

In the opinion of Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein and rendered in reliance on certain schedules described herein, interest on the Series 2003A Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the Series 2003A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, the Series 2003A Bonds and income thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest income or profits on debt obligations owned by corporations as defined in Chapter 220. For a more complete discussion of tax aspects, see "TAX MATTERS" herein.

\$26,450,000
CITY OF ORLANDO, FLORIDA
Waste Water System Refunding Revenue Bonds,
2003 Series A

Dated: Date of Delivery**Due: October 1, as shown below**

The City of Orlando, Florida (the "City") will issue its Waste Water System Refunding Revenue Bonds, 2003 Series A (the "Series 2003A Bonds") in fully registered form and, when initially issued, will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York. U.S. Bank Trust National Association, New York, New York, is acting as the Paying Agent and Bond Registrar for the Series 2003A Bonds. The Series 2003A Bonds will be purchased in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. There will be no physical delivery of bond certificates to individual Bondholders (see "THE SERIES 2003A BONDS - Book-Entry Only System"). The Series 2003A Bonds are exchangeable for a like aggregate principal amount of Series 2003A Bonds of the same maturity of other authorized denominations. Interest on the Series 2003A Bonds is payable semiannually on April 1 and October 1, in each year commencing on April 1, 2004. Principal of and premium, if any, on the Series 2003A Bonds are payable upon presentation and surrender at the designated corporate trust office of the Paying Agent for the Series 2003A Bonds.

The Series 2003A Bonds are not subject to redemption prior to maturity.

Proceeds received from the sale of the Series 2003A Bonds will be used to refund all of the City's presently outstanding Waste Water System Refunding Revenue Bonds, 1993 Series B (the "Refunded Bonds") and to pay costs of issuance of the Series 2003A Bonds.

The Series 2003A Bonds and the interest thereon are payable solely from the Net Revenues derived by the City from the operation of the City's Wastewater System (the "System"), Available Impact Fees, and the Utilities Services Tax (see "THE SERIES 2003A BONDS--Permitted Release of the Utilities Services Tax" herein) and the funds and earnings thereon pledged to the payment of the Series 2003A Bonds in the manner and to the extent provided in the Senior Bond Ordinance as described herein. The lien of the Series 2003A Bonds on such revenues, taxes and fees is on a parity with the lien of other outstanding Waste Water System Revenue Bonds of the City secured by such revenues, taxes and fees, as described herein.

The Series 2003A Bonds do not constitute a general obligation or indebtedness of the City within the meaning of any constitutional, statutory or charter provisions or limitations and the City is not obligated to levy any ad valorem taxes therefor or to use any other funds of the City to pay the Series 2003A Bonds or the interest thereon nor shall the Bondholders be entitled to payment from any other funds of the City other than the Net Revenues, Available Impact Fees or Utilities Services Taxes (see "THE SERIES 2003A BONDS--Permitted Release of the Utilities Services Tax" herein) and certain funds or earnings thereon. The Series 2003A Bonds shall not constitute a lien on the System or any other property owned by or situated within the corporate limits of the City.

Payment of the principal of and interest on the Series 2003A Bonds maturing on October 1, 2004 and on October 1, 2006 through October 1, 2011 (collectively, the "Insured Bonds"), when due, will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance") simultaneously with the delivery of the Series 2003A Bonds. See "MUNICIPAL BOND INSURANCE" herein.

Ambac

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITIES, AMOUNTS, INTEREST RATES, YIELD, PRICE AND CUSIP NUMBERS

Maturity (October 1)	Amount	Interest Rate	Yield	Approximate Price	CUSIP No.
2004	\$3,040,000	2.000%	1.080%	100.828%	686516 JF 3
2005	3,035,000	5.000	1.340	106.871	686516 JG 1**
2006	3,185,000	2.250	1.650	101.696	686516 JH 9
2007	3,250,000	2.250	2.080	100.634	686516 JJ 5
2008	3,330,000	2.875	2.480	101.813	686516 JK 2
2009	3,425,000	3.125	2.800	101.756	686516 JL 0
2010	3,535,000	3.375	3.100	101.696	686516 JM 8
2011	3,650,000	3.625	3.400	101.546	686516 JN 6

** Not insured by Ambac Assurance

The Series 2003A Bonds are offered, when, as and if issued by the City and received by the Underwriters, and subject to the delivery of the approving opinion as to the legality of the Series 2003A Bonds by Greenberg Traurig, P.A., Miami, Florida. Certain legal matters will be passed upon for the City by its Disclosure Counsel, Liebler, Gonzalez & Portuondo, P.A., Miami, Florida. Certain other legal matters will be passed upon for the City by Shutts & Bowen LLP, Special Legal Counsel to the City. Siebert Brandford Shank & Co., LLC, Miami, Florida, is serving as Financial Advisor to the City. It is expected that the Series 2003A Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about November 4, 2003.

UBS FINANCIAL SERVICES, INC.

LOOP CAPITAL MARKETS, LLC

October 21, 2003

THE CITY OF ORLANDO, FLORIDA
One City Commons
400 South Orange Avenue
Orlando, Florida 32801

MEMBERS OF THE CITY COUNCIL

Buddy Dyer, Mayor

Phil Diamond
Betty T. Wyman
Vicki Vargo

Patty Sheehan
Daisy W. Lynum
Ernest Page

CITY OFFICIALS

Chief Executive Officer
Buddy Dyer, Mayor

Chief Financial Officer*
G. Michael Miller,
CPA, CIA, CGFO, CGFM

Public Works Director*
David L. Metzker, P.E.

Director of Management,
Budget & Accounting*
Robert R. Garner, CPA, CMA, CGFO

City Attorney*
Wayne Rich, Esq.

Deputy Public Works Director
Alan R. Oyler P.E.

Division Director - Environmental Services
David S. Sloan

Treasurer
Bruce C. Harter

Division Manager - Wastewater
Thomas L. Lothrop, P.E.

Assistant Treasurer
Kent R. Olson, CGFO

CONSULTANTS

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Miami, Florida

Financial Advisor

Liebler, Gonzalez & Portuondo, P.A.
Miami, Florida

Special Legal Counsel

Siebert Brandford Shank & Co., LLC
Miami, Florida

Independent Auditors

Shutts & Bowen LLP
Orlando, Florida

KPMG, LLP
Orlando, Florida

* Member of the Mayor's eleven member Cabinet.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 2003A Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. No dealer, salesman or any other person has been authorized by the City or the Underwriters to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 2003A Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the City or any other person. The information set forth herein, including in the appendices, has been obtained from the City, Ambac Assurance and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2003A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2003A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE SENIOR BOND ORDINANCE OR THE 2003 SUPPLEMENTAL RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2003A BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2003A BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2003A BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CITY OR THE UNDERWRITERS AND ANY ONE OR MORE OWNERS OF THE SERIES 2003A BONDS.

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\$26,450,000

**CITY OF ORLANDO, FLORIDA
WASTE WATER SYSTEM REFUNDING REVENUE BONDS,
2003 Series A**

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to set forth information relating to the City of Orlando, Florida (the "City" or "Orlando"), the City's waste water system (the "System"), and the City's \$26,450,000 Waste Water System Refunding Revenue Bonds, 2003 Series A (the "Series 2003A Bonds") to be issued by the City. See "SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCES," Appendix C, for definitions of certain words and terms not defined elsewhere herein.

The Series 2003A Bonds are being issued pursuant to the Constitution and laws of the State of Florida, particularly Article VIII, Section 2, Constitution of the State of Florida, Chapter 166 and Section 159.11, Florida Statutes, as amended, and the Home Rule Ordinance bearing documentary number 17943 adopted on July 25, 1983. Additionally, the Series 2003A Bonds are being issued pursuant to Ordinance bearing documentary number 17940 adopted on July 25, 1983, as previously amended and supplemented (the "Original Ordinance"), as further supplemented by Resolution adopted on September 29, 2003 (the "2003 Supplemental Resolution") (the Original Ordinance, as supplemented by the 2003 Supplemental Resolution is hereinafter referred to as the "Senior Bond Ordinance").

INTRODUCTORY STATEMENT

The Series 2003A Bond proceeds will be used to refund all of the City's presently outstanding Waste Water System Refunding Revenue Bonds, 1993 Series B (the "Refunded Bonds") and to pay costs of issuance of the Series 2003A Bonds.

The Series 2003A Bonds are not subject to redemption prior to maturity.

For a more complete description of the terms and conditions of the Series 2003A Bonds, reference is made to the documents referred to herein, certain provisions of which are summarized in this Official Statement. The description of the Series 2003A Bonds and the documents authorizing and securing the same and the information from reports contained herein do not purport to be comprehensive or definitive. All references herein to such documents and reports are qualified in their entirety by reference to such documents. Copies of documents and reports not reproduced in this Official Statement may be obtained from the City's Chief Financial Officer, One City Commons, 400 South Orange Avenue, 4th Floor, Orlando, Florida 32801, telephone number (407) 246-2341.

The System operates as an enterprise fund within the City and is organized as the Wastewater Division within the City's Department of Public Works. The System serves approximately 280,000 residents of the City and several surrounding communities including portions of unincorporated Orange and Seminole Counties and the cities of Casselberry, Maitland, and Winter Park. The System consists of a network of approximately 760 miles of gravity sewers, 190 lift stations, 170 miles of force main, three service areas, and three treatment plants. Each of these plants treat water to a level that meets or exceeds federal standards for wastewater. Taking into account the capital improvements which are expected to be made during the next five years, the System is expected to have capacity to allow for anticipated growth through 2020.

The City was incorporated on July 31, 1875 and the City Charter was adopted on February 4, 1885. The City is centrally-located in the State of Florida, approximately 150 miles south of the Florida-Georgia state line, 50 miles west of the Atlantic Ocean and 75 miles east of the Gulf of Mexico. The City covers an area of 104 square miles and has a population of approximately 195,000. The Orlando Metropolitan Statistical Area ("MSA") consisting of Lake, Orange, Osceola and Seminole Counties has a population of approximately 1,768,000.

The Orlando MSA is one of the leading tourist destinations in the world, has one of the largest number of hotel accommodations and one of the highest hotel occupancy rates in the United States. In 2002, Orlando hosted 40.6 million U.S. visitors and 2.4 million overseas visitors. Metro Orlando has approximately 110,000 hotel rooms, which is the second largest concentration of hotel rooms in the United States. More than 3.5 million people attended meetings and trade shows during 2002. The Orlando/Orange County Convention Center houses more than 7 million square feet of public, exhibit and meeting space.

Orlando International Airport ("OIA") is one of the fastest growing major airports in the country. OIA provides service to more major U.S. destinations than most other cities in the U.S. Of the 26.7 million passengers served by the OIA for the twelve months ending December 2002, 1.7 million were international travelers. Covering an area of almost 15,000 acres, OIA is the third largest airport in terms of land area in the United States. OIA has scheduled non-stop service to 72 U.S. destinations, more destinations than any other airport in

Florida. There are approximately 800 flights daily to all major cities, including direct international service and over 70,000 passengers use the award-winning airport daily.

The City and the T.D. Waterhouse Centre are home to the Orlando Magic, a franchise in the National Basketball Association, the Orlando Predators, a franchise in the Arena Football League, and the Orlando Seals, a franchise in the Atlantic Coast Hockey League. The Orlando MSA is the spring training home of the Houston Astros and the Atlanta Braves. The City was host to the NBA All-Star Game in 1992 and host of the first round regional NCAA basketball games in 1993 and 1996. First and second round World Cup Soccer Games were played at the Citrus Bowl in 1994, and preliminary rounds for men's and women's Olympic soccer were played in the Citrus Bowl in the summer of 1996. The Orlando MSA has five major institutions of higher education having a collective enrollment of over 123,000 full and part-time students.

The System has been recognized nationally through various awards, including the Water Environment Federation's Outstanding Achievement Award, the prestigious Phelps Award for the best-operated advanced wastewater treatment facility in the State of Florida and the outstanding project of the year award from the National Water Reuse Association for the Water Conserv II Project in 2001.

The City has gained recognition for its Comprehensive Annual Financial Report. A Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City by the Government Finance Officers Association of the United States and Canada ("GFOA") for each fiscal year since 1978.

SYSTEM FINANCING

On July 25, 1983, the City enacted a series of ordinances to authorize a borrowing program to finance the costs of improving the System. These ordinances include: (1) the Senior Bond Ordinance which authorizes the issuance of the City's long-term bonds (the "Senior Bonds") pursuant to which the Series 2003A Bonds are being issued; (2) an ordinance bearing City Documentary No. 17941 (said ordinance as amended and supplemented, the "Short Term Ordinance") which authorizes a short-term borrowing program to temporarily finance all or a portion of said costs in anticipation of the receipt of grants or the issuance of Senior Bonds and for the repayment of obligations due providers of credit enhancement securing Senior Bonds; (3) an ordinance bearing City Documentary No. 17942 (said ordinance as amended and supplemented, the "Refunding Bond Ordinance") which authorized the issuance of not in excess of \$35,000,000 in aggregate principal amount of refunding revenue bonds, and (4) the Home Rule Ordinance, bearing City Documentary No. 17943. Although the Refunding Bond Ordinance remains in effect, there are no longer any bonds outstanding under the Refunding Bond Ordinance.

The Series 2003A Bonds constitute Senior Bonds issued as Additional Bonds under the provisions of the Senior Bond Ordinance subject to the limitations set forth therein and are being issued pursuant to the terms of the Senior Bond Ordinance and the Home Rule Ordinance.

The Series 2003A Bonds are being issued on parity with the City's Waste Water System Refunding Revenue Bonds, 1997 Series A (Muni CPIs) (the "1997A Bonds"), the City's Waste Water System Refunding Revenue Bonds, 1997 Series C (the "1997C Bonds") and the City's Waste Water System Refunding Revenue Bonds, 2002 Series A (the "2002A Bonds") (collectively, the "Senior Bonds").

