data.

Pirnie/ARCADIS hired subconsultant AMJ to work with the City to perform the following tasks:

- Install the pressure and flow data logging equipment
- Retrieve and download data from the flow and pressure data loggers
- Relocate pressure data logging equipment after two weeks, and
- Provide the data to Pirnie/ARCADIS at the end of the 4-week project.

The City utilized 14 pressure data loggers; 12 units were installed the first two weeks at two hydrants and ten residential locations, leaving two available as spare units in the event of mechanical or electronic failure. The second two weeks included continuation of 7 of the monitoring locations and relocation of 5 of the units to new locations. AMJ diligently installed and verified that the data was being logged correctly each week and as the pressure data loggers were relocated.

Evaluation

General Results

The pressure data logger readings shown in Attachment 3 graphically represent the recorded pressures for weeks 1 and 2 and weeks 3 and 4, for each location. The system pressures at the hydrants range between 35 psi to 69 psi, while the system pressures at residential locations range from 30 psi to 72 psi as shown in Attachment 4. In general, the different pressures throughout the subdivision are mainly associated with the different elevations of the houses. The houses at a lower elevation have a higher pressure, while houses at higher elevation have a lower pressure. The majority of Tavares water distribution system residential pressures typically range from 60 to 80 psi. Typical water distribution system residential pressures in Florida range from 40 to 80 psi, while the minimum is 20 psi per Chapter 62.555 FAC (Florida Administrative Code).

ARCADIS

Flow meter monitoring results collected at the State Road 19 flow meter (US 19, El. 72 ft) and the Eichelberger Rd flow meter (EUCHB, EL. 139 ft) were evaluated to correlate high water consumption and low water pressure.

Further evaluation of the residential locations monitored in the study indicated homes above an elevation of 135 ft experienced recurring system pressures as low as 30 psi, typically during irrigation hours when high water usage occurs. Residents at the highest elevation experience recurring pressures as low as 30 psi throughout the day. Comparing the residential monitored pressure data with the residential survey indicate residents water pressure below 50 psi are unsatisfied with their water system pressure and residents with over 50 psi are satisfied or have no complaints.

Outliers Data Assumptions

The figures in Attachment 3 have several outliers (data points outside the typical pressure ranges). The extreme pressure drops shown on weeks 3 & 4 are likely the result of the residential modified irrigation system which includes an inline pump and pressure tank. It is probable that the inline pump is drawing water into the pressure tank faster than the system can react, thus lowering the system pressure. In support of this assumption, a nearby house and fire hydrant do not show the same pressure drop, indicating this extreme pressure drop is isolated at this residence. High pressure spikes in the data appear in most residential monitoring locations, but not at hydrant locations. This indicates localized water hammer (pressure surge) within the household water system as water valves in fixtures and appliances are quickly shut off causing momentary high pressure that cannot be relieved back into the City's distribution system due to mandatory backflow preventers.

Impacts of Typical Meter Assemblies and Water Supply Lines

Residents located above 135 ft in elevation that are experiencing pressures below 40 psi were evaluated to identify differences in pressure between their hose bibb connection and fire hydrants located nearby on the same water main. If the fire hydrant had a significantly higher pressure recorded than nearby homes, then further evaluation would be required to make improvements on the customer side of the water meter. The loss of pressure (headloss) through the meter assembly / backflow preventer and through the residential water supply line (the pipeline extending from the City water meter to the resident's property) is within a normal range and does not indicate deficiencies in the water supply lines, meters or backflow preventers.

Typical pressure loss due to friction in the water supply line between the meter and household can range greatly depending on water demand and water supply line size. Table 2 shows the typical water usage for residential fixtures. Table 3 shows the flow rates and headloss for the City specified backflow preventer. Table 4 shows the typical flow rates for different water supply line sizes.

