

CITY OF HIALEAH, FLORIDA

**Annual Report of Financial Information and Operating Data for the
Fiscal Year Ended September 30, 2017**

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Bonds, Series 2011D (City of Hialeah Series)

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

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INTRODUCTION

The City is the obligor with respect to two issues of outstanding bonds issued by the Florida Municipal Loan Council ("FMLC"): Revenue Bonds, Series 2011D (City of Hialeah Series), issued in May, 2011, and Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series), issued in November, 2012. The City entered into Continuing Disclosure Agreements with respect to both issues of bonds among the underwriters of the bonds, FMLC, as the issuer of the bonds, and the City, as obligor. In the Agreements, the City covenanted to provide audited financial statements, annual reports of financial information and operating data, material events notices and notices of failure to file to FMLC, acting as dissemination agent, for submission to the MSRB through its EMMA portal. The City has provided to FMLC its Comprehensive Annual Financial Report for the Fiscal Year Ended September, 30, 2017, which has been submitted to the MSRB.

With respect to the annual report of financial information and operating data for-the Revenue Bonds, Series 2011D (City of Hialeah Series), and the Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series), the City hereby submits its Annual Report of Financial Information and Operating Data for the Fiscal Year Ended September 30, 2017, that is due on or before June 30, 2018.

The City issued its Taxable Special Obligation Revenue Bonds, Series 2015A, and Special Obligation Refunding Bonds, Series 2015B (together the "Series 2015 Bonds") on December 2, 2015. The City will provide, simultaneously with this annual report of financial information and operating data, a separate annual report of financial information and operating data with respect to the Series 2015 Bonds to the MSRB.

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

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

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

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

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

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

HISTORICAL REVENUES AND EXPENDITURES

	Audited 2013	Audited 2014	Audited 2015	Audited 2016	Audited 2017
Operating Revenues:					
Metered Water Sales	\$ 18,501,165	\$ 18,677,889	\$ 20,075,735	\$ 20,623,705	\$ 20,861,409
Sanitary Sewer Service	28,918,354	32,203,573	35,065,166	39,306,298	40,959,153
Other (1)	<u>2,520,055</u>	<u>4,024,330</u>	<u>4,566,624</u>	<u>5,615,709</u>	<u>4,647,665</u>
Total Operating Revenues	<u>49,939,574</u>	<u>54,905,792</u>	<u>59,707,525</u>	<u>65,545,712</u>	<u>66,468,227</u>
Operating Expenses:					
Operating, Administrative and Maintenance	38,457,478 (2)	44,349,977	48,109,924	61,234,204	64,211,402
Depreciation	<u>5,057,708</u>	<u>5,390,323</u>	<u>6,595,101</u>	<u>6,783,277</u>	<u>4,945,137</u>
Total Operating Expenses	<u>43,515,186</u>	<u>49,740,300</u>	<u>54,705,025</u>	<u>68,017,481</u>	<u>69,156,539</u>
Operating Income (Loss)	<u>6,424,388</u>	<u>5,165,492</u>	<u>5,002,500</u>	<u>(2,471,769)</u>	<u>(2,688,312)</u>
Non-Operating Revenues (Expenses):					
Unrealized Loss on Investments	(401,464)	414,486	504,463	185,370	(121,594)
Interest Income	85,110	475,934	669,909	2,392,231	543,642
Interest Expense	<u>(2,476,803)</u>	<u>(49,456)</u>	<u>(2,424,611)</u>	<u>(2,429,172)</u>	<u>(2,411,423)</u>
Net Non-Operating Revenues (Expenses)	<u>(2,793,157)</u>	<u>840,964</u>	<u>(1,250,239)</u>	<u>148,429</u>	<u>(1,989,375)</u>
Income (Loss) Before Contributions	3,631,231	6,006,455	3,752,261	(2,323,340)	(4,677,687)
Capital Contributions	<u>538,297</u>	<u>502,578</u>	<u>172,378</u>	<u>429,279</u>	<u>591,188</u>
Change in Net Position	4,169,528	6,509,033	3,924,639	(1,894,061)	(4,086,499)
Net Position - Beginning (as restated)	<u>148,794,020</u>	<u>155,958,673</u> (3)	<u>142,737,499</u> (4)	<u>146,662,138</u>	<u>151,481,205</u> (5)
Net Position - Ending	<u>\$ 152,963,548</u>	<u>\$ 162,467,706</u>	<u>\$ 146,662,138</u>	<u>\$ 144,768,077</u>	<u>\$ 147,394,706</u>

NOTES:

(1) Other revenue includes miscellaneous charges (reconnection and new account fees, late charges, etc.)

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

(3) Net position beginning balance, as of October 1, 2013, was restated in order to capitalized interest payments that were expensed during the construction phase of the RO Plant; and to write-off capitalized loan costs as a result of the implementation of GASB Statement No. 65 in the amounts of \$3.87 million and \$878 thousand, respectively. Specific information can be found in the City's Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2014, in Note 19, page 78. Such information is hereby incorporated by reference.