The City is authorized to issue Additional Bonds under the Senior Bond Ordinance on a parity with the Senior Bonds, provided that certain conditions are met. The City has also agreed with Ambac Assurance Corporation ("Ambac Assurance") that, during any period that Ambac Assurance has in effect an insurance policy on a Series of Senior Bonds, the City will not issue variable rate debt in amounts which would cause the aggregate principal amount of variable rate debt outstanding to exceed 35% of the total aggregate principal of the Senior Bonds outstanding. See "THE SERIES 2003A BONDS-- Additional Senior Bonds," herein for a discussion of the conditions under which the City is authorized to issue Additional Bonds under the Senior Bond Ordinance.

The Short Term Ordinance provides for the issuance of various forms of commercial paper, bond anticipation notes, grant anticipation notes, variable rate notes and bank notes with an aggregate principal amount outstanding at any one time, together with Senior Bonds, not to exceed \$250,000,000. The lien of debt issued under the Short Term Ordinance is junior and subordinate in all respects to the lien of any Senior Bonds. Under the terms of the Short Term Ordinance, the City may secure individual series of notes with different security which may or may not be applicable to other series of notes.

The City entered into a rate hedge transaction at the time of issuance of its Series 1997A (Muni CPIs) and 1997B Bonds with Goldman Sachs Mitsui Marine Derivative Products, L.P. ("GSMMDP"), an affiliate of Goldman, Sachs & Co., pursuant to the terms of which the City is required to pay a floating interest rate based on the PSATM (now known as BMATM) Municipal Swap Index. The City in turn received an upfront payment and is entitled to receive a rate equal to the CPI Rate (as defined therein) on a notional amount equal to the par amount of the Series 1997A Muni CPIs for a period ending on the mandatory tender date of the Series 1997A Muni CPIs. The

City has secured this rate hedge under the Short Term Ordinance which security is junior and subordinate in all respects to the lien of any Senior Bonds. The net effect of this rate hedge is to produce a floating cost of funds for the City tied to the PSATM (now known as BMATM) Municipal Swap Index. The obligations of the GSMMDP under the rate hedge are supported by a Support Agreement with The Goldman Sachs Group, L.P. and Mitsui Marine and Fire Insurance Co., Ltd., which own substantially all of GSMMDP.

The table below sets forth the City's outstanding Senior Bonds after giving effect to the refunding herein contemplated:

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding ⁽¹⁾</u>
1997 A	\$ 39,430,000	\$ 36,040,000
1997 C	40,135,000	31,385,000
2002 A	46,970,000	44,620,000
2003 A	<u>26,450,000</u>	<u>26,450,000</u>
Total	<u>\$152,985,000</u>	<u>\$138,495,000</u>

(1) As of October 2, 2003, except as to Series 2003A Bonds.

Source: City's Department of Management, Budget & Accounting

THE PLAN OF REFUNDING

The City has determined that it is desirable to provide for the refunding of the Refunded Bonds in order to obtain substantial net interest cost savings.

A portion of the proceeds of the sale of the Series 2003A Bonds will be used to refund the Refunded Bonds. To effect the refunding of the Refunded Bonds, the City will enter into an Escrow Deposit Agreement (the "Escrow Agreement") on or prior to the delivery of the Series 2003A Bonds with The Bank of New York, New York, New York, as escrow trustee (the "Escrow Trustee"). Pursuant to the terms of the Escrow Agreement, the City will deposit a portion of the net proceeds of the Series 2003A Bonds, together with other legally available moneys, into an Escrow Fund (the "Escrow Fund") held by the Escrow Trustee. A portion of such moneys deposited in the Escrow Fund will be applied on the date of the delivery of the Series 2003A Bonds to the purchase of direct obligations of the United States of America ("Treasury Securities"). The Treasury Securities, together with the interest thereon, and cash balances on deposit in the Escrow Fund will be sufficient to pay all principal of and redemption premium and interest on the Refunded Bonds to the call date as set forth therein.

The Refunded Bonds will be called for optional redemption on December 4, 2003 at the redemption price of 102% of the principal amount thereof plus accrued interest, if any.

By deposit of the Series 2003A Bond proceeds and the Treasury Securities with the Escrow Trustee pursuant to the Escrow Agreement and the giving of certain instructions as required by the Senior Bond Ordinance, the City will have effected the defeasance of the lien of the Refunded Bonds under the Senior Bond Ordinance. As a result of such defeasance, it is the opinion of Bond Counsel (rendered in reliance upon various certificates and opinions, and upon schedules provided by Siebert Brandford Shank & Co., LLC and the report of McGladrey & Pullen, LLP described under "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein) that the lien on the Net Revenues, Available Impact Fees and Utilities Services Tax created under the Senior Bond Ordinance securing the Refunded Bonds will cease.

The maturing principal of and interest on the Treasury Securities and uninvested cash held by the Escrow Trustee will not be available to pay the Series 2003A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:

Principal Amount of Series 2003A Bonds	\$26,450,000.00
Plus: Original Issue Premium	<u>545,227.15</u>
TOTAL SOURCES	<u>\$26,995,227.15</u>

Uses:

Deposit to the Escrow Fund	\$26,679,661.35
Underwriters' Discount*	115,322.00
Cost of Issuance	<u>200,243.80</u>
TOTAL USES	<u>\$26,995,227.15</u>

*Includes bond insurance premium.

THE SERIES 2003A BONDS

General Description

The Series 2003A Bonds will be dated the date of delivery, bear interest at the rates per annum set forth on the inside cover page of this Official Statement, payable semi-annually on April 1 and October 1 in each year commencing April 1, 2004, and mature on October 1 in the years and principal amounts set forth on the inside cover page of this Official Statement. U.S. Bank Trust National Association, New York, New York, is acting as the Paying Agent and Bond Registrar for the Series 2003A Bonds.

The Series 2003A Bonds will be initially issued in the form of a single fully registered Bond for each maturity of the Series 2003A Bonds. Upon initial issuance, the ownership of each such Series 2003A Bonds will be registered in the registration books kept by the Bond Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). While held in book-entry form, all payments of principal, interest and premium, if any, on the Series 2003A Bonds will be made to DTC or the DTC Nominee as the sole registered owner of the Series 2003A Bonds and payments to Beneficial Owners will be the responsibility of DTC and the DTC Participants as described below. *See* "Book-Entry Only System."

Book-Entry Only System

The Series 2003A Bonds will be available in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of the Series 2003A Bonds will not receive certificates representing their interests in the Series 2003A Bonds purchased. The Underwriters are to confirm original issuance purchases with statements containing certain terms of the Series 2003A Bonds purchased.

With respect to Series 2003A Bonds registered in the name of Cede & Co., as nominee of DTC, neither the City, nor the Paying Agent will have any responsibility or obligation to any DTC Participant or to any indirect DTC Participant. Without limiting the immediately preceding sentence, neither the City nor the Bond Registrar and the Paying Agent will have any responsibility or obligation with respect to: (i) the accuracy of the records of DTC or any DTC Participant with respect to any ownership interest in the Series 2003A Bonds; (ii) the delivery to any DTC Participant or any other person other than a registered owner, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the Series 2003A Bonds, including any notice of redemption; or (iii) the payment to any DTC Participant or any other person, other than a registered owner, as shown in the registration books kept by the Bond Registrar, of any amount with respect to principal of, premium, if any, or interest on the Series 2003A Bonds. The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Series 2003A Bonds is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent will pay all principal of, premium, if any, and interest on the Series 2003A Bonds only to or upon the order of the respective registered owners, as shown in the registration books kept by the Bond Registrar, or their respective attorneys duly authorized in writing, as provided in the Ordinance, and all such payments will be valid and effectual to satisfy and discharge the City's obligations with respect to payment of principal of,

premium, if any, and interest on the Series 2003A Bonds to the extent of the sums so paid. No person other than a registered owner, as shown in the registration books kept by the Bond Registrar, will receive a certificated Bond evidencing the obligation of the City to make payments of principal of, premium, if any, and interest on the Series 2003A Bonds pursuant to the provisions of the Ordinance.

The following information regarding The Depository Trust Company, New York, New York ("DTC") and the book-entry only system of registration has been obtained by the City from DTC. No representation is made by the City as to its accuracy or correctness.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2003A Bonds. The Series 2003A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2003A Bond will be issued for each maturity of the Series 2003A Bonds, as set forth on the inside cover page hereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

So long as the book-entry only system is in effect, beneficial interests in the Series 2003A Bonds will be available in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2003A Bonds will not receive certificates representing their beneficial interests in the Series 2003A Bonds purchased. Each Underwriter is to confirm original issuance purchases of beneficial interests with statements containing certain terms of the Series 2003A Bonds in which such beneficial interests are purchased.

Purchases of Series 2003A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2003A Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2003A Bonds, except in the event that use of the book-entry system for the Series 2003A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The Paying Agent will make payments of principal of, premium, if any, and interest on the Series 2003A Bonds to DTC or such other nominee, as may be requested by an authorized representative or DTC, as registered owner of the Series 2003A Bonds. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City and the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The City and the Paying Agent will send redemption notices to DTC. If less than all of the Series 2003A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2003A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2003A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

THE CITY AND THE PAYING AGENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE BENEFICIAL OWNERS, DTC PARTICIPANTS OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE SERIES 2003A BONDS FOR THE ACCURACY OF RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO THE SERIES 2003A BONDS OR THE PROVIDING OF NOTICE OR PAYMENT OF PRINCIPAL, OR INTEREST, OR ANY PREMIUM ON THE SERIES 2003A BONDS, TO DTC PARTICIPANTS OR BENEFICIAL OWNERS, OR THE SELECTION OF SERIES 2003A BONDS FOR REDEMPTION.

The City and the Paying Agent cannot give any assurances that DTC, DTC Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2003A Bonds paid to DTC or its nominee, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve or act in a manner described in this Official Statement.

For every transfer and exchange of beneficial interests in the Series 2003A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its services with respect to the Series 2003A Bonds at any time by giving notice to the City and the Paying Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, in the event that a successor depository is not obtained, Series 2003A Bonds are required to be printed and delivered. In addition, the City may determine to discontinue the use of book-entry transfers through DTC (or any successor securities depository). Under such circumstances, certificated Series 2003A Bonds are required to be delivered as described below.

In the event that the book-entry only system is discontinued, the following provisions will govern the transfer and exchange of Series 2003A Bonds. The Series 2003A Bonds will be exchanged for an equal aggregate principal amount of corresponding bonds in other authorized denominations and of the same series and maturity, upon surrender thereof at the designated corporate trust office of the Bond Registrar. The transfer of any Series 2003A Bonds will be registered on the books maintained by the Bond Registrar for such purpose only upon the surrender thereof to the Bond Registrar with a duly executed written instrument of transfer in form and with guaranty of signatures satisfactory to the Bond Registrar, containing written instructions as to the details of transfer of such Series 2003A Bonds, along with the social security number or federal employer identification number of such transferee. The City and the Bond Registrar may charge the registered owners a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer following the delivery of the Series 2003A Bonds. The Bond Registrar or the City may also require payment from the registered owners or their transferees, as the case may be, of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Series 2003A Bonds shall be delivered. Neither the City nor the Bond Registrar shall be required to register the transfer or exchange of any Series 2003A Bonds during the period commencing on the fifteenth day (whether or not a business day) of the month next preceding an interest payment date and ending on such interest payment date or, in the case of any proposed redemption of a Series 2003A Bonds, after such Series 2003A Bonds or any portion thereof has been selected for redemption.

Redemption Provisions

The Series 2003A Bonds are not subject to redemption prior to maturity.

Security for the Series 2003A Bonds

The payment of principal of, premium, if any, and interest on the Series 2003A Bonds is secured by an irrevocable lien on the Net Revenues of the System, the Available Impact Fees, the Utilities Services Tax (*see* "Permitted Release of the Utilities Services Tax" below) (each such term being described below) and by the moneys and earnings in certain funds and accounts established by the Senior Bond Ordinance. Such earnings may be reduced to the extent that the City must rebate any portion thereof to the United States of America in order to preserve the exclusion of interest on the Senior Bonds from gross income for federal income tax purposes. The lien of the Series 2003A Bonds on Net Revenues of the System, Available Impact Fees and Utilities Services Tax is on a parity with the lien of such other Senior Bonds as shall be outstanding upon the issuance of the Series 2003A Bonds (*see* "SYSTEM FINANCING" herein) and with the lien of any Additional Bonds that may be issued from time to time thereafter on such revenues, fees and taxes but is prior to all other contractual liens or encumbrances on such revenues, fees and taxes. See, however, "THE SERIES 2003A BONDS--Permitted Release of the Utilities Services Tax" below for a discussion of proposed amendments to the Senior Bond Ordinance providing for the release of the lien on the Utilities Service Tax.

"Net Revenues" of the System is defined in the Senior Bond Ordinance as the amount in any fiscal year of all income or earnings (excluding Impact Fees) derived by the City from the ownership, operation, leasing or use of the System, including the Gross Revenue Component of certain contract payments as defined in the Senior Bond Ordinance, and any income from investments of amounts on deposit in the General Revenue Account or any account therein and proceeds from insurance, condemnation or disposition of property after deducting the estimated Cost of Operation and Maintenance for such Fiscal Year.

"Impact Fees" means all nonrefundable (except at the option of the City) capital expansion fees, system improvement fees or other similar fees and charges separately imposed by the City as a nonuser capacity charge for the proportionate share of the cost of expanding, oversizing, separating or constructing new additions to the System, but only as they are permitted to be used under applicable law to pay debt service on one or more series of Senior Bonds, the Future Capacity Component of certain contracted payments received pursuant to the Senior Bond Ordinance, and any income from the investment of funds deposited in the Impact Fee Account pursuant to the Senior Bond Ordinance.