Table 2: Typical Residential Fixture Flow Rates

Fixture	Demand (gpm)
Faucets	2.5 – 3.0
Toilets	2.2 – 5.0
Bathtubs	4.0 – 8.0
Shower	2.5 – 5.0
Dishwasher	2.0 – 3.0
Washing Machine	4.0 – 5.0
Garden Hose	6.0 – 10.0
Sprinkler Head	2.5 – 3.5
Total (minus hose & sprinkler)	17.2 – 29.0

Table 3: Typical Flow Rates for Febco 805Y-BV

Fixture	Flow (gpm)	Headloss (psi)
3/4"	2 – 15	4.0
1"	4 – 30	4.0
1.5"	5 – 60	4.0

Table 4: Typical Flow Rates for Water Supply Lines

Fixture	Demand (gpm)
1/2"	8.0
3/4"	13.5
1"	21.0
1.25"	32.0
1.5"	46.0

The observed difference in pressure between residential locations at elevations over 135 ft and nearby hydrants ranges between 6 psi and 10 psi and indicates that the low residential water pressure is not a result of fixtures, backflow preventers or water service lines. The low pressures identified at nearby hydrants indicate that improvements in meters, backflow preventers or water service lines would not result in increase in pressure at the residential locations to meet a minimum pressure of 50 psi.

Summary of Options

The results of the pressure monitoring study are consistent with previous modeling efforts that evaluated the low pressure complaints in the area. The Options to increase the pressure in the subdivision are as follows:

1. Replace residential backflow preventers with low pressure loss, or larger, backflow preventer assemblies, particularly at those connections experiencing the lowest water supply pressures. As discussed in the previous section and shown in Table 3, the backflow preventer specified by the City only reduces pressure at the residence by 3 – 4 psi. Implementing this option will not meet the identified system pressure that will satisfy customers at the highest elevations in the subdivision.

2. Install reclaimed water mains within the subdivision to supply water for landscape irrigation. Connect the subdivision to the reclaimed water main project along SR 19 at Hickory Point. This will alleviate demand from the potable water system. Implementing reclaimed water for irrigation has many benefits and improves average system pressure with reclaimed water supplying irrigation demands. Retrofitting Royal Harbor with reclaimed water main pipelines would be a significant capital cost and would not meet the identified system pressure that will satisfy customers at the highest elevations in the subdivision.
3. Install an elevated storage tank, approximately 50-feet high, to supply the distribution system during periods of peak demand, and to fill during off-peak periods. The capacity of the tank would be determined to satisfy total Royal Harbor demand during the maximum diurnal period of low pressure; however, initial hydraulic evaluation indicates this option will not be feasible due to inadequate recorded periods of high pressure to fill the tank. In addition, this option would be a significant capital cost (budget cost of \$750,000, excluding piping connection), and may be visually unacceptable.
4. Increase the discharge pressure at Water Treatment Plant (WTP) 1 from 71 psi to 80 psi, and increase the discharge pressure at WTP 4 from 52 to 62 psi. There is a direct correlation between the pressure increases at the WTPs to increased pressures within the subdivision. The model indicates increasing these WTP discharge pressures would result in a minimum pressure in the Royal Harbor subdivision of 50 psi. This option would also have the effect of increasing pressures in the rest of the distribution system up to 20 psi as well, which may cause unacceptably high pressures in some parts of the City. Currently, the majority of the City's water distribution system is maintained between 60 and 80 psi and satisfies the majority of customers. To increase the discharge pressure as part of this recommendation will require possible system modifications due to the effects created by this high pressure. System modifications could potentially require additional pressure sustaining valves in the distribution system to regulate water pressure. In addition, due to the age of the water distribution system, the probability of water main breaks increases significantly during the adjustment period. There is no way to predict accurately the extent to which these water main breaks will occur, because they are dependent upon the specific configuration, age, and material of the piping in the system. Therefore, City staff have indicated a desire to avoid this option due to the potential risk of service interruptions and significant capital expenses for repairs that would impact the cost-effectiveness of this option.
5. Install a booster station at the Eichelberger Rd (EUCHB) distribution system connection to the subdivision and a pressure control/ check valve assembly at the State Road 19 connection to prevent loss of water to the west of US-19 when the booster station is operating. Preliminary hydraulic evaluation shows the booster station would need to be set at a discharge pressure of 50 psi, which is approximately 20 psi above current minimum pressures, to maintain acceptable pressures throughout the subdivision. A single pump is recommended to supply peak hour flow to the entire Royal Harbor community when pressure at the station falls below a predetermined set-point, and to shut down when pressure rises. A second pump would serve as standby, or run when demand exceeds design peak hour flow. The total cost of design, permitting, and construction of this improvement is estimated to be \$890,000. The project would ultimately be bid