(4) Net position beginning balance, as of October 1, 2014, was restated in order to record the opening net pension liability as a result of the implementation of GASB Statement No. 68 in the amount of \$19.7 million. Specific information can be found in the City's Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2015, in Note 19, page 84. Such information is hereby incorporated by reference.

(5) Net position beginning balance, as of October 1, 2016, was restated in order to properly reflect capital assets and accumulated depreciation. Specific information can be found in the City's Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2017, in Note 19, page 81. Such information is hereby incorporated by reference.

Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal Years 2013 through 2017.

TOTAL NUMBER OF ACCOUNTS

City of Hialeah
Department of Water and Sewers
Total Number of Accounts 2013-2017

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
# of residential accounts	53,287	54,112	53,592	54,721	54,896
# of commercial accounts	<u>1,267</u>	<u>1,289</u>	<u>1,291</u>	<u>1,296</u>	<u>1,293</u>
	54,554	55,401	55,401	56,017	56,189

PURCHASED WATER COSTS

City of Hialeah - Department of Water and Sewers
Water Flows as Billed by Water and Sewer Department for Fiscal Year 2013-2017

2012-2013		2013-2014		2014-2015		2015-2016		2016-2017	
Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month
October-12	616,487,544	October-13	642,998,503	October-14	644,490,315	October-15	679,486,464	October-16	506,768,000
November-12	682,689,932	November-13	705,985,356	November-14	625,193,023	November-15	596,881,504	November-16	593,584,000
December-12	727,815,016	December-13	506,473,812	December-14	633,053,574	December-15	490,379,000	December-16	527,278,000
January-13	583,012,236	January-14	769,283,952	January-15	706,360,555	January-16	646,936,592	January-17	784,382,000
February-13	563,274,328	February-14	641,892,716	February-15	619,208,282	February-16	522,121,000	February-17	560,874,000
March-13	606,661,808	March-14	572,660,128	March-15	574,526,521	March-16	519,590,000	March-17	476,498,000
April-13	613,634,410	April-14	596,833,084	April-15	639,442,583	April-16	495,508,000	April-17	590,618,000
May-13	718,999,670	May-14	625,013,108	May-15	676,882,477	May-16	625,694,000	May-17	596,789,000
June-13	561,173,002	June-14	569,346,216	June-15	579,662,721	June-16	557,453,000	June-17	641,447,000
July-13	628,577,209	July-14	505,390,532	July-15	671,010,376	July-16	566,932,748	July-17	546,259,000
August-13	700,615,449	August-14	598,722,968	August-15	585,650,728	August-16	552,349,000	August-17	627,801,000
September-13	617,386,936	September-14	550,433,396	September-15	651,166,284	September-16	604,062,000	September-17	588,152,000
TOTAL	<u>7,620,327,540</u>	TOTAL	<u>7,285,033,771</u>	TOTAL	<u>7,606,647,436</u>	TOTAL	<u>6,857,393,308</u>	TOTAL	<u>7,040,450,000</u>
	20.878		19.959		20.840		18.787		19.289

City of Hialeah - Department of Water and Sewers
Purchased Water Costs(l) 2013-2017

Year	Cost	Comment
2013	\$8,460,021	True-Up and WASD Credit
2014	\$8,870,782	True-Up and WASD Credit
2015	\$8,681,103	True-Up and WASD Credit
2016	\$9,325,379	True-Up and WASD Credit
2017	\$11,900,551	True-Up and WASD Credit

City of Hialeah - Department of Water and Sewers
Sewer Flows as Billed by Water and Sewer Department for Fiscal Year 2013-2017

2012-2013		2013-2014		2014-2015		2015-2016		2016-2017	
Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month	Month	Gallons/Month
October-12	722,043,800	October-13	722,110,100	October-14	716,338,200	October-15	615,286,900	October-16	613,470,900
November-12	553,485,600	November-13	561,680,600	November-14	594,672,900	November-15	628,179,900	November-16	845,509,400
December-12	487,545,900	December-13	616,903,600	December-14	651,012,300	December-15	938,715,500	December-16	725,673,500
January-13	613,680,300	January-14	703,745,700	January-15	575,226,500	January-16	739,478,000	January-17	765,338,500
February-13	484,506,700	February-14	486,022,900	February-15	531,222,200	February-16	875,607,900	February-17	615,297,700
March-13	447,481,500	March-14	486,358,000	March-15	543,135,900	March-16	815,203,800	March-17	705,766,500
April-13	637,138,000	April-14	583,496,000	April-15	595,359,500	April-16	642,985,900	April-17	655,963,700
May-13	554,097,700	May-14	537,786,000	May-15	550,269,000	May-16	702,433,400	May-17	713,401,300
June-13	587,971,300	June-14	451,939,000	June-15	600,350,700	June-16	772,542,100	June-17	933,664,400
July-13	626,526,400	July-14	690,242,000	July-15	551,081,200	July-16	656,166,000	July-17	775,626,600
August-13	698,866,800	August-14	665,946,400	August-15	538,902,400	August-16	830,840,600	August-17	919,615,200
September-13	634,152,000	September-14	596,039,200	September-15	721,376,600	September-16	725,925,700	September-17	933,999,600
TOTAL	<u>7,047,496,000</u>	TOTAL	<u>7,102,269,500</u>	TOTAL	<u>7,168,947,400</u>	TOTAL	<u>8,943,365,700</u>	TOTAL	<u>9,203,327,300</u>
	19.308		19.458		19.641		24.502		25.215

COST OF WASTEWATER TREATMENT

The table below sets forth the cost for treatment of wastewater generated within the service area of the Borrower for the fiscal years ending September 30, 2013 through 2017.