Applicable law and the Senior Bond Ordinance limit the amount of Impact Fees which can be used for the payment of debt service on Senior Bonds in any Bond Year to an amount which shall not exceed the total debt service on the Senior Bonds in that Bond Year multiplied by the fraction, the numerator of which is the total principal amount of Senior Bonds originally issued (including all Additional Bonds and without taking into account any repayments of principal) (the "Original Issue Amount") that have been allocated to Expansion Projects (projects or portions thereof for the oversizing, separating, expanding or constructing of new additions to the System, all of which are designed to expand its capacity) by certificate of a Qualified Independent Consultant at the time of issuance of such Senior Bonds, and the denominator of which is the Original Issue Amount for all Senior Bonds issued under the Senior Bond Ordinance. If Impact Fees are used to redeem Senior Bonds in advance of their scheduled maturity or in excess of the Amortization Installments due on the Senior Bonds in such Bond Year, the numerator of the fraction described above shall thereafter be reduced by the principal amount of Senior Bonds so redeemed. The fraction described above, as adjusted from time to time, is referred to herein as the "Expansion Project Percentage." At the present time, the Expansion Project Percentage for the Senior Bonds is 71.9%; therefore, the maximum amount of Impact Fees which may be used in any Bond Year for the payment of debt service on the Senior Bonds shall be 71.9% of the debt service in such year on the Senior Bonds.

"Available Impact Fees" means all Impact Fees (as defined under the Senior Bond Ordinance) which are available for deposit in the Debt Service Account pursuant to the Senior Bond Ordinance; provided, however, that such fees shall not be deemed available for purposes in any year in an amount in excess of the Expansion Project Percentage (as determined from time to time under the Senior Bond Ordinance) of debt service on Senior Bonds in such year.

"Utilities Services Tax" is defined in the Senior Bond Ordinance, as amended and supplemented by the 2002 Supplemental Ordinance to mean the taxes imposed, levied and collected by the Issuer pursuant to Section 166.231, Florida Statutes, as amended, upon every purchase of electricity, fuel oil, metered or bottled gas (natural liquefied petroleum gas or manufactured) and water service and other utility services on which such tax may be imposed by law from time to time, and eighty-three percent (83%) of the Discretionary Communications Services Tax imposed, levied and collected by the Issuer pursuant to Section 202.19, Florida Statutes, on the sale of communications services." For a more complete explanation of the sources, amounts and manner of collection of the Utilities Services Tax, see "UTILITIES SERVICES TAX," "THE SERIES 2003A BONDS--Permitted Release of the Utilities Services Tax" and "THE SERIES 2003A BONDS--Amendment of Senior Bond Ordinance to Reflect Changes in CST Statute" herein.

Variable Rate Bonds, Designated Maturities and Puts. For purposes of the rate covenant and for the purposes of determining the maximum amount required to be deposited in the Reserve Account (described below), the interest rate on Variable Rate Bonds for the Bond Year in which such calculation is made, or for the following Bond Year, as the case may be, shall be assumed to be 110% of the greater of (i) the daily average interest rate on such Variable Rate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding, or (ii) the rate of interest on such Variable Rate Bonds on the date of calculation. For purposes of determining the Maximum Bond Service Requirement for the issuance of Additional Bonds pursuant to the Senior Bond Ordinance, the interest on Variable Rate Bonds outstanding on the date of calculation shall be the same as the rate used for the rate covenant as described above, and the interest on Variable Rate Bonds proposed to be issued shall be deemed to be the interest rate quoted in the 25 Revenue Bonds Bond Buyer Index for the last week of the month preceding the date of calculation as published in CREDIT MARKETS, or if that index is no longer published, the interest rate for the last week of such month as published in an index that a Qualified Independent Consultant deems substantially equivalent. No Variable Rate Bond shall ever bear an interest rate in excess of the Maximum Lawful Rate.

For purposes of determining the "Maximum Bond Service Requirement" which is used for calculations under the rate covenant, the covenants pertaining to the issuance of Additional Bonds and the amounts required to be maintained in the Reserve Account, the unamortized principal of Designated Maturity Bonds either outstanding or proposed to be issued, coming due on the final maturity date thereof shall be ignored and in lieu thereof there shall be added to the Bond Service Requirement for the Senior Bonds for the Bond Year in which such final maturity occurs and to each Bond Year thereafter through the 25th anniversary of the issuance of such Senior Bonds (the "Reamortization Period") the amount of substantially level principal and interest payments (using the same interest rate actually applicable to such unamortized Bonds before maturity) that if paid in each year during the Reamortization Period would be sufficient to pay in full the unamortized portion of such Designated Maturity Bonds by such anniversary.

If any Series of Senior Bonds is payable at the option of the holder, the "put" date or dates shall be ignored and the stated maturity dates thereof shall be used for purposes of the calculation of the Bond Service Requirement.

Rate Covenant. The City has covenanted in the Senior Bond Ordinance to fix, establish, revise from time to time whenever necessary, maintain and collect fees, rates, rentals and other charges for the use of the products, services and facilities of the System, commencing on a date at least six months before the first payment of interest not payable from capitalized interest, that will always provide Gross Revenues in each Bond Year which, together with the additional sources of funds referred to below, will be sufficient to meet the following requirements:

- (a) The sum of the Gross Revenues and the Utilities Services Tax to be received in such Bond Year shall be at least equal to one hundred percent (100%) of the Cost of Operation and Maintenance for such Bond Year plus the Maximum Bond Service Requirement;
- (b) The sum of the Gross Revenues and Available Impact Fees to be received in such Bond Year shall be at least equal to one hundred percent (100%) of the Cost of Operation and Maintenance in such Bond Year plus the Maximum Bond Service Requirement;
- (c) The sum of the Gross Revenues, the Available Impact Fees and the Utilities Services Tax to be received in such Bond Year shall be at least equal to one hundred percent (100%) of the cost of Operation and Maintenance for such Bond Year plus one hundred twenty-five percent (125%) of the Maximum Bond Service Requirement; and
- (d) The sum of the Gross Revenues, the Available Impact Fees and the Utilities Services Tax to be received in such Bond Year shall be at least equal to one hundred percent (100%) of the Cost of Operation and Maintenance for such Bond Year plus the Maximum Bond Service Requirement, plus the amounts required to be deposited in such Bond Year into the Reserve Account and the Renewal and Replacement Account, all in accordance with the Senior Bond Ordinance.

To the extent that the Utilities Services Tax pledge is released in the future as described in "THE SERIES 2003A BONDS-- Permitted Release of the Utilities Services Tax" below, the rate covenants in clauses (a) and (b) above will be deleted and the City will be required to satisfy the requirements in paragraphs (c) and (d) above at all times without taking into account Utilities Services Taxes.

Reserve Account. The City has covenanted in the Senior Bond Ordinance to maintain in the Reserve Account established under the Senior Bond Ordinance for the Senior Bonds an amount equal to the Maximum Bond Service Requirement on the Senior Bonds as defined in the Senior Bond Ordinance. As of the issuance of the Series 2003A Bonds, the Reserve Account is fully funded with cash and securities.

Funds on deposit in the Reserve Account for the Senior Bonds may be used only for the purpose of curing deficiencies in the Debt Service Account established under the Senior Bond Ordinance for the Senior Bonds and for no other purpose. If funds on deposit in the Reserve Account for the Senior Bonds exceed, in the aggregate, the Maximum Bond Service Requirement for the Senior Bonds issued and then outstanding pursuant to the Senior Bond Ordinance, the Expansion Project Percentage of such excess funds shall be deposited into the Impact Fee Account and the balance shall be paid into the General Revenue Account established under the Senior Bond Ordinance. All income and profits derived from the investment of moneys in the Reserve Account for the Senior Bonds shall be deposited upon receipt, pro rata to the extent necessary, into each subaccount in the Construction Account created under the Senior Bond Ordinance for a specific project, until all such projects have been completed or until the funds on deposit in such Construction Account are sufficient to fully pay the cost thereof. Thereafter, such income and profits shall be used first to cure deficiencies in the Reserve Account for the Senior Bonds, and then the Expansion Project Percentage of the remaining income and profits shall be transferred upon receipt into the Impact Fee Account established under the Senior Bond Ordinance and all remaining income and profits shall be transferred upon receipt into the General Revenue Account.

Notwithstanding the foregoing, the City shall not be required to fully fund the Reserve Account for the Senior Bonds at the time of issuance of any Series of Additional Bonds, if (i) it elects by resolution or ordinance adopted prior to the issuance of any Series of Additional Bonds and subject to the limits described below, to fully fund the Reserve Account for the Senior Bonds over a period not to exceed 60 months during which it shall make substantially equal monthly installments in order that the amounts on deposit therein at the end of such period shall equal the Maximum Bond Service Requirement, or (ii) it provides in lieu of such funds on the date of issuance of such Additional Bonds bond insurance issued by a reputable and recognized municipal bond insurer in an amount equal to the difference between the Maximum Bond Service Requirement and the sums then on deposit in the Reserve Account for the Senior Bonds plus the amounts, if any, to be deposited therein pursuant to clause (i) above which shall be payable on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists which cannot be cured by funds in any other account held pursuant to the Senior Bond Ordinance and available for such purpose. Such municipal bond insurer shall be one whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by either Standard & Poor's, a division of The McGraw-Hill Company, or Moody's Investors Service, or their successors. The aggregate amounts which may be permitted to be deposited in installments pursuant to clause (i) above at any time shall never exceed 25% of the Maximum Bond Service Requirement for the Senior Bonds then outstanding pursuant to the Senior Bond Ordinance. If the Reserve Account for the Senior Bonds is to be funded in installments pursuant to clause (i) above, the deposits required pursuant to the foregoing may be limited to the amount which, together with the funds concurrently deposited therein from the Impact Fee Account, will be sufficient to pay the required monthly installments specified in such resolution or ordinance, plus an additional amount necessary to make up any deficiencies caused by withdrawals or resulting from the semiannual valuation of the funds on deposit therein. If a disbursement is made from an insurance policy provided as described above, the City shall be obligated to reinstate the maximum limits of such insurance policy immediately following such disbursement or to replace such policy by depositing into the Reserve Account for the Senior Bonds from the first available Gross Revenues, Utilities Services Tax (see "THE SERIES 2003A BONDS--Permitted Release of the Utilities Services Tax" below) and Impact Fees, funds in the maximum amount originally payable under such policy, or a combination of such alternatives.

On August 23, 1993, the City enacted an amendment to the Senior Bond Ordinance that allows the City, after the issuance of any Series of Bonds, to replace cash and investment securities held in the Reserve Account and allocable to such Series of Bonds with bond insurance meeting certain criteria; provided, that (i) such policy, together with all other policies, cash and investments held in the Reserve Account, is equal to the Maximum Bond Service Requirement and (ii) the issuer of such bond insurance is rated in the highest rating category by each rating agency then rating the Series 2003A Bonds. If the issuer of such bond insurance at any time after such substitution seeks protection from its creditors or fails to make required payments on all of its policies, the City has agreed to either replace such bond insurance policy with another policy meeting certain criteria or deposit moneys and authorized investments in the Reserve Account over a 12-month period equal to the face amount of such policy. By acceptance of the Series 2003A Bonds, each holder thereof shall be deemed to have irrevocably consented in writing to such amendment to the Senior Bond Ordinance.

Limited Obligations. The Senior Bonds are not general obligations or indebtedness of the City within the meaning of the Constitution of the State of Florida, but are payable solely from and secured by a lien upon and a pledge of Net Revenues, the Available Impact Fees, the Utilities Services Tax (see "THE SERIES 2003A BONDS--Permitted Release of the Utilities Services Tax" below) and the funds and the earnings thereon pledged to the payment of the Senior Bonds, in the manner and to the extent provided in the Senior Bond Ordinance. No holder of a Senior Bond shall ever have the right to compel the exercise of the ad valorem taxing power of the City or taxation in any form on any real or personal property to pay such Senior Bonds or the interest thereon, nor shall any holder be entitled to payment of such principal and interest from any other funds of the City other than the Net Revenues, the Available Impact Fees, the Utilities Services Tax (see "THE SERIES 2003A BONDS--Permitted Release of the Utilities Services Tax" below) and the funds and the earnings thereon pledged to payment of the Senior Bonds, all in the manner and to the extent provided in the Senior Bond Ordinance.

Permitted Release of the Utilities Services Tax

Pursuant to the 2003 Supplemental Resolution, the holders of the Series 2003A Bonds, by acceptance of their respective Series 2003A Bonds, shall be deemed to have irrevocably consented in writing to and approved amendments to the Senior Bond Ordinance, effective upon the consent of the holders of all Bonds outstanding thereunder (the "Effective Date"), that permit the City to amend the Senior Bond Ordinance to release the Utilities Services Tax from the lien and pledge thereof. Without limiting the generality of the foregoing, the holders of the Series 2003A Bonds shall be deemed to have consented to the following amendments which they acknowledge are conceptual and descriptive in nature only and that such consent and approval shall apply to definitive provisions amending the Senior Bond Ordinance that embody the intent, and that are not inconsistent with, the general descriptions of the amendments set forth below.

The Senior Bond Ordinance may be amended, on and as of the Effective Date, to release the Utilities Services Tax from the lien and pledge thereof and to otherwise delete all covenants and references in the Senior Bond Ordinance to the Utilities Services Tax. Such amendments may include, without limiting the generality of the foregoing, the following:

- (i) the deletion of the City's covenants concerning the pledge, collection, receipt and disbursement of the Utilities Services Tax;
- (ii) the revision of the rate covenant to delete references to the Utilities Services Tax, to delete the first two rate covenants described in clauses (a) and (b) under "Rate Covenant" above, and to consolidate the remainder of the rate covenant requirements;
- (iii) the revision of the additional bonds tests to delete references to the Utilities Services Tax, the Historical Adjusted Utilities Service Tax and the Adjusted Utilities Services Tax, and the deletion of the first additional bonds test that would require Adjusted Gross Revenues to be at least 100% of the Maximum Bond Service Requirement plus the Cost of Operation and Maintenance in the applicable bond years;
- (iv) the deletion of the requirements that the City include the Utilities Services Tax in its annual operating budget and that the City retain books and records with respect thereto; and
- (v) the deletion of the Utilities Services Tax from consideration in meeting various financial tests relating to the sale of the System or the future capacity thereof.