ARCADIS

out for construction, and until such time as bids are received, the stated cost is an engineer's estimate.

Recommendations

Based on our evaluation of the options presented above, the high correlation between the results of pressure monitoring and predictions of the hydraulic modeling, and discussions with the Utility's operations staff, Pirnie/ARCADIS recommends that the City proceed with Option No. 5 above, the installation of a booster station. This option will produce the desired outcome of a sustained water pressure of 50 psi or greater within the Royal Harbor subdivision.



Water Pressure Questionnaire for Royal Harbor Residents

Questionnaire Respondent Name: _____
Royal Harbor Street Address: _____
Contact Phone Number: _____
Lot Number (optional): _____
Precinct Number (optional): _____

1. Are you a full-time or seasonal resident of the Royal Harbor community in the City of Tavares?
 Full Time Seasonal

a. If not a full-time resident, what months per year do you reside in Royal Harbor?

- January April July October
 February May August November
 March June September December

2. On a scale of 1 to 5 (5 being most satisfied) rate how satisfied you are with the water pressure at your residence in Royal Harbor.

1 2 3 4 5

3. If you are dissatisfied with the water pressure at your residence in Royal Harbor, please indicate where on your property the low pressure is noticeable. Check all that apply:

- kitchen sink toilet fill Other (please specify): _____
 bathroom sink washing machine _____
 bath/shower irrigation system _____

4. If you are dissatisfied with the water pressure at your residence in Royal Harbor, please indicate the time (or times) of day when the low pressure is most noticeable. Check all that apply:

- 6 AM – 10 AM 6 PM – 10 PM Other (please specify): _____
 10 AM – 2 PM 10 PM – 2 AM _____
 2 PM – 6 PM 2 AM – 6 AM _____

5. If you are dissatisfied with the water pressure at your residence in Royal Harbor, please indicate the months of the year when low pressure is most noticeable.

- January April July October
 February May August November
 March June September December

Please continue to the following page →



6. Have you modified your household water system to increase pressure using a booster pump or other equipment?
 Yes No If 'Yes', describe equipment: _____