Purchased Sewer Costs(1) 2013-2017

Year	Cost
2013	\$13,538,085
2014	\$16,929,302
2015	\$19,701,628
2016	\$25,277,995
2017	\$28,264,565

WASTE AND WASTEWATER RATES

Monthly Charges

	FY 2011-2012,12-13		FY 2013-2014		FY 2014-2015		FY 2015-2016		FY 2016-2017	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
Readiness to Serve Charge	\$4.58	\$4.74	\$4.65	\$4.81	\$4.76	\$4.92	\$4.83	\$4.99	\$4.88	\$5.33
Gallorage Charge (per 100 gls)										
0-5,000	\$0.199	\$0.361	\$0.202	\$0.417	\$0.219	\$0.454	\$0.222	\$0.501	\$0.225	\$0.535
5,001 - 10,000	\$0.215	\$0.388	\$0.218	\$0.449	\$0.236	\$0.489	\$0.240	\$0.540	\$0.242	\$0.576
10,001 - 20,000	\$0.226	\$0.401	\$0.229	\$0.464	\$0.248	\$0.505	\$0.252	\$0.558	\$0.254	\$0.595
20,001 - 40,000	\$0.245	\$0.458	\$0.249	\$0.530	\$0.277	\$0.577	\$0.275	\$0.637	\$0.278	\$0.680
40,001 - 50,000	\$0.245	\$0.458	\$0.249	\$0.530	\$0.277	\$0.577	\$0.286	\$0.637	\$0.289	\$0.680
50,001 - 100,000	\$0.267	\$0.461	\$0.271	\$0.534	\$0.294	\$0.582	\$0.298	\$0.643	\$0.301	\$0.686
Over	\$0.267	\$0.461	\$0.271	\$0.534	\$0.294	\$0.582	\$0.298	\$0.643	\$0.301	\$0.686

Bi-monthly Charges

	FY 2011-2012,12-13		FY 2013-2014		FY 2014-2015		FY 2015-2016		FY 2016-2017	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
Readiness to Serve Charge	\$9.17	\$9.26	\$9.31	\$9.40	\$9.52	\$9.62	\$9.66	\$9.76	\$9.76	\$10.42
Gallorage Charge (per 100 gls)										
0-5,000	\$0.199	\$0.361	\$0.202	\$0.417	\$0.219	\$0.454	\$0.222	\$0.501	\$0.225	\$0.535
5,001 - 10,000	\$0.199	\$0.361	\$0.202	\$0.417	\$0.219	\$0.454	\$0.222	\$0.501	\$0.225	\$0.535
10,001 - 20,000	\$0.215	\$0.388	\$0.218	\$0.449	\$0.236	\$0.489	\$0.240	\$0.540	\$0.242	\$0.576
20,001 - 40,000	\$0.215	\$0.388	\$0.218	\$0.449	\$0.236	\$0.489	\$0.240	\$0.540	\$0.242	\$0.576
40,001 - 50,000	\$0.233	\$0.419	\$0.237	\$0.485	\$0.277	\$0.528	\$0.261	\$0.583	\$0.263	\$0.622
50,001 - 100,000	\$0.245	\$0.458	\$0.249	\$0.530	\$0.277	\$0.577	\$0.268	\$0.637	\$0.271	\$0.680
Over	\$0.245	\$0.461	\$0.249	\$0.534	\$0.271	\$0.582	\$0.275	\$0.643	\$0.278	\$0.686

CAPITAL FACILITIES FEE RATES

City of Hialeah
 Department of Water and Sewers
 Schedule of Current Water and Wastewater Capital Facilities Fees

CURRENT FEES - Per Gallon	<u>Water</u> <u>Impact Fee</u>	<u>Sewer</u> <u>Impact Fee</u>
All Customer Classifications		
Per Gallon - Water Transmission & Distribution	\$0.71	-
Per Gallon - RO Water Treatment	\$7.79	-
Per Gallon - Sewer Collection	-	\$2.76
Total Proposed Impact Fee Per Gallon - System Wide	<u>\$8.50</u>	<u>\$2.76</u>
Total Proposed Impact Fee (1) Per ERC - System Wide	<u><u>\$2,975.00</u></u>	<u><u>\$966.00</u></u> (2)