Notwithstanding the foregoing, the City may elect to retain the obligation to reimburse the Utilities Tax Account with respect to Utilities Services Tax revenues used to pay debt service on the Bonds prior to the Effective Date. Also, notwithstanding the foregoing, the City has agreed not to amend the Senior Bond Ordinance to release the Utilities Services Tax from the lien and pledge thereof if such release would result in a reduction or withdrawal of any credit rating assigned at the request of the City to any of the Senior Bonds then Outstanding without regard to any credit enhancement. The foregoing amendments have been consented to by the Owners of the Series 1997A, 1997C and 2002A Bonds and shall be deemed to have been consented to by the Owners of the Series 2003A Bonds upon the issuance thereof. Nonetheless, the release of the Utilities Services Tax will not occur until the City takes action to amend the Senior Bond Ordinance to effectuate such release and receives confirmation that such release will not result in a reduction or withdrawal of any credit rating on any of the Senior Bonds then Outstanding. As of this date, the City has not taken any of the actions necessary to effectuate the release of the Utilities Services Tax.

Additional Senior Bonds

Subject to the requirements described in the next paragraph, Additional Bonds on a parity with the Outstanding Senior Bonds may be issued by the City under the terms of the Senior Bond Ordinance only if, among other requirements, a Qualified Independent Consultant certifies that all of the following requirements have been met:

- (1) The sum of the Adjusted Gross Revenues and the Adjusted Utilities Services Tax will be at least one hundred percent (100%) of the Maximum Bond Service Requirement on account of all Senior Bonds then outstanding and the Additional Bonds proposed to be issued plus the estimated Cost of Operation and Maintenance in each of the Applicable Bond Years. "Adjusted Gross Revenues" is defined as the annual Gross Revenues expected to be received by the City in each of the Applicable Bond Years taking into account (i) the expected increase in new customers of the System, whether as a result of the project being financed by the Additional Bonds or otherwise and (ii) any changes in the rate schedules for customers and users of the System which the City shall then have in effect, and has enacted by ordinance on or before the date of such certificate or which the City has covenanted to put in effect during the Applicable Bond Years or any of them. The "Adjusted Utilities Services Tax" is defined as the Utilities Services Tax expected to be received by the City in each of the Applicable Bond Years, taking into account the tax rate and rate schedules on the date of such certificate and any changes in the tax rate and rate schedules that the City has adopted on or before the date of such certificate and has covenanted to put into effect during each of the Applicable Bond Years or any of them. The Bond Year in which such Additional Bonds are issued and each

successive Bond Year thereafter, to and including the third successive Bond Year following the Bond Year in which such project is estimated to be placed in operation, are defined as the "Applicable Bond Years."

(2) The sum of the Adjusted Gross Revenues, the Adjusted Available Impact Fees and the Adjusted Utilities Services Tax will be at least equal to the sum of one hundred percent (100%) of the estimated Cost of Operation and Maintenance in each of the Applicable Bond Years, and one hundred twenty-five percent (125%) of the Maximum Bond Service Requirement referred to in subparagraph (1) above. The annual Impact Fees expected to be received in each of the Applicable Bond Years, taking into account such additional Impact Fees, if any, that are expected to be received in each of such Bond Years as a result of the project being financed by the Additional Bonds are defined as the "Adjusted Impact Fees." For purposes of this subparagraph, "Adjusted Available Impact Fees" are defined as the Adjusted Impact Fees that are reasonably expected to be received or available for purposes of paying debt service on the Senior Bonds and Additional Bonds in each such Bond Year (but not to exceed the Expansion Project Percentage of the debt service on the Senior Bonds, Additional Bonds then outstanding and Additional Bonds proposed to be issued).

(3) The sum of the Adjusted Gross Revenues, the Adjusted Utilities Services Tax and the Adjusted Available Impact Fees will be at least one hundred percent (100%) of the Maximum Bond Service Requirement (referred to in subparagraph (1) above) plus the estimated Cost of Operation and Maintenance and the deposits into the Renewal and Replacement Account and the Reserve Account which a Qualified Independent Consultant estimates will be required to be made in each of the Applicable Bond Years.

(4) The sum of Historical Adjusted Gross Revenues, the Historical Adjusted Utilities Service Tax and the Historical Impact Fees are at least equal to one hundred percent (100%) of the Maximum Bond Service Requirement (referred to in subparagraph (1) above) plus the Historical Cost of Operation and Maintenance and the amounts required to be deposited into the Renewal and Replacement Account during the Audit Period. The "Historical Cost of Operation and Maintenance" is defined to mean the actual Cost of Operation and Maintenance of the System, as determined under standard auditing procedures, for any 12 consecutive months out of the 18 consecutive months immediately preceding the date of issue of the proposed Additional Bonds (which period is defined to mean the "Audit Period"). The "Historical Adjusted Gross Revenues" is defined to mean the Gross Revenues received by the City during the Audit Period, as determined under standard auditing procedures, adjusted to take into account increases in Gross Revenues during the Audit Period that would have been realized as a result of (i) new customers of the System attributable to an existing wastewater system to be acquired with such Additional Bonds, had the acquisition occurred at the beginning of the Audit Period and (ii) any changes in the rate schedules for customers and users of the System which the City shall then have in effect, or has enacted by ordinance on or before the date of such certificate and which the City has covenanted to put into effect during the Applicable Bond Years, or any of them, had such rate changes been effective on the first day of the Audit Period. "Historical Impact Fees" is defined to mean the annual Impact Fees actually received by the City during the Audit Period. The "Historical Adjusted Utilities Service Tax" is defined to mean the Utilities Services Tax actually received during the Audit Period, adjusted to take into account tax rate and rate schedule increases or decreases on the date of such certificate, had such increases been effective on the first day of the Audit Period.

To the extent that the Utilities Services Tax pledge is released in the future as described in "THE SERIES 2003A BONDS-- Permitted Release of the Utilities Services Tax" above, paragraph (1) of the Additional Bonds test would be deleted, and the City could issue Additional Bonds on a parity with the Outstanding Senior Bonds only if a Qualified Independent Consultant certifies that the requirements in paragraphs (2), (3) and (4) above have been met without taking into account Utilities Services Taxes, Adjusted Utilities Services Taxes or Historical Adjusted Utilities Services Taxes.

The City may issue Additional Bonds without meeting such requirements if such Additional Bonds are for any of the following purposes: (i) completing any project for which Senior Bonds or Additional Bonds were previously issued, provided that the aggregate principal amount of such Additional Bonds shall not exceed ten percent (10%) of the Senior Bonds initially issued to finance such project; or (ii) refunding any Series of Senior Bonds, or any maturity of Senior Bonds within a series, provided that prior to the issuance of such Additional Bonds for refunding purposes there shall be filed with the City a certificate from a Qualified Independent Consultant to the effect that (a) the net proceeds from such Additional Bonds will be sufficient to cause the lien created by the Senior Bond Ordinance with respect to the Senior Bonds to be refunded to be defeased, and (b) the Bond Service Requirement with respect to such Additional Bonds in each Bond Year following the issuance thereof shall be equal to or less than the Bond Service Requirement for such Bond Year with respect to the Senior Bonds that would have been outstanding in that Bond Year had the same not been refunded. The Series 2003A Bonds are being issued under the authorization described in (ii) in the immediately preceding sentence.

Notwithstanding the foregoing, the City will not issue Designated Maturity Bonds as Additional Bonds as long as Senior Bonds insured by Ambac Assurance remain outstanding unless (i) the City obtains the consent of Ambac to such issuance or (ii) the City covenants at the time of issuance of such Designated Maturity Bonds either to establish a credit facility which assures payment of the principal of such Senior Bonds on the date of maturity thereof or to refund such Senior Bonds, in either case at a date not later than the date five years preceding the stated maturity thereof.

SENIOR BOND DEBT SERVICE REQUIREMENTS

Bond Year Ending 10/01	Series 2003A	Series 2002A	Series 1997A ⁽¹⁾	Series 1997C	Aggregate Debt Service
2004	\$3,777,317	\$4,685,250	\$3,308,275	\$3,770,535	\$15,541,377
2005	3,785,925	4,619,350	3,385,045	3,775,633	15,565,953
2006	3,784,175	4,556,250	3,470,624	3,769,883	15,580,932
2007	3,777,513	4,497,550	3,559,367	3,773,408	15,607,838
2008	3,784,387	4,416,800	3,660,818	3,775,418	15,637,423
2009	3,783,650	4,343,362	3,764,636	3,772,880	15,664,528
2010	3,786,619	4,252,037	3,880,430	3,771,595	15,690,681
2011	3,782,312	4,166,787	4,002,416	3,772,290	15,723,805
2012	-	8,078,537	4,135,009	3,772,790	15,986,336
2013	-	7,974,725	4,277,425	3,772,295	16,024,445
2014	-	7,852,000	4,433,881	3,776,680	16,062,561
2015	-	-	4,603,399	-	4,603,399
2016	-	-	-	-	-
	<u>\$30,261,898</u>	<u>\$59,442,648</u>	<u>\$46,481,325</u>	<u>\$41,503,407</u>	<u>\$177,689,278</u>

- (1) Interest was estimated at 110% of the greater of (a) the six-month change in the CPI-U used for the October 1, 2003 payment (2.422%) or (b) the daily average of the CPI-U over the twelve month period ending August 31, 2003 (1.989%), plus fixed spreads as follows: 1.19% (2004); 1.21% (2005); 1.23% (2006); and 1.25% (2007). The Muni CPIs maturing on October 1, 2015 are assumed to be remarketed on October 1, 2007 at a spread of 1.25%. This resulted in estimated rates of 3.854% to 3.914%.

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MUNICIPAL BOND INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the Series 2003A Bonds maturing on October 1, 2004 and on October 1, 2006 through October 1, 2011 (collectively, the “Insured Bonds”) effective as of the date of issuance of the Insured Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent. The insurance will extend for the term of the Insured Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Insured Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Insured Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Insured Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Insured Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent has notice that any payment of principal of or interest on an Insured Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

payment of any redemption, prepayment or acceleration premium.

nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Insured Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Insured Bond to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder’s right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Insured Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Insured Bond and will be fully subrogated to the surrendering Holder’s rights to payment.

The insurance provided by the Financial Guaranty Insurance Policy is not covered by the Florida Insurance Guaranty Association.

Ambac Assurance Corporation

Ambac Assurance Corporation (“Ambac Assurance”) is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$6,789,000,000 (unaudited) and statutory capital of approximately \$4,043,000,000 (unaudited) as of June 30, 2003. Statutory capital consists of Ambac Assurance’s policyholders’ surplus and statutory contingency reserve. Standard & Poor’s Credit Markets Services, a Division of The

McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Insured Bonds.

Ambac Assurance makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "MUNICIPAL BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
2. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
3. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
4. The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
5. The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;
6. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
7. The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
8. The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003;
9. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003;
10. The Company's Current Report on Form 8-K dated July 17, 2003 and filed on July 18, 2003; and
11. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2003 and filed on August 14, 2003.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

FLOW OF FUNDS

Gross Revenues

Under the terms of the Senior Bond Ordinance, except as otherwise provided in the Senior Bond Ordinance, all Gross Revenues of the System shall be deposited into the General Revenue Account and transferred monthly on or before the 15th day of each month from the General Revenue Account as follows:

(a) First, into the Operation and Maintenance Account established under the Senior Bond Ordinance, the amount necessary to make the funds on deposit therein equal to the amount provided in the Annual Budget of the City for payment of the Cost of Operation and Maintenance for the three full months following the date of such deposit.

(b) Then, into the Debt Service Account for the Senior Bonds, an amount which, together with amounts deposited therein from the Impact Fee Account pursuant to the Senior Bond Ordinance (but only to the extent such deposits do not exceed the Expansion Project Percentage of the required monthly payments on the Senior Bonds) and other deposits made into the Debt Service Account for the Senior Bonds, will equal one-sixth (1/6th) of the interest maturing on the Senior Bonds on the next interest payment date with respect to Senior Bonds that bear interest payable semi-annually, the amount of interest next maturing on Senior Bonds that bear interest payable monthly, the amount of interest accruing in such month on Senior Bonds that pay interest on other than a monthly or semiannual basis (other than Senior Bonds that bear interest payable only upon maturity or redemption), one-twelfth (1/12th) of all principal and, with respect to Senior Bonds that pay interest only upon maturity or redemption, principal and accreted interest, maturing or becoming payable during the current Bond Year on the various Series of Serial Senior Bonds that mature annually, one-sixth (1/6th) of all principal and, with respect to Senior Bonds that pay interest only upon maturity or redemption, principal and accreted interest, maturing or becoming payable on the next maturity date in such Bond Year on the various Series of Serial Senior Bonds that mature semiannually, and one-twelfth (1/12th) of the Amortization Installments and unamortized principal balances of Term Senior Bonds coming due during the current Bond Year with respect to the Senior Bonds, until there are sufficient funds then on deposit equal to the sum of the interest, principal and redemption payments due on the Senior Bonds on the next interest, principal and redemption dates in such Bond Year; provided that no deposits with respect to maturing principal on Designated Maturity Bonds shall be required prior to the month in which such principal matures.

For purposes of this subparagraph (b), the term "Senior Bonds" shall exclude the Senior Debt Service Component of the Cost of Contracted Services (as such terms are defined in the Senior Bond Ordinance). It is expected that monthly deposits into the Debt Service Account for the Senior Bonds from the Impact Fee Account may exceed the Expansion Project Percentage of the monthly debt service requirements on the Senior Bonds. Such excess deposits shall be held in the Debt Service Account for the Senior Bonds, shall be credited against such monthly debt service requirements only up to the Expansion Project Percentage of the debt service on the Senior Bonds, and shall be used to reduce the deposits from Gross Revenues required in the next month or months up to the Expansion Project Percentage of the debt service on the Senior Bonds for each such month.