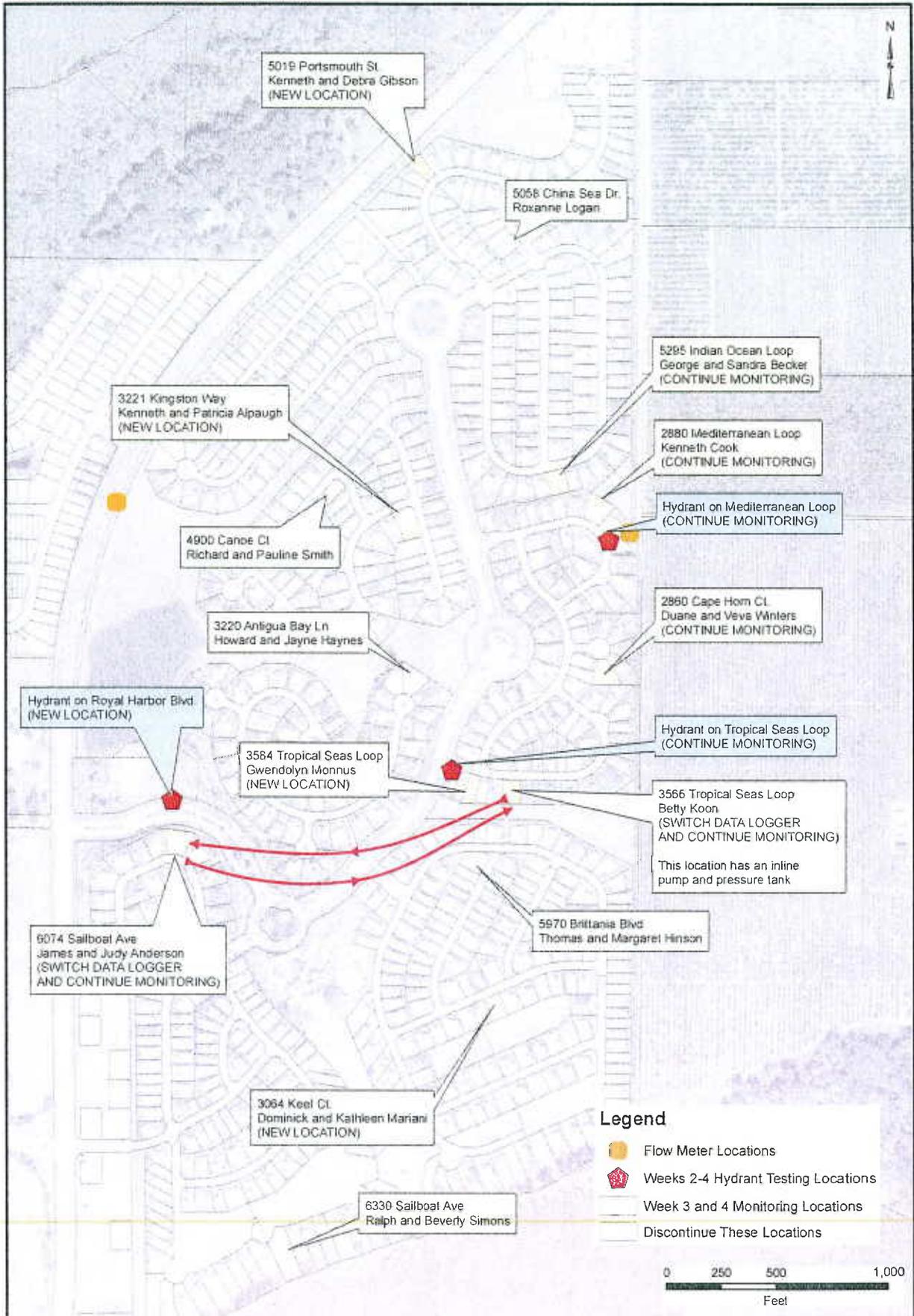
7. Are you willing to participate in a City of Tavares 'Pressure Study' to determine the best course of action to resolve issues of low water pressure in the Royal Harbor community?
 Yes No

The pressure study may require the following:

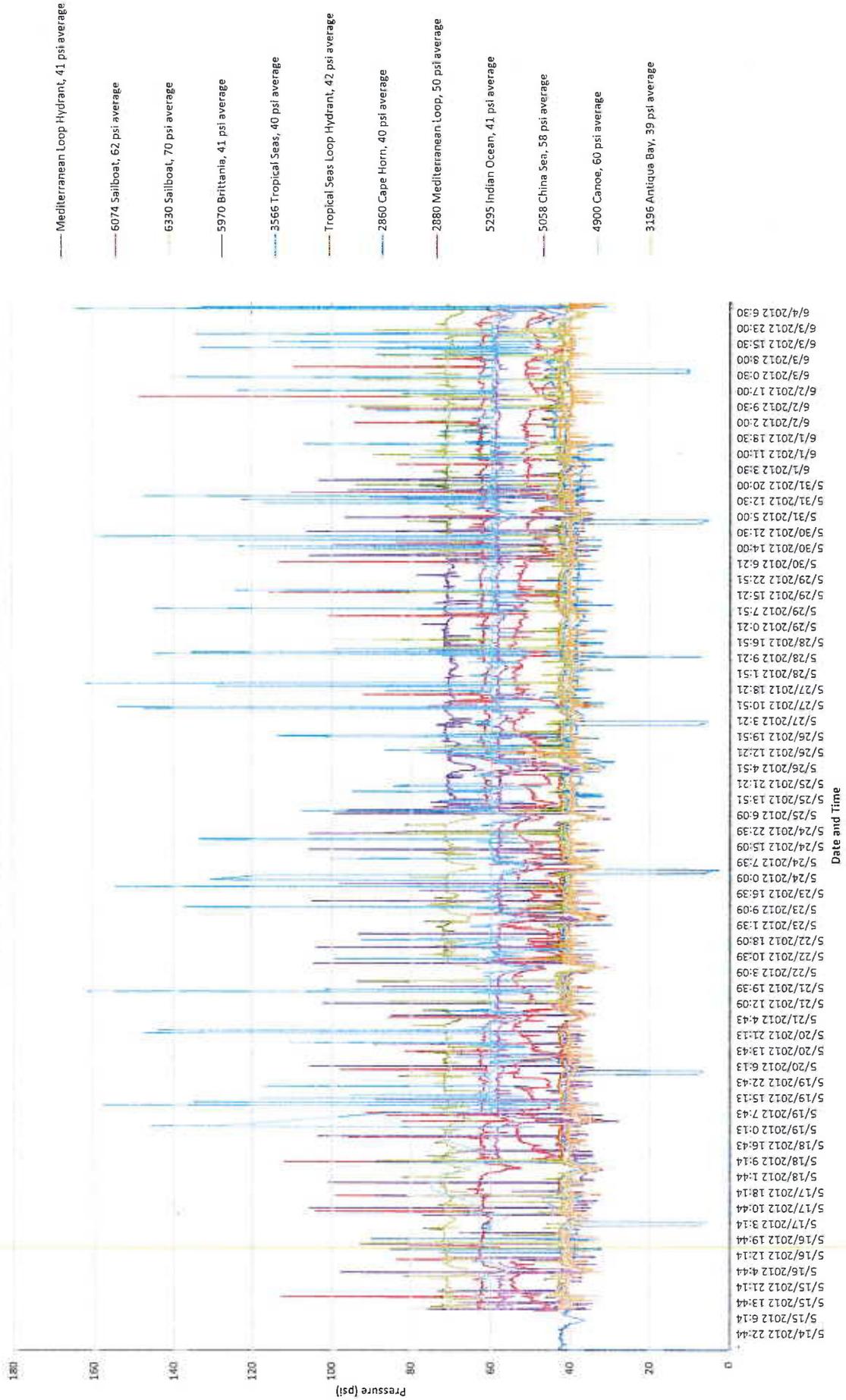
- a. Requests (by a water technician accompanied by City employee) to test pressures at various water tap locations outside AND inside your home.
- b. Temporary disturbance of a small area of sod or landscaping (up to 3-foot by 3-foot square) to install a water pressure 'data logger' to record water pressure for up to 1 month. The City will be responsible for restoring disturbed landscape to original condition.
- c. If you indicate that you are willing to participate in this pressure study, please make sure you have completely filled out the contact information at the top of this questionnaire. You will be contacted before the flow study begins.