(1) One ERC = 350 Gallons Per Day (GPD)

(2) [$\$8.50 \times 350 = \$2,975.00$] [$\$2.76 \times 350 = \966.00]

ANTI-DILUTION TEST

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

Revenues

	<u>FY 2013</u>	<u>FY 2014</u>	<u>Prior Two-Year Average</u>
Total Governmental Revenues	\$ 171,875,662	\$ 162,948,361	\$ 167,412,012
Less: Ad Valorem Revenues	<u>(41,687,822)</u>	<u>(41,424,198)</u>	<u>(41,556,010)</u>
Total Governmental Non-Ad Valorem Revenues	130,187,840	121,524,163	125,856,002
Less: Restricted Funds (Other Governmental Funds)	<u>(53,848,496)</u>	<u>(41,885,288)</u>	<u>(47,866,892)</u>
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	76,339,344	79,638,875	77,989,110
Plus: Debt Service Fund (1)	<u>6,494,746</u>	<u>6,765,759</u>	<u>6,630,253</u>
Adjusted Non-Ad Valorem Revenues	<u>\$ 82,834,090</u>	<u>\$ 86,404,634</u>	<u>\$ 84,619,362</u>

Expenditures

Essential Expenditures			
Public Safety	\$ 69,929,229	\$ 78,528,317	\$ 74,228,773
General Government	<u>25,015,678</u>	<u>26,520,903</u>	<u>25,768,291</u>
Total Essential Expenditures	94,944,907	105,049,220	99,997,064
Less: Ad Valorem Revenues available to pay			
Essential Expenditures	<u>(41,687,822)</u>	<u>(41,424,198)</u>	<u>(41,556,010)</u>
Adjusted Essential Expenditures	<u>\$ 53,257,085</u>	<u>\$ 63,625,022</u>	<u>\$ 58,441,054</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$ 29,577,005</u>	<u>\$ 22,779,612</u>	<u>\$ 26,178,309</u>

Adjustments

Ad Valorem Revenues Restricted for Debt Service	-	-	-
Debt Proceeds	-	-	-

Test 1 - Prior Two Year average of Non-Ad Valorem Revenues covers projected MADS by 150%

	<u>2013-2014</u>
Average Net Non-Ad Valorem Revenues available for Debt Service	\$ 26,178,309
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,614,641
Coverage	303.9%

Test 2 - Projected MADS does not exceed 20% of the prior two-year average of Total Governmental Fund Revenues less Ad Valorem Revenues restricted for debt service and debt proceeds

	<u>2013-2014</u>
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,614,641
Two-Year Average Net Total Governmental Funds	\$ 125,856,002
Coverage	6.84%

(1) The Debt Service Fund is part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax. Amounts in the Debt Service Fund are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.

Source: City of Hialeah Finance Department

City of Hialeah Non-Ad Valorem Revenues Anti-Dilution Test
as of September 30, 2015

Revenues

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Prior Two-Year Average</u>
Total Governmental Revenues	\$ 162,948,361	\$ 173,295,939	\$ 168,122,150
Less: Ad Valorem Revenues	<u>(41,424,198)</u>	<u>(43,735,370)</u>	<u>(42,579,784)</u>
Total Governmental Non-Ad Valorem Revenues	121,524,163	129,560,569	125,542,366
Less: Restricted Funds (Other Governmental Funds)	<u>(41,885,288)</u>	<u>(46,075,049)</u>	<u>(43,980,169)</u>
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	79,638,875	83,485,520	81,562,198
Plus: Debt Service Fund (1)	<u>6,765,759</u>	<u>7,187,018</u>	<u>6,976,389</u>
Adjusted Non-Ad Valorem Revenues	<u>\$ 86,404,634</u>	<u>\$ 90,672,538</u>	<u>\$ 88,538,586</u>

Expenditures

Essential Expenditures			
Public Safety	\$ 78,528,317	\$ 96,831,686	\$ 87,680,002
General Government	<u>26,520,903</u>	<u>5,055,587</u>	<u>15,788,245</u>
Total Essential Expenditures	105,049,220	101,887,273	103,468,247
Less: Ad Valorem Revenues available to pay			
Essential Expenditures	<u>(41,424,198)</u>	<u>(43,735,370)</u>	<u>(42,579,784)</u>
Adjusted Essential Expenditures	<u>\$ 63,625,022</u>	<u>\$ 58,151,903</u>	<u>\$ 60,888,463</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$ 22,779,612</u>	<u>\$ 32,520,635</u>	<u>\$ 27,650,124</u>

Adjustments

Ad Valorem Revenues Restricted for Debt Service	-	-	-
Debt Proceeds	-	-	-

Test 1 - Prior Two Year average of Non-Ad Valorem Revenues covers projected MADS by 150%

	<u>2014-2015</u>
Average Net Non-Ad Valorem Revenues available for Debt Service	\$ 27,650,124
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,510,723
Coverage	324.9%

Test 2 - Projected MADS does not exceed 20% of the prior two-year average of Total Governmental Fund Revenues less Ad Valorem Revenues restricted for debt service and debt proceeds

	<u>2014-2015</u>
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,510,723
Two-Year Average Net Total Governmental Funds	\$ 125,542,366
Coverage	6.78%

(1) The Debt Service Fund is part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax. Amounts in the Debt Service Fund are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.