Deposits shall be increased or decreased to the extent required to pay principal and interest coming due, after making allowance for any accrued and capitalized interest and taking into account deficiencies in prior months' deposits. Additionally, if Variable Rate Bonds are outstanding on the 15th day of such month, unless the City establishes a different procedure for the payment or deposit of monthly interest on Variable Rate Bonds, the City shall deposit into the Debt Service Account for the Senior Bonds in lieu of the monthly interest deposit or the one-sixth (1/6th) semiannual interest deposit described above, the interest actually accruing on such Senior Bonds for such month (plus any deficiencies in interest deposits for the preceding month), assuming the interest rate thereon on the 15th day of such month will continue through the end of such month. On or before each interest payment date, the City shall make up any deficiencies in such interest deposit, based on the actual interest accruing through such date, from and to the extent of the funds remaining on deposit in the General Revenue Account and to the extent available for that purpose from the Impact Fee Account.

(c) Then, to the credit of a special account to be created if required by the City, an amount which, together with subsequent equal consecutive monthly payments (if the Debt Service Component of the Cost of Contracted Services is payable less frequently than monthly), will be sufficient to make the next required payment of the Senior Debt Service Component in such Bond Year. The monthly deposits required pursuant to this subparagraph (c) shall be reduced by the funds transferred into such special account from the Impact Fee Account in such Bond Year, provided that the maximum amount credited against each such monthly deposit shall be the Expansion Project Percentage of such required monthly deposit.

(d) Then, into the Reserve Account for the Senior Bonds, an amount which, together with funds concurrently deposited therein from the Impact Fee Account and other funds then on deposit therein, will be sufficient to make the funds on deposit therein equal to the Maximum Bond Service Requirement on the Senior Bonds; provided, however, the City shall not be required to fully fund the Reserve Account for the Senior Bonds if it has made certain elections permitted by the Senior Bond Ordinance or has provided a reserve account insurance policy in lieu of a cash deposit. See "THE SERIES 2003A BONDS--Security for the Series 2003A Bonds --Reserve Account" above.

(e) Then, if at all, into the Refunding Bond Ordinance Debt Service Account an amount which, together with other deposits made into the Refunding Bond Ordinance Debt Service Account pursuant to the provisions of the Refunding Bond Ordinance, will be equal to one-sixth (1/6th) of the interest maturing on the Refunding Bonds on the next interest payment date, one-twelfth (1/12th) of all principal maturing during the current Bond Year on the Serial Refunding Bonds that mature annually, one-sixth (1/6th) of the principal maturing on the next maturity date in such Bond Year on the Serial Refunding Bonds that mature semi-annually, one-twelfth (1/12th) of the Amortization Installments and the unamortized principal balances of Term Refunding Bonds coming due during the current Bond Year, until there are sufficient funds then on deposit equal to the sum of the interest, principal and redemption payments due, respectively, on the Refunding Bonds, on the next interest, principal and redemption dates in such Bond Year.

(f) Then, into one or more debt service accounts created under the Short Term Ordinance, such amounts which, together with amounts deposited therein from the Impact Fee Account pursuant to the Senior Bond Ordinance, will equal the amounts required to be deposited therein for such month.

(g) Then, into the Renewal and Replacement Account, an amount equal to one-twelfth (1/12th) of five percent (5%) of the Gross Revenues for the preceding Fiscal Year, plus an amount equal to any unrestored withdrawal made to cure deficiencies in the Debt Service Account for the Senior Bonds until the amount on deposit therein is equal to 3.5% of the depreciated value of the depreciable assets of the System for the preceding Fiscal Year; provided, however, that no further deposits shall be required so long as there is on deposit not less than \$1,500,000 and the City obtains a certificate from the Qualified Independent Consultant that, in its judgment, funds on deposit in the Renewal and Replacement Account are sufficient to pay the projected cost of anticipated replacements of capital assets and any emergency repairs.

(h) Then, into the Refunding Bond Ordinance Reserve Account, an amount necessary to make the funds on deposit therein equal to the Maximum Bond Service Requirement for the Refunding Bonds.

(i) Then, into the Utilities Tax Account established under the Senior Bond Ordinance, such amounts as may be necessary to reimburse the City for previously unreimbursed withdrawals from the Utilities Tax Account.

(j) Then, by deposit into the Impact Fee Account, an amount equal to the Unused Capacity Component of Gross Revenues; provided that such funds shall be used only for the purposes, and in the order or priority, described in the Senior Bond Ordinance and provided further that such deposits shall not be required whenever, and so long as, the pledge on Impact Fees has been released.

For purposes of subparagraph (j) above, the term "Unused Capacity Component" shall be determined as follows: on the 15th day of each month, the City shall determine (i) the amount of the Capital Cost Component of Gross Revenues for such month, (ii) the Expansion Project Percentage of the debt service on the Senior Bonds and any Additional Bonds paid in such month, and (iii) the amount of Impact Fees deposited to the Debt Service Account for the Senior Bonds in such month (or in previous months for which a credit is required) solely pursuant to subparagraph (a) of the first paragraph under the caption "Impact Fees" below, and without regard to any other deposits of Impact Fees. The City shall next subtract the Impact Fees described in clause (iii) above from the amount of the monthly debt service described in clause (ii) above, and shall then subtract the difference from the Capital Cost Component of Gross Revenues received in such month and described in clause (i) above. The remaining balance (which for purposes hereof shall not be less than zero) shall be referred to for such month as the Unused Capacity Component.

(k) Then, by payment to the City to be used for any lawful purpose.

Impact Fees

Under the terms of the Senior Bond Ordinance, all Impact Fees shall be deposited into the Impact Fee Account and transferred monthly as follows:

(a) First, into the Debt Service Account for the Senior Bonds until the amount on deposit therein is equal to the principal on all Senior Bonds maturing in such Bond Year and the interest becoming due on the next interest payment date, provided that the maximum deposits into the Debt Service Account for the Senior Bonds in any Bond Year shall not exceed the Expansion Project Percentage

of the total debt service on the Senior Bonds in that Bond Year. The Expansion Project Percentage of the total debt service on the Senior Bonds is currently 71.9%.

(b) Then into the Reserve Account for the Senior Bonds an amount determined by multiplying the aggregate amount required to be deposited therein in such month, if any, by the Expansion Project Percentage.

(c) Funds remaining in the Impact Fee Account shall be retained therein and used by the City in the following order and priority: (i) first, an amount equal to the Expansion Project Percentage of the debt service on the Senior Bonds in the following Bond Year shall be set aside in a subaccount in the Impact Fee Account as a rate stabilization fund and shall be used on the 15th day of each month preceding an interest payment date, to the extent such funds are needed, to make up the deficiencies in the maximum payments permitted to be made into the Debt Service Account from Impact Fees; (ii) next, by deposit (A) into a special account the Expansion Project Percentage of the next required payment of the Senior Debt Service Component of the Cost of Contracted Services due in such Bond Year; (B) then into a special account, the next required payment due in such Bond Year of the Debt Service Component which does not meet the requirements of the Senior Debt Service Component of the Cost of Contracted Services, provided that such payments shall be limited to the amount of Impact Fees that can be used under existing law to make such payments; (C) then, into one or more debt service accounts created under the Short Term Ordinance, such amounts as may be required to be deposited therein for such month, provided that such payments shall be limited to the amount of Impact Fees that can be used under existing law to make such payments; and (D) then to the General Revenue Account, an amount equal to the positive cumulative unreimbursed difference, if any, between the sum of the Expansion Project Percentage of debt service on the Senior Bonds paid from Gross Revenues, Impact Fees or the Utilities Services Tax plus the Expansion Project Percentage of deposits made into the Reserve Account for the Senior Bonds from Gross Revenues, Impact Fees or the Utilities Services Tax to cure deficiencies therein, and the sum of Impact Fees transferred to the Debt Service Account for the Senior Bonds (other than to optionally redeem Senior Bonds) and the Reserve Account for the Senior Bonds plus the Capital Cost Component of the Gross Revenues theretofore received; (iii) then, by deposit into a special subaccount in the Impact Fee Account, an amount, if any, which the City forecasts will be necessary to pay the cost of extending or oversizing, separating or constructing new additions to the System; (iv) then, subject to the maximum limitation described below, by deposit into the Debt Service Account for the Senior Bonds all remaining Impact Fees, which funds will be used at the earliest date practicable to purchase or redeem Senior Bonds in advance of their scheduled maturity or mandatory redemption date, except that the City may designate particular Series of Senior Bonds or a particular maturity thereof to be purchased or redeemed from funds in the Impact Fee Account before any other Senior Bonds outstanding under the Senior Bond Ordinance may be so purchased or redeemed; and (v) finally, by payment to the City for the purpose of making major emergency repairs, extending or oversizing, separating or constructing new additions to the City's wastewater treatment facilities and collection system or for such other additional purposes as shall be provided by ordinance or resolution of the City from time to time and as permitted by law.

Funds set aside in the special subaccount in the Impact Fee Account as a rate stabilization fund pursuant to clause (i) of subparagraph (c) above that are in excess of the Expansion Project Percentage of the debt service on the Senior Bonds in the following Bond Year shall be transferred to the Debt Service Account for the Senior Bonds for the redemption of Senior Bonds, to the extent such funds have been set aside for that purpose pursuant to the following sentence, and thereafter may be transferred to the Impact Fee Account and used for any purpose and in the order of priorities described above. If Senior Bonds have been called for redemption pursuant to the terms of the Senior Bond Ordinance and funds have been set aside for that purpose, either in the Debt Service Account for the Senior Bonds or in the stabilization subaccount referred to above, for purposes of the preceding sentence the debt service on the Senior Bonds in the following Bond Year shall be reduced by the debt service on the Senior Bonds so called for redemption.

The maximum amount of Impact Fees that may be used to redeem Senior Bonds pursuant to clause (iv) of subparagraph (c) above shall not exceed the Expansion Project Percentage of the Original Issue Amount, less the sum of the principal amount of Senior Bonds theretofore purchased, redeemed or retired at maturity from Impact Fees, plus amounts on deposit in the stabilization fund described in clause (i) of subparagraph (c) above, plus the funds used to reimburse the City for principal payments made from Gross Revenues as described in clause (ii) of subparagraph (c) above and the funds transferred to the Reserve Account for the Senior Bonds which have not been used to pay debt service.

The City's obligations to impose, collect and dispose of Impact Fees in accordance with the Senior Bond Ordinance shall terminate, and the lien created on such Impact Fees shall be automatically released, as soon as the aggregate amount of Senior Bonds purchased, redeemed or retired at maturity from Impact Fees, plus the amount of Impact Fees on deposit in the stabilization fund created pursuant to the Senior Bond Ordinance and the funds used to reimburse the City for principal payments made from Gross Revenues as described in the Senior Bond Ordinance equal the Expansion Project Percentage of the Original Issue Amount; provided, however, that all Funds held in the Impact Fee Account at the time the lien on Impact Fees is released shall remain subject to the provisions of the Senior Bond Ordinance and shall be disposed of in accordance with the terms thereof.

Utilities Services Tax

The City shall deposit the Utilities Services Tax as soon as collected into the Utilities Tax Account. Whenever by reason of the insufficiency of Gross Revenues and Impact Fees, the City is not able to make promptly the payments required to be made into the Operation and Maintenance Account, the Debt Service Accounts and Reserve Accounts established under the Senior Bond Ordinance and the Refunding Bond Ordinance, the Renewal and Replacement Account, and the Short Term Ordinance Redemption Account, the City shall withdraw, no later than the 15th day of each month for payments pursuant to the Senior Bond Ordinance, no later than the 16th day of each month for payments pursuant to the Refunding Bond Ordinance, and no later than the 18th day of each month for payments pursuant to the Short Term Ordinance, and pay into such accounts in the order and priority provided in the Senior Bond Ordinance, the Refunding Bond Ordinance and the Short Term Ordinance from funds on deposit in the Utilities Tax Account for payments under the Senior Bond Ordinance or Short Term Ordinance, if Refunding Bonds are not then outstanding, or the Refunding Bonds Utilities Tax Account, for payments under the Refunding Bond Ordinance or Short Term Ordinance, if Refunding Bonds are then outstanding, whatever amounts are necessary to cure such deficiencies. After the 15th day of each month for deficiencies under the Senior Bond Ordinance, the 16th day of each month for deficiencies under the Refunding Bond Ordinance and the 18th day of each month for deficiencies under the Short Term Ordinance, any moneys remaining in the Utilities Tax Account or Refunding Bonds Utilities Tax Account, as the case may be, may be used for any lawful purpose. Except as described in "THE SERIES 2003A BONDS - Permitted Repeal of Utilities Services Tax" above, the City has covenanted in the Senior Bond Ordinance and the Refunding Bond Ordinance that it will not repeal the ordinance which enacted the levying of such Utilities Services Tax so long as any Senior Bonds or Refunding Bonds remain outstanding or provision for the payment of principal of or interest on any such Bonds has not been provided for in accordance with the respective ordinances.