8. Additional Comments?

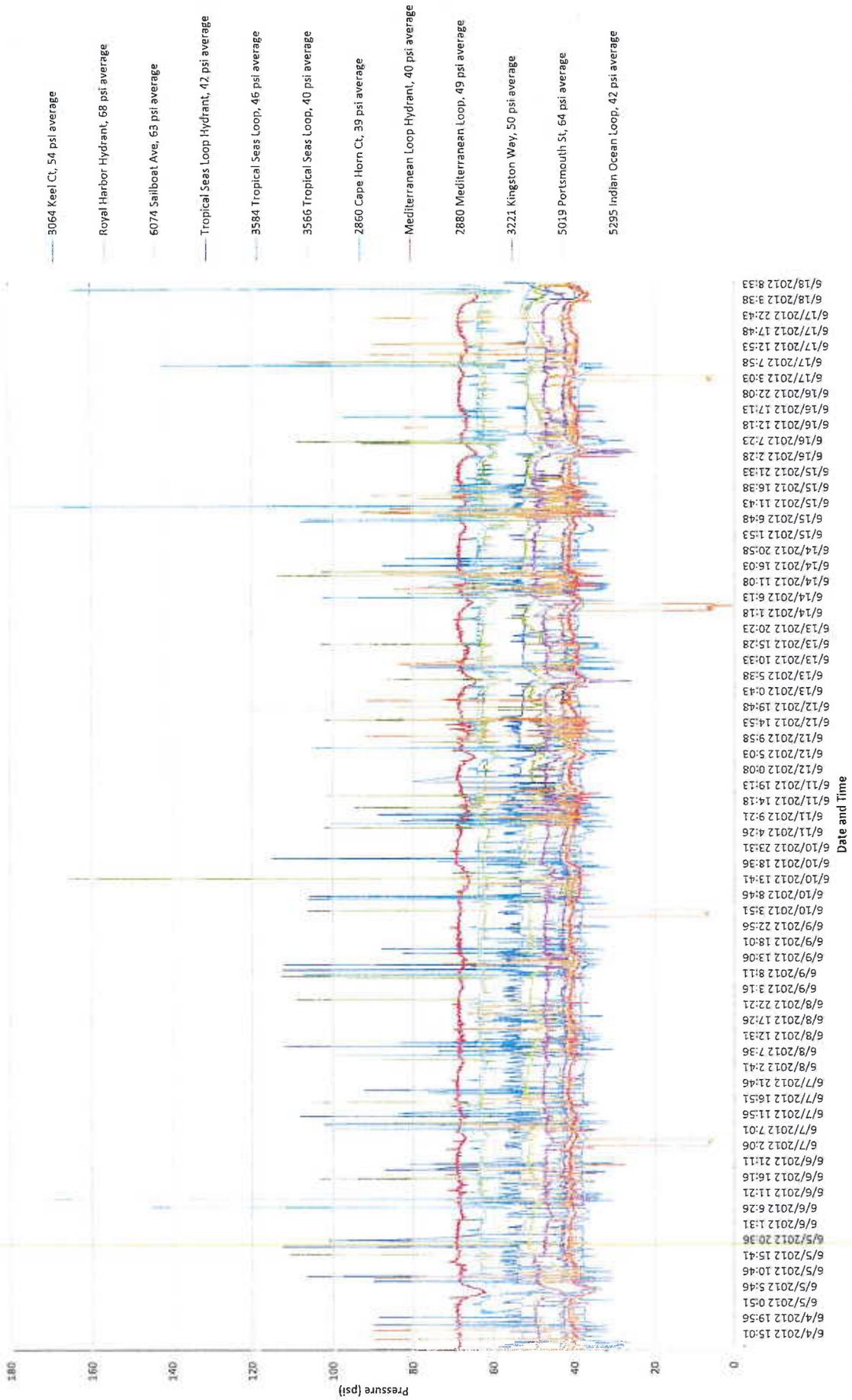
9. Please respond to this questionnaire by one of the following methods:
- a. Return via U.S. Mail to: Malcolm Pirnie / ARCADIS
2301 Maitland Center Pkwy., Suite 244
Maitland, FL 32751
 - b. Fax the completed survey to Malcolm Pirnie / ARCADIS at 407-660-9550
 - c. Scan and email the survey to mack.mckinley@arcadis-us.com
 - d. To complete the survey via email, send a request to mack.mckinley@arcadis-us.com



Royal Harbor Pressure Monitoring Results, Weeks 1 and 2



Royal Harbor Pressure Monitoring Results, Weeks 3 and 4



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