Source: City of Hialeah Finance Department

City of Hialeah Non-Ad Valorem Revenues Anti-Dilution Test
as of September 30, 2016

Revenues

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Prior Two-Year Average</u>
Total Governmental Revenues	\$ 173,295,939	\$ 179,565,538	\$ 176,430,739
Less: Ad Valorem Revenues	<u>(43,735,370)</u>	<u>(47,012,819)</u>	<u>(45,374,095)</u>
Total Governmental Non-Ad Valorem Revenues	129,560,569	132,552,719	131,056,644
Less: Restricted Funds (Other Governmental Funds)	<u>(46,075,049)</u>	<u>(49,770,898)</u>	<u>(47,922,974)</u>
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	83,485,520	82,781,821	83,133,671
Plus: Debt Service Funds (1)	<u>7,187,018</u>	<u>6,416,452</u>	<u>6,801,735</u>
Adjusted Non-Ad Valorem Revenues	<u>\$ 90,672,538</u>	<u>\$ 89,198,273</u>	<u>\$ 89,935,406</u>

Expenditures

Essential Expenditures			
Public Safety	\$ 96,831,686	\$ 98,650,716	\$ 97,741,201
General Government	<u>5,055,587</u>	<u>4,648,426</u>	<u>4,852,007</u>
Total Essential Expenditures	101,887,273	103,299,142	102,593,208
Less: Ad Valorem Revenues available to pay			
Essential Expenditures	<u>(43,735,370)</u>	<u>(47,012,819)</u>	<u>(45,374,095)</u>
Adjusted Essential Expenditures	<u>\$ 58,151,903</u>	<u>\$ 56,286,323</u>	<u>\$ 57,219,113</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$ 32,520,635</u>	<u>\$ 32,911,950</u>	<u>\$ 32,716,293</u>

Adjustments

Ad Valorem Revenues Restricted for Debt Service	-	-	-
Debt Proceeds	-	-	-

Test 1 - Prior Two Year average of Non-Ad Valorem Revenues covers projected MADS by 150%

	<u>2015-2016</u>
Average Net Non-Ad Valorem Revenues available for Debt Service	\$ 32,716,293
Maximum Annual Non-Ad Valorem Debt Service	\$ 7,757,723
Coverage	421.7%

Test 2 - Projected MADS does not exceed 20% of the prior two-year average of Total Governmental Fund Revenues less Ad Valorem Revenues restricted for debt service and debt proceeds

	<u>2015-2016</u>
Maximum Annual Non-Ad Valorem Debt Service	\$ 7,757,723
Two-Year Average Net Total Governmental Funds	\$ 131,056,644
Coverage	5.92%

(1) The Debt Service Funds are part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax and a portion of utility franchise fees. Amounts in the Debt Service Funds are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.

City of Hialeah Non-Ad Valorem Revenues Anti-Dilution Test
as of September 30, 2017

Revenues

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Prior Two-Year Average</u>
Total Governmental Revenues	\$ 179,565,538	\$ 185,325,086	\$ 182,445,312
Less: Ad Valorem Revenues	<u>(47,012,819)</u>	<u>(51,435,680)</u>	<u>(49,224,250)</u>
Total Governmental Non-Ad Valorem Revenues	132,552,719	133,889,406	133,221,063
Less: Restricted Funds (Other Governmental Funds)	<u>(49,770,898)</u>	<u>(50,340,586)</u>	<u>(50,055,742)</u>
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	82,781,821	83,548,820	83,165,321
Plus: Debt Service Funds (1)	<u>6,416,452</u>	<u>4,822,358</u>	<u>5,619,405</u>
Adjusted Non-Ad Valorem Revenues	<u>\$ 89,198,273</u>	<u>\$ 88,371,178</u>	<u>\$ 88,784,726</u>

Expenditures

Essential Expenditures			
Public Safety	\$ 98,650,716	\$ 100,610,220	\$ 99,630,468
General Government	<u>4,648,426</u>	<u>4,504,305</u>	<u>4,576,366</u>
Total Essential Expenditures	103,299,142	105,114,525	104,206,834
Less: Ad Valorem Revenues available to pay			
Essential Expenditures	<u>(47,012,819)</u>	<u>(51,435,680)</u>	<u>(49,224,250)</u>
Adjusted Essential Expenditures	<u>\$ 56,286,323</u>	<u>\$ 53,678,845</u>	<u>\$ 54,982,584</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$ 32,911,950</u>	<u>\$ 34,692,333</u>	<u>\$ 33,802,142</u>

Adjustments

Ad Valorem Revenues Restricted for Debt Service	-	-	-
Debt Proceeds	-	-	-

Test 1 - Prior Two Year average of Non-Ad Valorem Revenues covers projected MADS by 150%

	<u>2016-2017</u>
Average Net Non-Ad Valorem Revenues available for Debt Service	\$ 33,802,142
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,809,933
Coverage	383.7%

Test 2 - Projected MADS does not exceed 20% of the prior two-year average of Total Governmental Fund Revenues less Ad Valorem Revenues restricted for debt service and debt proceeds

	<u>2016-2017</u>
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,809,933
Two-Year Average Net Total Governmental Funds	\$ 133,221,063
Coverage	6.61%

(1) The Debt Service Funds are part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax and a portion of utility franchise fees. Amounts in the Debt Service Funds are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.