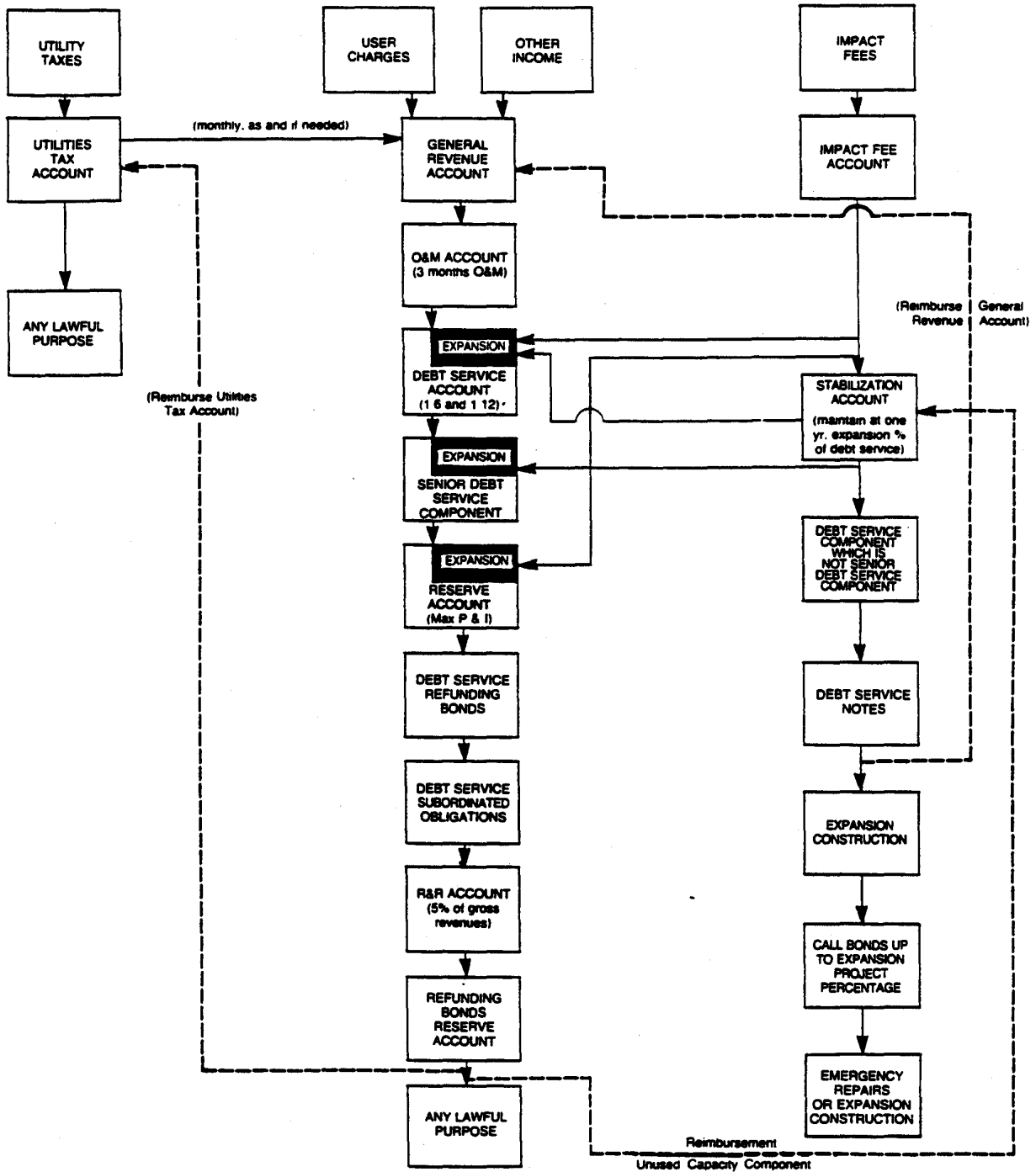
The City is obligated under the Senior Bond Ordinance to levy and collect the Utilities Services Tax at a rate not less than that which ensures that the amount of such Utilities Services Tax to be collected is not less than that collected when the Senior Bond Ordinance was originally enacted. Such Utilities Services Tax, together with the Gross Revenues and Impact Fees available therefor, is pledged to the payment of the principal of and interest on the Senior Bonds and to make all other payments provided for in the Senior Bond Ordinance.

If the lien and pledge of the Utilities Services Tax is released as described in "THE SERIES 2003A BONDS--Permitted Release of the Utilities Services Tax" above, the City shall not be required to thereafter deposit any Utilities Services Taxes into the Utilities Tax Account, all Utilities Services Taxes thereafter collected can be pledged and/or used for any lawful purpose without restriction or encumbrance under the Senior Bond Ordinance, and the covenant of the City to collect the Utilities Services Tax at not less than the rate prescribed in the previous paragraph will thereafter be without force and effect.

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Flow of Funds Chart

The following chart depicts the flow of the Waste Water System Gross Revenues, the Impact Fees, and the Utilities Services Tax (see "THE SERIES 2003A BONDS--Permitted Release of the Utilities Services Tax" herein).



REVENUES OF THE SYSTEM

General

In January 1999, Black & Veatch Corporation performed a wastewater rate/revenue study for the City and found that a reduction in rates was appropriate. The rate study recommended a reduction in the capacity charge per equivalent residential connection (ERC), a reduction in the commodity charge per thousand gallons used, and a reduction in the impact fee per gallon per day charge. These rate changes were approved by City Council on February 22, 1999 and became effective March 1, 1999. The system rates are reviewed annually to ensure adequate coverage of debt service requirements.

Black & Veatch recommended continuing to allocate costs among all users by using the capacity/commodity method, which method the City first adopted in and has utilized since 1984 with certain modifications. This method distinguishes between capacity (capital) costs and commodity (operating) costs. Capital costs are identified and allocated to each user through a fixed monthly capacity charge based on equivalent residential connections ("ERC"). For residential users (both single and multifamily), a dwelling unit is equal to one ERC. One ERC is equal to 7,000 gallons per month. For commercial customers, the number of ERC's is determined based on a 12-month moving average of flows. In addition, operating, maintenance and equipment replacement costs are recovered through a usage-based commodity charge. Each user is billed based on each 1,000 gallons of actual water use.

Current rates have been calculated using the capacity/commodity structure. The commodity, or usage, charge is \$1.90 per 1,000 gallons for In-City residential and commercial users. The capacity charge for In-City residential and commercial users is \$9.50 per ERC per month. Single-family residences are billed for wastewater using only the first 14,000 gallons of metered water usage per month on the assumption that usage above 14,000 gallons is for non-wastewater purposes, such as lawn irrigation. There are two separate classes of multifamily billings. Flat rate multifamily units are billed a monthly fee covering the capacity charge and commodity charges based upon an assumed usage of 4,200 gallons per month for one bedroom and efficiency apartment units and 6,000 gallons per month for two or more bedroom apartment units. Master-metered multifamily units, like commercial users, are billed on the basis of metered water usage.

The City's rate structure includes rates for Out-of-City customers that are 50 percent higher than In-City rates as authorized under Florida Statutes, Section 180.191. This rate differential is based on the higher cost of servicing Out-of-City customers and in consideration of the contribution in taxes paid by the In-City customers, particularly through the Utilities Services Tax, a surcharge levied on In-City utilities bills. The monthly commodity rate is \$2.85 per 1,000 gallons of water usage for Out-of-City residential and commercial customers. The monthly capacity charge for Out-of-City residential and commercial customers is \$14.25 per ERC. Approximately half of the System's customers reside outside the corporate limits of the City. However, the bulk of these are served through wholesale agreements with other governmental entities and are billed by those entities under their own rate structures. Of the individual customers billed directly by the City, approximately 3% reside outside the corporate limits of the City.

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Operating Revenues

Operating revenues are derived from the rates charged for wastewater treatment and related services provided by the System. The current rate schedule adopted by the City Council and the associated average monthly rates for 2003 are as follows:

	<u>Fixed Charge Per ERC</u>	<u>Charge Per 1,000 Gallons</u>	<u>Average Monthly Bill</u>
Single-family (1)			
In-City	\$ 9.50	\$1.90	\$21.85
Out-of-City	14.25	2.85	32.78
Multi-family (2)			
In-City			
One Bedroom or Efficiency	9.50	1.90	17.48
Two or more Bedrooms	9.50	1.90	20.90
Out-of-City			
One Bedroom or Efficiency	14.25	2.85	26.22
Two or more Bedrooms	14.25	2.85	31.35
Commercial (3)			
In-City	9.50	1.90	195.70
Out-of-City	14.25	2.85	293.55

- (1) Average water use per bill for single family dwellings was assumed to be 6,500 gallons per month.
- (2) Multi-family rates are shown as a flat rate per month which assumes 4,200 gallons of usage for one bedroom or efficiency units; 6,000 gallons for units with two or more bedrooms.
- (3) Average monthly rates shown on this table for commercial users assume 60,000 gallons of usage per month and applies the fixed charge for every 7,000 gallons of usage (rounded to the nearest tenth when divided into 60,000 gallons).

Source: City's Department of Management, Budget & Accounting.

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IMPACT FEES

Impact Fees are one-time fees for new connections to the System charged to new retail customers as the major part of the fee charged for connecting to the System. Impact Fees are required to recover the costs of capital expansion that are not covered by the capital recovery portion of rates paid by new customers or other funds available to the System. Pursuant to a decision of the Florida Supreme Court, Impact Fees may be imposed and expended only to cover the costs of expansion of a utility system that is necessary to service new customers. As a result, Impact Fees can be used to pay debt service only to the extent that such debt service payments reflect costs incurred to expand the System to service new customers.

Impact Fee rates are \$9.00 per gallon per day of capacity, or \$2,250 for a single-family residence assuming 250 gallons per day ("GPD") of capacity. Impact Fee rates for 2003 have remain unchanged since 1999; however, impact fees decreased in 1997 and 1999 to reflect the improved debt efficiency of the System's financing program. Additionally, effective calendar year 1997 the City reduced the assumed number of gallons per day used to calculate the total Impact Fee by 10% (for example, single family residence decreased from 315 GPD to 284 GPD) to reflect the results of the System's conservation programs and the increased efficiency of indoor water plumbing fixtures in newly constructed housing. This assumption was further reduced in 2002 to the current level of 250 GPD, again as the result of the use of the conservation fixtures in newer homes. The Impact Fee rates adopted by the City Council through calendar year 1993 increased by approximately 10 percent per year, primarily to compensate the System for the loss of rate revenues during those years that the capacity had been available and not used. For 1993-1996, Impact Fees remained constant.

Upon a request for capacity and the City's determination that capacity will be available to meet the user's needs, the City collects a deposit equal to one-third of the total Impact Fee. Upon the applicant obtaining all required permits, the remaining two-thirds of the Impact Fee is collected by the City. When the certificate of occupancy is issued, the related Impact Fee is recognized as Impact Fee revenues of the System. The Impact Fee is refundable if the applicant does not obtain all required permits. If the applicant has not obtained all required permits within 12 months of capacity reservation, the City reserves the right to recapture the capacity allocated, provided that the portion of the Impact Fee previously paid is refunded to the applicant.

The City has adopted Impact Fee rates for the years 1999 through 2003 as follows:

<u>Year</u>	<u>\$ Per GPD(1)</u>	<u>Single Family</u>	<u>Multi-Family(2)</u>	<u>Commercial (based on 1,000 GPD)</u>
1999	9.00	\$ 2,556	\$ 2,007	\$ 9,000
2000	9.00	2,556	2,007	9,000
2001	9.00	2,556	2,007	9,000
2002	9.00	2,250	1,710	9,000
2003	9.00	2,250	1,710	9,000

- (1) In addition to the Impact Fee, the City charges a fee for sewage collection system oversizing and extension of \$1.15 per gallon per day of capacity.
- (2) For 1999-2001, Impact Fees for single family units assumed 284 GPD and multi-family units assume 223 GPD. For 2002, single family flows were reduced to 250 GPD and multifamily flows were reduced to 190 GPD, with no change in 2003.

The following table sets out the historical Impact Fee Account flow of funds for the fiscal years ending September 30, 2000-2002 and unaudited Impact Fee Account flow of funds for the nine months ending June 30, 2002 and 2003.

**Impact Fee Account Flows
(In Thousands)**

	<u>Actual (Historical) as of September 30,</u>			<u>Unaudited as of June 30,</u>	
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2002</u>	<u>2003</u>
Beginning Balance	\$ 49,453	\$ 53,059	\$ 53,570	\$ 53,570	\$ 54,991
<u>Plus:</u>					
Impact Fee Revenue Realized	6,728	4,242	5,586	5,052	3,267
Capacity Charge Revenue (Expansion Portion)	4,603	4,101	3,254	2,494	2,449
Interest Earnings	<u>4,505</u>	<u>5,902</u>	<u>3,259</u>	<u>2,196</u>	<u>2,699</u>
Total Increases	<u>15,836</u>	<u>14,245</u>	<u>12,099</u>	<u>9,742</u>	<u>8,415</u>
<u>Less:</u>					
Contribution to Senior Debt Service	11,454	11,205	10,678	9,493	9,800
Contribution to Subordinate Debt Service	<u>776</u>	<u>2,529</u>	<u>0</u>	<u>-</u>	<u>-</u>
Contribution to Construction Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,144</u>
Total Decreases	<u>12,230</u>	<u>13,734</u>	<u>10,678</u>	<u>9,493</u>	<u>14,944</u>
Ending Balance	<u>\$ 53,059</u>	<u>\$ 53,570</u>	<u>\$ 54,991</u>	<u>\$ 53,819</u>	<u>\$ 48,462</u>
Balance Reserved for Redemption of Bonds or Capital Projects	41,596	41,553	42,978	41,804	36,450
Plus Stabilization Account Balance (1)	<u>11,463</u>	<u>12,017</u>	<u>12,013</u>	<u>12,015</u>	<u>12,012</u>
Ending Balance	<u>\$ 53,059</u>	<u>\$ 53,570</u>	<u>\$ 54,991</u>	<u>\$ 53,819</u>	<u>\$ 48,462</u>

(1) Stabilization Account Balance, at a maximum, is equivalent to at least the expansion project percentage (71.9%) of senior debt service.

Source: City's Department of Management, Budget & Accounting

COMPARATIVE WASTEWATER RATES AND IMPACT FEES

The System's rates and Impact Fees were compared with those of other Florida counties and municipalities, including neighboring communities, which compete with the City for development. A review of the comparative rates suggests that the City's monthly rates compare favorably to those of competing jurisdictions. Of all the jurisdictions surveyed, only Gainesville and Kissimmee imposed lower monthly total rates. On the other hand, a review of the comparative Impact Fees suggests that the City's fees are relatively high compared to those competing jurisdictions, with only Kissimmee and Ocala imposing a higher Impact Fee for sewer. *See* "IMPACT FEES" herein for a more complete description.

The comparative rates and fees are presented in the following tables:

**Comparative In-City Single-Family Monthly Rates
June 30, 2003**

	<u>Fixed Charge</u>	<u>Rate per 1,000 Gals</u>	<u>Average Monthly Bill ⁽¹⁾</u>	<u>-Maximum- Charge</u>	<u>Gallons⁽²⁾</u>
Orlando	\$ 9.50	\$1.90	\$21.85	\$36.10	14
Orange County	13.96	3.17	34.56	58.34	14
Seminole County	11.35	2.59	28.18	50.20	15
Brevard County	13.43	2.85	31.96	47.63	12
Escambia County	7.44 (3)	4.05	25.67	60.09	15
Gainesville	2.22	2.55	18.80	27.72	10
Hillsborough County	12.75	4.10	39.40	45.55	8
Kissimmee	6.44 (3)	3.22	20.93	N/A	N/A
Ocala	19.59	0.94 (4)	27.76	31.81	(5)

(1) Assumes 6,500 gallons average monthly usage.

(2) In 1,000's.

(3) Includes allowance of 2,000 gallons.

(4) Based on 100 cubic feet.

(5) Maximum Charge is based on 1,300 cubic feet or 9,724 gallons.

Source: City of Orlando survey of above entities.

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**Wastewater Impact Fees
for Single-Family Residences as of June 30, 2003**

	Impact Fee and/or Other (1)	Connection Fees/ Other (2)	Total
Orlando	\$2,250	\$288	\$2,538
Orange County	2,487	-0-	2,487
Seminole County	2,100	55	2,155
Brevard County	2,257	250	2,507
Escambia County	1,421	350	1,771
Gainesville	926	-0-	926
Hillsborough County	1,918 (3)	-0-	1,918
Kissimmee	2,892 (4)	225	3,117
Ocala	4,988 (5)	156	5,144

- (1) Includes pollution control charges, ordinance fees, transmission fees, storage fees, inspection fees, front footage fees (assumes a house with 100 front feet), and capacity reservation fees.
- (2) Deposits, sewer collection system charge, water installation, pump station, basic connection fees, lateral collection system connection fees, etc.
- (3) Represents average impact fee for northwest (\$1,815), central (\$1,970) and south (\$1,970) service areas of the County.
- (4) Includes a water impact fee of \$1,422.
- (5) Represents an average of impact fees based on average square footage for zone 1 (\$1,566), Zone 2 (\$2,021) and zone 3 (\$2,376) service areas, plus the maximum of \$30 per front foot, assuming 100-foot footage.

Source: City of Orlando survey of above entities.

UTILITIES SERVICES TAX

Florida law authorizes any municipality in the State of Florida to levy a utilities service tax on the purchase within such municipality of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, water service and fuel oil as well as any services competitive with those specifically enumerated. This tax may not exceed 10% of the payments received by the sellers of such utilities services from purchasers (except in the case of fuel oil, for which the maximum tax is four cents per gallon). The purchase of natural gas or fuel oil by a public or private utility either for resale or for use as fuel in the generation of electricity, or the purchase of fuel oil or kerosene for use as an aircraft engine fuel or propellant or for use in internal combustion engines, is exempt from the levy of such tax. In addition, prior to October 1, 2001, a municipality had the option to levy a tax on the purchase of telecommunications services of either (a) not to exceed 10% of the monthly recurring customer service charges upon the purchases within such municipality of local telephone service or (b) not to exceed 7% of the monthly recurring customer service charges upon purchases within the municipality of telecommunications service which originated and terminated in the State based on the total amount charged for any telecommunications service provided within the municipality or, if the location of the telecommunications provided could not be determined, the total amount billed for such telecommunications service to a telephone or telephone number, a telecommunications number or device, a service address or a customer's billing address located within the municipality, excluding variable usage charges on telecommunication service (*see*, however, discussion below under the subcaption "Repeal of Public Service Tax on Telecommunications Services"). Also prior to 2001, Florida law exempted from the tax public telephone charges collected on site, charges for any foreign exchange service or any private line service except when services are used or sold as a substitute for any telephone company switched service or dedicated facility by which a telephone company provided a communication path, access charges, and any customer access line charges paid to a local telephone company.

Pursuant to the Constitution of the State of Florida, Florida Statutes and the Code of the City (The "City Code"), the City levies a Utilities Services Tax, also referred to herein as Public Services Tax, within the incorporated area of the City at the rate of 10% on sales of all utility services for which it is allowed to tax, except telecommunications service, and with the restriction that the tax on fuel oil cannot exceed four cents per gallon. The City Code exempts from levy of such Utilities Services Tax (a) purchases of special fuels for use as an airplane engine fuel or propellant, (b) purchases of special fuels to be used as a raw material in a manufacturing process or a cleaning agent or solvent, (c) purchases of special fuels for use in an internal combustion engine to propel any form of vehicle, and (d) "fuel adjustment charges," which means any increases in the cost of utility service to the ultimate consumer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973.

Florida law provides that a municipality may exempt from the utilities services tax the first 500 kilowatts of electricity per month purchased for residential use. The City has not adopted such an exemption but it does exempt purchases by the United States Government, the State of Florida, the County, the City and the agencies, boards, commissions and authorities from the levy of such tax. In addition, the City exempts purchases used exclusively for church purposes by any recognized church in the State of Florida.

Prior to 2001, the City taxed telecommunications services which originated and terminated within the State of Florida at 7% of the sales price of such service purchased within the City, excluding the variable usage charges for cellular mobile telephone or telecommunications service, specialized mobile radio and pagers and paging services, effective March 1, 1986. Telecommunications service was defined to be local telephone service, toll telephone service, telegram or telegraph service, teletypewriter, facsimile or computer exchange service, private communication service, cellular mobile telephone or telecommunication service and specialized mobile radio, pagers and paging service but excluding Internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer service.

The Utilities Services Tax must be collected by the seller from purchasers at the time of sale and remitted to the Chief Financial Officer as prescribed by the City Code. Such tax will appear on a periodic bill rendered to consumers for electricity, metered and bottled gas, water service, telecommunication service (prior to 2001) and fuel oil. A failure by a consumer to pay that portion of the bill attributable to the utilities services tax may result in a suspension of the utility service involved in the same fashion as the failure to pay that portion of the bill attributable to the particular utility service.

The following table sets forth the amount of Utilities Services Tax collected by the City for the fiscal years ending September 30, 2000-2002 and nine months ending June 30, 2002 and 2003.

	Utilities Services Tax					
	<u>(In Thousands)</u>					
	Actual (Historical)			Unaudited		
	As of September 30,			As of June 30,		
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2002</u>	<u>2003</u>	
Electricity	\$16,901	\$17,498	\$17,774	\$12,645	\$14,326	
Telephone/ Telecommunications	14,671	13,321	20,970 ⁽¹⁾	14,764 ⁽¹⁾	13,036 ⁽¹⁾	
Other	<u>921</u>	<u>1,008</u>	<u>459</u>	<u>396</u>	<u>404</u>	
Total Utilities Services Tax	<u>\$32,493</u>	<u>\$31,287</u>	<u>\$39,203</u>	<u>\$27,805</u>	<u>\$27,766</u>	

Source: City's Department of Management, Budget & Accounting.

- (1) Assumes the proration of the Communications Services Tax which replaces the tax on telecommunications services (See the information appearing below under the subcaption "Repeal of Public Service Tax on Telecommunications Services" and "Amendment of Senior Bond Ordinance to Reflect Change in CST Statute").

Repeal of Public Service Tax on Telecommunications Services

In its regular 2000 legislative session, the Florida Legislature passed the "Communications Services Tax Simplification Act", Chapter 2000-260, Laws of Florida (the "CST Statute"), reforming the collection of local taxes on telecommunications and cable services. Among its provisions, the CST Statute repealed, effective October 1, 2001, subsection 166.231(9), Florida Statutes, which authorized a local public service tax on telecommunications. The legislation creates a new simplified tax structure for communications services which is codified in a new Chapter 202, Florida Statutes. It combines seven different state and local taxes or fees (including fees imposed upon providers of communications services by municipalities and counties for granting permission to use or occupy roads or rights of way for the placement of poles, wires and other fixtures) and replaces these revenues with a two tiered tax composed of a state tax and a local option tax on communications services. The new tax structure became effective October 1, 2001.

Those portions of the Utilities Services Tax which are derived from telecommunications services are impacted by the CST Statute. The new local option tax on communication services provided for in the CST Statute (the "New Communications Tax") is intended to replace those and other revenues previously received by governmental entities from the imposition of taxes and fees on telecommunication and cable services. The CST Statute specifically states "Revenue received by a taxing authority under this act shall be deemed to replace any taxes or fees previously imposed but repealed by this act without any further action on the part of such taxing authority."

The following outlines certain provisions of the CST Statute. As noted above, the CST Statute is extensive and the following descriptions are not, and are not intended to be, comprehensive or exhaustive.

Tax Base. The New Communications Tax is imposed on a broad base of telecommunications and cable services and does not discriminate between services or providers. The definition of "communications services" references the transmission of voice, data, audio, video, or any other information or signals, including cable services, by or through any medium or method currently in existence or hereafter devised, including electronic, radio, satellite, cable, optical, and microwave. Section 202.11(3), Florida Statutes. The definition excludes: "information services" (which is separately defined); the installation or maintenance of wiring or equipment on a customer's premises; the sale or rental of tangible personal property; the sale of advertising; bad check and late payment charges; billing and collection services; and Internet access and related on-line services. Section 202.11(3), Florida Statutes.

The New Communications Tax automatically became effective at rates developed by using local government and industry data from 1999. (The revenues being replaced by the New Communications Tax are referred to as the "replaced revenue sources"). Municipalities have the authority to alter by ordinance the rates of the New Communications Tax up to a maximum tax rate which duplicates their maximum revenue raising capacity under prior law. Municipalities have a uniform maximum tax rate. Section 202.19, Florida Statutes.

For municipalities, the replaced revenue sources consisted of: the municipal public service tax on telecommunications, including pre-paid calling arrangements; franchise fees on cable and telecommunications service providers; and permit fees relating to placing or maintaining facilities in rights-of-way collected from providers of certain telecommunications services. Sections 202.19, 202.20 (4), Florida Statutes.

Tax Rates. The CST Statute establishes a Revenue Estimating Conference (the "REC") that was tasked with determining several new tax rates at the state and local government levels.

At the local level, the REC was required to develop two tax rates: (1) an individual conversion or "initial" rate for each municipality; and (2) a maximum or "revenue capacity" rate that will be the same for all municipalities. The conversion or "initial" rate varied for each municipality based on the amount of revenues to be replaced and the tax base within each individual municipality. The conversion or "initial" rate for each municipality was designed to accomplish two main goals. First, such rate was supposed to permit a smooth transition at the local level by eliminating the necessity to re-enact or adopt various new tax rates due to the changes created by the Legislature. Second, the rate was supposed to account for varying consumption patterns in some jurisdictions. Conversion or "initial" rates became effective automatically on October 1, 2001.

The REC was required by the CST Statute to calculate maximum or "revenue capacity" rates for local governments. The maximum rates duplicate the prior "capacity" of the replaced revenue sources, so that jurisdictions which levied taxes and fees at less than the legal maximums would not experience a reduction in revenue raising authority.

The replaced revenue sources for municipalities were: the municipal public service tax on telecommunications as authorized by Section 166.231(9), Florida Statutes; franchise fees on cable service providers; the municipal public service tax on prepaid calling arrangements; franchise fees on communications services providers which use the public roads or rights-of-way, up to the limits set forth

in section 337.401, Florida Statutes; and permit fees collected from providers of long distance, cable, and mobile communications services unless the municipality or charter county elected the option to charge permit fees.

Rate recommendations by the REC, in the form of proposed legislation, were approved by the Florida Legislature during its regular 2001 legislative session (the "Amended CST Statute"). The rate (i.e., the rate applicable between October 1, 2001 and September 30, 2002) adopted by the City was 5.30% and the ongoing rate (i.e., the rate applicable from and after October 1, 2002) for the City is 5.0%. The City elected not to charge permit fees related to the installation and maintenance of wires on its rights-of-way. The City may also exceed the maximum rate if necessary in order for the City to maintain its collection of the same annual dollar amount from and after October 1, 2001, that it received for the fiscal period ending September 30, 2001.

Internet Services. In the CST Statute, the Legislature continued its non-tax policy regarding internet access services and awaits action by Congress to lift such restrictions. However, the existing policy to tax all communications services sold together or "bundled", including Internet services, will be applied under the New Communications Tax.

Assignment of Customers for Local Taxes. One of the features regarding the local communications services tax is the concept of "siting" or identifying taxable transactions within a particular municipality or unincorporated area. Local governments must work with the Department of Revenue to properly identify service addresses to each municipality and county. If municipalities fail to provide the Department of Revenue with accurate service address information, the municipality or county risks losing tax proceeds that it should properly receive. To the knowledge of the City, it has as of the date of this Official Statement provided the Department of Revenue with all information that the Department of Revenue has requested and continues to provide information on all annexation of unincorporated areas into the City limits.

Compensation of Providers. Providers filing timely returns will retain an allowance of .75 percent of collections, except that it will be .25 percent for providers who do not employ an enhanced zip code database or a database that is either supplied or certified by the Department of Revenue for the assignment of service addresses to local taxing jurisdictions.

Registration and Resale Certificates. Each provider of communications services must be registered with the Department. The Department of Revenue will issue a certificate of registration, and also an annual resale certificate (similar to the current sales tax mechanism). The CST Statute allows the Department of Revenue rulemaking authority regarding registration.

Department Rulemaking. Throughout the CST Statute there are provisions authorizing rulemaking by the Department of Revenue. Emergency rulemaking (which occurs on an expedited basis) is also authorized.

Amendment of Senior Bond Ordinance to Reflect Change in CST Statute. Pursuant to Section 202.41, Florida Statutes, revenue received by a taxing authority under the CST Statute will be deemed to replace any taxes or fees previously imposed but repealed by the CST Statute without any further action on the part of such taxing authority, and if the repeal under the CST Statute of a taxing authority's authority to levy taxes or fees impairs security pledged to retire the authority's bonded indebtedness secured by such taxes or fees, then to the extent of any such impairment, a "like sum" of revenue received by the authority under the Act shall be deemed as a matter of law to replace such taxes and fees as security for the bonded indebtedness. The City determined that it was desirable to amend the definition of Utilities Services Tax set forth in Section 2.01 of the Senior Bond Ordinance to address the statutory changes and, thereby, permit the City to deposit in the Utilities Tax Account a percentage of its Discretionary Communications Services Tax which represents, on a five-year historical basis, a "like sum" of revenue as was previously deposited therein as utilities services tax on the purchase of telecommunications services. Accordingly, the City enacted the 2002 Supplemental Ordinance amending the Senior Bond Ordinance to define the term "Utilities Services Tax" to mean "the taxes imposed, levied and collected by the City pursuant to Section 166.231, Florida Statutes, as amended, upon every purchase of electricity, fuel oil, metered or bottled gas (natural liquefied petroleum gas or manufactured) and water service and other utility services on which such tax may be imposed by law from time to time, and eighty-three percent (83%) of the Discretionary Communications Services Tax imposed, levied and collected by the City pursuant to Section 202.19, Florida Statutes, on the sale of communications services."