Source: City of Hialeah Finance Department

HISTORICAL NON-AD VALOREM REVENUES

City of Hialeah Historical Non-Ad Valorem Revenues
Fiscal Years 2013 through 2017

Revenues

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Total Governmental Revenues	\$ 171,875,662	\$ 162,948,361	\$ 173,295,939	\$ 179,565,538	\$ 185,325,086
Less: Ad Valorem Revenues	<u>(41,687,822)</u>	<u>(41,424,198)</u>	<u>(43,735,370)</u>	<u>(47,012,819)</u>	<u>(51,435,680)</u>
Total Governmental Non-Ad Valorem Revenues	130,187,840	121,524,163	129,560,569	132,552,719	133,889,406
Less: Restricted Funds (Other Governmental Funds)	<u>(53,848,496)</u>	<u>(41,885,288)</u>	<u>(46,075,049)</u>	<u>(49,770,898)</u>	<u>(50,340,586)</u>
Total Governmental Non-Ad Valorem Revenues net of Restricted Funds	76,339,344	79,638,875	83,485,520	82,781,821	83,548,820
Plus: Debt Service Funds (1)	<u>6,494,746</u>	<u>6,765,759</u>	<u>7,187,018</u>	<u>6,416,452</u>	<u>4,822,358</u>
Adjusted Non-Ad Valorem Revenues	<u>\$ 82,834,090</u>	<u>\$ 86,404,634</u>	<u>\$ 90,672,538</u>	<u>\$ 89,198,273</u>	<u>\$ 88,371,178</u>

Expenditures

Essential Expenditures					
Public Safety	\$ 69,929,229	\$ 78,528,317	\$ 96,831,686	\$ 98,650,716	\$ 100,610,220
General Government	<u>25,015,678</u>	<u>26,520,903</u>	<u>5,055,587</u>	<u>4,648,426</u>	<u>4,504,305</u>
Total Essential Expenditures	94,944,907	105,049,220	101,887,273	103,299,142	105,114,525
Less: Ad Valorem Revenues available to pay Essential Expenditures	<u>(41,687,822)</u>	<u>(41,424,198)</u>	<u>(43,735,370)</u>	<u>(47,012,819)</u>	<u>(51,435,680)</u>
Adjusted Essential Expenditures	<u>\$ 53,257,085</u>	<u>\$ 63,625,022</u>	<u>\$ 58,151,903</u>	<u>\$ 56,286,323</u>	<u>\$ 53,678,845</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$ 29,577,005</u>	<u>\$ 22,779,612</u>	<u>\$ 32,520,635</u>	<u>\$ 32,911,950</u>	<u>\$ 34,692,333</u>

Existing Coverage

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Maximum Annual Non-Ad Valorem Debt Service	\$ 8,655,783	\$ 8,614,641	\$ 8,510,723	\$ 7,757,723	\$ 8,809,933
Legally Available Non-Ad Valorem Revenues after MADS	\$ 20,921,222	\$ 14,164,971	\$ 24,009,912	\$ 25,154,227	\$ 25,882,400
Existing Coverage	6.97%	6.84%	6.78%	5.92%	6.61%

(1) The Debt Service Funds are part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax and a portion of utility franchise fees. Amounts in the Debt Service Funds are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.

Source: City of Hialeah Finance Department

BREAKDOWN OF NON-AD VALOREM REVENUES

City of Hialeah - Historical Non-Ad Valorem Revenues Breakdown
Fiscal Years 2013 through 2017

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Governmental Non-Ad Valorem					
Taxes					
Utility Taxes	\$ 21,909,541	\$ 22,487,398	\$ 22,248,582	\$ 22,087,571	\$ 22,345,725
Franchise Fees	10,277,964	15,370,782	16,584,895	15,182,525	15,091,649
Total Taxes	<u>32,187,505</u>	<u>37,858,180</u>	<u>38,833,477</u>	<u>37,270,096</u>	<u>37,437,374</u>
Licenses and Permits					
Occupational Licenses	3,976,835	4,492,832	4,281,144	5,734,067	6,091,636
Building Permits	-	-	-	-	-
Planning and Zoning	247,344	360,718	411,945	886,763	852,188
Total Licenses and Permits	<u>4,224,179</u>	<u>4,853,550</u>	<u>4,693,089</u>	<u>6,620,830</u>	<u>6,943,824</u>
Intergovernmental					
Half Cent Sales Tax	15,582,457	16,355,645	17,228,030	17,719,796	17,682,684
State Revenue Sharing	7,907,098	8,527,350	9,392,611	9,657,208	10,227,112
Other	944,209	210,976	318,462	310,194	290,707
Total Intergovernmental	<u>24,433,764</u>	<u>25,093,971</u>	<u>26,939,103</u>	<u>27,687,192</u>	<u>28,200,503</u>
Government Grant and Other Revenues					
Fines and Forfeitures	1,197,481	1,328,469	1,396,354	1,529,267	1,327,759
Interest	14,096	7,498	17,487	9,489	-
Government Grant and Other Revenues	14,282,319	10,516,737	11,606,010	9,664,947	9,639,360
Total Government Grant and Other Revenues	<u>15,493,896</u>	<u>11,852,704</u>	<u>13,019,851</u>	<u>11,203,703</u>	<u>10,967,119</u>
Total Governmental Non-Ad Valorem	<u>\$ 76,339,344</u>	<u>\$ 79,658,405</u>	<u>\$ 83,485,520</u>	<u>\$ 82,781,821</u>	<u>\$ 83,548,820</u>
Other Governmental Funds Non-Ad Valorem					
Taxes					
Utility Taxes (1)	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise Fees	-	-	-	541,256	1,088,561
Total Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>541,256</u>	<u>1,088,561</u>
Licenses and Permits					
Building Permits (2)	3,311,856	4,463,322	4,819,891	9,749,893	9,217,996
Intergovernmental					
Local Option Gas Tax	3,884,413	3,720,800	3,922,383	3,855,005	4,097,737
Miami Dade County Half Sales Tax - Transit	1,623,687	1,691,440	1,796,754	1,848,632	1,568,895
Miami Dade County Half Sales Tax (3)	6,494,745	6,765,759	7,187,018	5,875,196	3,733,797
Other	1,637,238	2,839,691	3,137,656	6,874,983	8,005,857
Total Intergovernmental	<u>13,640,083</u>	<u>15,017,690</u>	<u>16,043,811</u>	<u>18,453,816</u>	<u>17,406,286</u>
Government Grant and Other Revenues					
Fines and Forfeitures	745,416	696,538	934,838	775,513	409,967
Interest	649	102	169	108	-
Government Grant and Other Revenues	36,150,492	21,707,636	24,276,340	20,250,312	22,217,776
Total Government Grant and Other Revenues	<u>36,896,557</u>	<u>22,404,276</u>	<u>25,211,347</u>	<u>21,025,933</u>	<u>22,627,743</u>
Total Other Governmental Funds Non-Ad Valorem	<u>\$ 53,848,496</u>	<u>\$ 41,885,288</u>	<u>\$ 46,075,049</u>	<u>\$ 49,770,898</u>	<u>\$ 50,340,586</u>

(1) The Stormwater Utility Fund was converted to an Enterprise Fund in fiscal year 2012; consequently, in fiscal year 2013 it is not reflected under the category of Other Governmental Funds in the Comprehensive Annual Financial Reports for the respective years.

(2) The Building Department was converted to a Special Revenue Fund in fiscal year 2012; consequently, in fiscal year 2013 it is not reflected under the category of the General Fund, instead it is reflected under the category of Other Governmental Funds in the Comprehensive Annual Financial Reports for the respective years.

(3) Revenues in Other Governmental Funds are restricted and typically are not available to pay debt service on the City's Non-Ad Valorem bonds; however, the Debt Service Fund is part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax and amounts in the Debt Service Fund are available to pay and have been used to pay debt service on the City's Non-Ad Valorem bonds.

Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal Years 2013 through 2017.

BANK LOANS

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

Specific information concerning the loans can be found in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2017, in Notes to Basic Financial Statements — Note 12, beginning on page 56. Such information is hereby incorporated by reference.

CERTAIN MATTERS

1. The City failed to timely file financial information and operating data with respect to (i) the outstanding Florida Municipal Loan Council Revenue Bonds, Series 2011D (City of Hialeah Series) for which the City is the obligor for the fiscal years 2011 through 2013, respectively, that were due on June 26-27, 2012, 2013 and 2014, respectively; and (ii) the outstanding Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series) for which the City is the obligor for the fiscal years 2012 and 2013 that were due on June 27, 2013 and 2014, respectively. The City did not file failure to provide notices in a timely manner for each failure. On January 14, 2015, the City filed a notice of failure to file and an Annual Report of Financial Information and Operating Data containing the information and data with the Municipal Securities Rulemaking Board for the years in which the filings were not made.

The City filed its Comprehensive Annual Financial Reports late for fiscal years 2013 (3 days) and 2014 (5 days). The City failed to timely file notices of certain rating changes due to changes in the rating of the bond insurer.

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

2. In 2013, the City Council adopted Resolution 2013-129 approving a transfer of assets between its general fund and its water and sewer fund as part of its efforts to privatize the collection of residential waste. On June 9, 2015, the Council approved an amended resolution authorizing an interfund loan from the water and sewer fund of the Public Works Department to the solid waste fund of the Public Works Department. Reference is hereby made to Footnote 9 in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2017, and such information is hereby incorporated herein by reference.

3. On August 27, 2010, Florida Public Employees Council 79, American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME) (collectively referred to as the Union) filed an unfair labor practice charge with the State of Florida Public Employees Relations Commission (PERC) alleging that the City violated Section 447.51(1)(a) and (c), Florida Statutes (2010), by the manner in which it conducted itself during the impasse resolution procedure. On March 4, 2011, PERC concluded that the City engaged in an unfair labor practice violating Section 447.51(1)(a) and (c), Florida Statutes (2010). The PERC order did not require the City to make a monetary reimbursement to the employees. On July 15, 2013, the Union filed an action in the Eleventh Judicial Circuit Court in Miami-Dade County against the City seeking to enforce the PERC Order of March 2011 requesting that the Court make the Union members whole for the economic changes and other benefits imposed by the City Council in 2010 and for attorney's fees and costs. On July 20, 2015, the Court ruled in favor of the Union. In August 2015, based on the agreement of the parties, the entry of judgment was ordered stayed for a period of 120 days to allow the parties an opportunity to explore settlement. The stay was extended until the parties reached a settlement on July 18, 2016. The settlement did not include former employees who had worked during the relevant period of time but who had retired prior to July 20, 2015. The trial court approved the settlement and dismissed the matter with prejudice on August 26, 2016 and again on August 29, 2016. At least 29 former employees sought to intervene. The trial court denied the former employees' motion to intervene. The intervenors appealed the trial court's final order on September 26, 2016. On June 6, 2018, the Third District Court of Appeals issued an opinion affirming the trial court's order rejecting the former employees' motion to intervene and motion to vacate the dismissal of the enforcement action. On June 22, 2018 the Third District Court of Appeals issued a mandate making its June 6th opinion final. The intervenors have thirty days in which to appeal the mandate.

The City and Miami-Dade County, as parties to a joint participation agreement, contracted with GS Inima USA Construction Corporation (the "Company") for the design, construction and operation of a reverse osmosis water treatment plant. Construction was completed, and the City has accepted the plant. The Company and the City have agreed to hold back a portion of the final payment amount (retainage) due to the Company to cover the anticipated cost of completing remaining punch-list items. The plant is fully operational producing 7.5 MGD distributed equally between Miami- Dade County and the City.

On December 4, 2014, the City received a notice of claim for compensation pursuant to the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the City's failure to designate a zoning classification for the property in question and its denial of the landowners vested right in continuing heavy industrial uses on the property have inordinately burdened the property reducing its fair market value in an estimated amount of \$5.7 million based on the initial appraisal submitted by the claimant as required by the Harris Act. Since annexation, the City adopted a comprehensive land use plan for the area allowing for less intense, light industrial uses. The Harris Act requires the notice and a 6-month settlement period preceding the filing of an action. The 6-month settlement period has expired, but the parties continue to explore settlement. As of September 30, 2017, no action has been filed in this matter.

In October 2005, the City was impacted by Hurricane Wilma. The City sought federal funds assistance to pay for expenditures associated with debris removal, emergency protective measures and restoration efforts as a result of the damage caused by the hurricane in the approximate amount of \$11.2 million. In August 2009, the U.S. Office of Inspector General began an audit of the costs claimed by the City to be related to Wilma to determine whether federal funds had been accounted for and expended according to federal regulations and guidelines. The audit was completed and the results reported to the Regional FEMA Administrator in June 2010. The auditor recommended disallowing approximately \$2.5 million. FEMA concurred with the findings and notified the Florida Division of Emergency Management of its determination on June 22, 2012. In turn, the State of Florida notified the City in July 2012. The City has filed five separate appeals to the determination by FEMA. FEMA has not made a final determination on any of the City's appeals. Notwithstanding, because of FEMA's immediate withdrawal policy, the Florida Division of Emergency Management has requested that the City pay the amount of overpayment of \$2,667,958.48. The City has not made any payments to the State on this account and has not entered into a repayment plan pending the determination of the City's appeals.

The City has also been notified of the disallowance of \$110,106.70 in claims submitted for reimbursement by the Florida Division of Emergency Management related to debris removal and restoration activities attributed to the impact of Hurricane Katrina in August 2005. The City has not made any payments to the State on this account and has not entered into a repayment plan.

This Annual Report of Financial Information and Operating Data for the Fiscal Year Ended September 30, 2017 is submitted pursuant to continuing disclosure agreements executed by the City, as obligor, in connection with the issuance of the Series 2011D Bonds and the Series 2012A Bonds.

Dated: June 27, 2018

CITY OF HIALEAH, FLORIDA

C. Chiocca

By:

Christopher Chiocca, CPA

Title: Finance Director