Permitted Release of Utilities Services Tax. See "THE SERIES 2003A BONDS - Permitted Release of Utilities Services Tax" for information regarding the approval of amendments to the Senior Bond Ordinance that permit the City to amend the Senior Bond Ordinance to release of the Utilities Services Tax from the lien and pledge thereof.

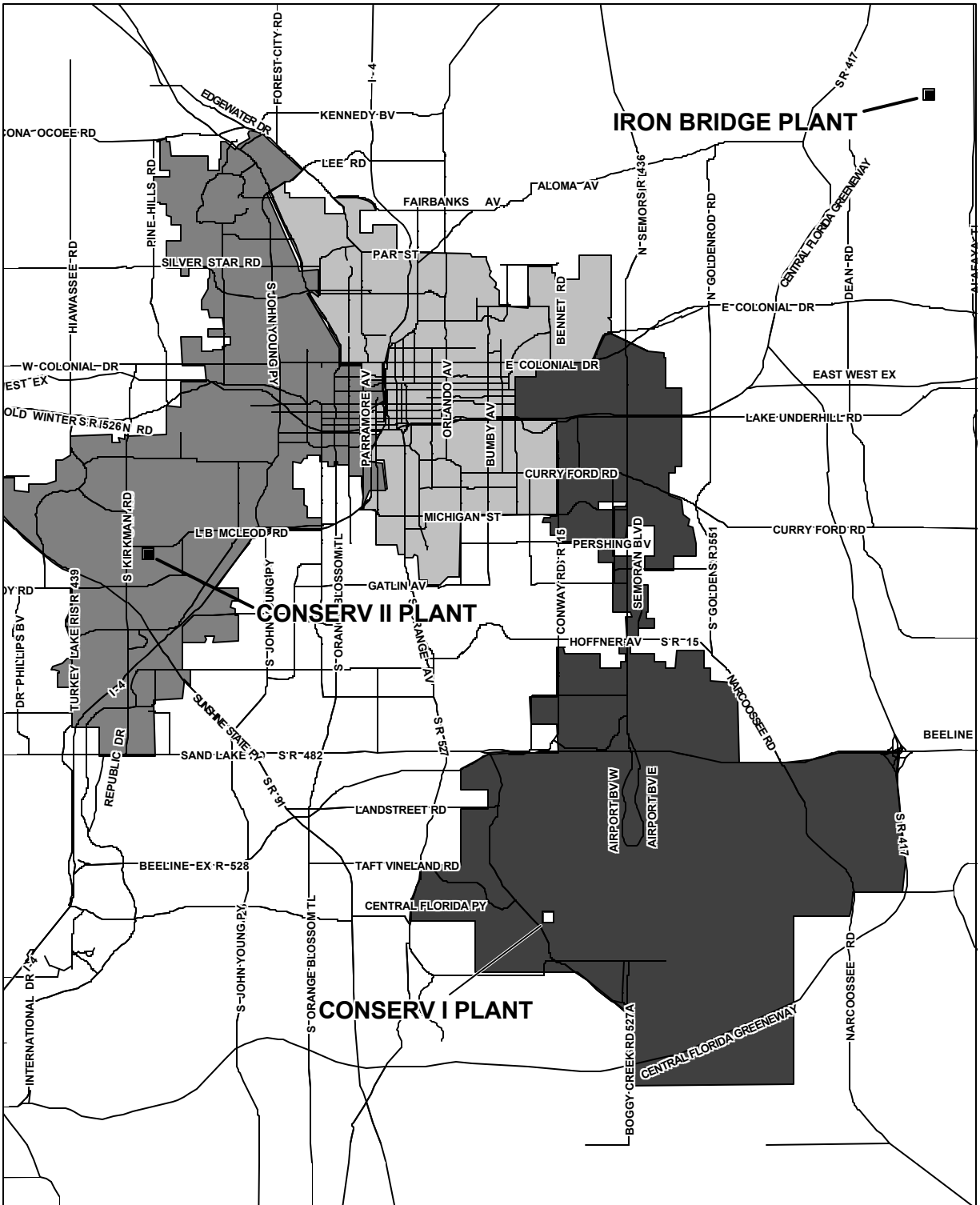
THE SYSTEM




The System serves approximately 280,000 residents of the City and several surrounding communities. The System consists of a network of approximately 760 miles of gravity sewers, 190 lift stations, approximately 170 miles of force mains, three service areas, and three treatment plants. The City has provided all of the information contained in this section, including the tables and charts.

The System, which is based on the regional treatment plant concept, currently provides treatment capacity to the City and a number of other jurisdictions (portions of unincorporated Orange and Seminole Counties, and the Cities of Casselberry, Maitland and Winter Park). The System has historically been divided into the easterly and westerly subsystems. The easterly subsystem is served by the 40 million gallons per day ("MGD") facility known as the Iron Bridge Regional Water Reclamation Facility (the "Iron Bridge Plant"), and the 7.5 MGD Water Conserv I Advanced Water Reclamation Facility (the "Conserv I Plant"). The westerly subsystem is served by a 25 MGD facility known as the Water Conserv II Water Reclamation Facility (the "Conserv II Plant"). The map on the following page more clearly defines the related service areas for the City's three treatment plants.

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SEWER SERVICE AREAS WITHIN ORLANDO CITY LIMITS



-  CONSERV I TREATMENT PLANT SERVICE AREA
-  IRON BRIDGE TREATMENT PLANT SERVICE AREA
-  CONSERV II TREATMENT PLANT SERVICE AREA

Customer Analysis:

The City has established four major classes of customers, as indicated in the following schedule, as well as the In-City and Out-of-City designations for ratemaking purposes.

	Average Number Of Bills	Average Number of ERC's			Average Monthly Usage (gallons)
		Old	New	Total	
Single-Family	39,166	27,696	11,087	38,783	6,500
Multi-Family	23,449	20,362	19,543	39,905	6,000
Commercial & Industrial	<u>5,902</u>	<u>26,753</u>	<u>25,171</u>	<u>51,924</u>	60,000
Total	<u>68,517</u>	<u>74,811</u>	<u>55,801</u>	<u>130,612</u>	

As of June 30, 2003

Source: City's Department of Management, Budget & Accounting.

Revenue Analysis:

The City established a base of old customers as of 1983. Capacity revenues collected from the old customers are used only for improvements to the System. Capacity revenues collected from new customers are used only for expansions to the System. Commodity revenues are strictly used for operating and maintenance expenses.

The capacity charge includes a debt service element and a capital expansion element. The debt service element (Senior Bonds) is a calculated percentage of the improvement revenues (old customers) and the expansion revenues (new customers). The capital expansion element is the remaining percentage of the improvement and expansion revenues.

The City uses the debt service element of the capacity charge paid by new customers, along with the (one-time) Impact Fee charge recognized in a particular year and earnings on Impact Fee balances, to meet the expansion portion of the debt service element.

Available Treatment Capacity:

Taking into account the capital improvements which are expected to be made during the next five years, the City will have wastewater treatment capacity which will enable it to meet the growth demands of the community until at least the year 2020. When measuring capacity within the System, it is necessary to separate the City's available capacity from the total System's available capacity because a portion of the unused capacity is reserved for other System participants (Seminole County and the City of Winter Park among others). The following schedule compares total historic and projected wastewater demand for treatment with available capacity:

**Historic and Projected Treatment Capacity and Influent Flows
(in MGD)**

	<u>Actual</u>				<u>Projected</u>	
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City:						
Permitted Capacity	49.4	49.4	49.4	49.4	52.2	52.2
Actual/Projected Demand ⁽¹⁾	<u>27.0</u>	<u>26.3</u>	<u>28.3</u>	<u>26.8</u>	<u>27.5</u>	<u>28.2</u>
Remaining Capacity	<u>22.4</u>	<u>23.1</u>	<u>21.1</u>	<u>22.6</u>	<u>24.7</u>	<u>24.0</u>
Total System:						
Permitted Capacity	72.5	72.5	72.5	72.5	72.5	72.5
Actual/Projected Demand ⁽¹⁾	<u>40.3</u>	<u>39.2</u>	<u>41.0</u>	<u>41.1</u>	<u>42.1</u>	<u>43.2</u>
Remaining Capacity	<u>32.2</u>	<u>33.3</u>	<u>31.5</u>	<u>31.4</u>	<u>30.4</u>	<u>29.3</u>

(1) Wastewater flows based on calendar year annual average daily flow. Reductions in flow are associated with changes in inflow and infiltration amounts due to City maintenance efforts and decreased rainfall. Growth in future flow is projected at 2.5% per annum.

Note: The above schedule excludes the .33 MGD Lake Nona Plant which was acquired by the City of Orlando in 1994. The plant was taken off line in the Summer of 2001 because of an inability to expand the plant to meet increasing capacity demand, and flows were diverted to the Conserv I Plant.

Source: City's Wastewater Division.

Effluent Disposal:

The challenge to the planning and design of the present and future System has been to develop and implement solutions which address use of plant outflow (the "effluent") in an environmentally conscious manner. In the discussion which follows, the method of effluent utilization in place at each of the treatment plants and the future potential for expansion thereof is explained.

Statewide Water Reuse Initiative-City Status:

Although the City's Waste Water System is one of the statewide leaders in water reuse (the application of System effluent as an alternative water source for non-potable uses) with almost 80% of its effluent directed to reuse, the City, like all wastewater system operations, is under continuing pressure to find additional reuse opportunities. In addition to removing the effluent flow discharging into surface water streams, water reuse reduces the need to withdraw potable water from the aquifer for agribusiness, irrigation and other non-potable uses.

The City has recently enacted an ordinance that requires reclaimed water piping to be installed in new residential and commercial developments if the development falls within a designated reclaimed water service area. In these areas, the City is planning to deliver reclaimed water at a pressure which is useable for irrigation by both residential and commercial customers.

Biosolids Disposal:

Biosolids are a by-product of the wastewater treatment process and must be disposed of in a manner which complies with Florida Department of Environmental Protection (FDEP) and United States Environmental Protection Agency (USEPA) regulations. Beneficial use of biosolids is accomplished by encouraging land application of treated biosolids for agricultural purposes. The City's biosolids program has consistently met the requirements of FDEP and USEPA (with minor exceptions for molybdenum levels at Conserv I in 1997) and has provided a valuable organic fertilizer supplement to the local agricultural community.

Infiltration/Inflow Reduction Program:

The City is continuing its aggressive program to reduce infiltration into the collection system; however, under certain excessive rainfall events where flooding occurs, normal infiltration/inflow correction methods may not provide a complete solution. When these areas are identified, the City develops an action plan for implementing corrective measures and subsequently monitors the areas for improvement. This methodology has proven to be effective in the past and will continue to be applied to the system.

Flow projections for the three treatment plants given in the subsequent tables reflect increased flows reaching the plants as a result of predicting heavier than normal rainfall. Obviously, rainfall amounts cannot be predicted accurately for 2003 and 2004, so in projecting flows, the City has taken a conservative approach of assuming that heavier than normal rains will occur. If the City does experience higher than average rains in 2003 and 2004, it is anticipated that there will be little problem in providing the necessary treatment/disposal services due to the improvements completed to date and flexibilities built into the collection system.

City/County Territorial Agreement:

On May 4, 1994, a Wastewater Service Territorial Agreement was entered into between the City and Orange County in order to define the City's service area and to prevent unrestrained growth by annexation. Pursuant to the agreement, the City agreed to annex and/or provide wastewater service to its expanded territorial area of approximately 18,500 acres (28.9 square miles). As of September 30, 2000, approximately 10,204 acres located adjacent to and southeast of Orlando International Airport and approximately 178 acres of commercial and residential property in the Ardsley Manor area and residential property in the Hidden Beach and Beverly Shores areas were annexed into the City. This includes the annexation of the 4,869-acre Lake Nona property, which was connected to the City's Conserv I facility in the spring of 2001. This connection allowed the City to abandon the Lake Nona plant, a .33 MGD facility that was constructed to serve the original Lake Nona project. The City believes that this agreement will enable the two utility agencies to avoid duplicating wastewater services, reduce expenditures, and expedite wastewater service in areas previously in dispute between the City and the County.

Pursuant to this agreement, Orange County was to have redirected its flows (Pine Hills and Hiawasse area) from the Conserv II Plant by January 1, 2000 to its own treatment facility, thereby freeing up 2.8 MGD of capacity at Conserv II for future City customers in the Conserv II service area. Because of problems in the County system, which have delayed this redirection of flow, the City and the County have agreed to an extension of that section of the 1994 agreement related to this issue until the end of 2010, which will allow the County's Pine Hills area to continue to flow to the Conserv II Plant. The County will redirect flows when the necessary construction of County facilities has been completed.

In an effort to encourage annexation, a policy has been established to allow for certain credits on wastewater connection and construction costs to be incurred by new customers in the City's Wastewater Territorial Area (Unincorporated Orange County), provided that these new customers are annexed into the City. The costs of these credits will be divided between the Waste Water System's General Construction Fund and the City's General Fund.

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WATER CONSERV I SERVICE AREA

The Water Conserv I Plant ("Conserv I Plant") serves residential and commercial developments along the S.R. 436 corridor and around the Orlando International Airport in southeast Orlando. The Conserv I Plant includes wastewater transmission facilities, a 7.5 MGD advanced wastewater treatment plant, and an effluent disposal system utilizing head-induced lateral percolation basins ("percolation basins") and reclaimed water irrigation. The wastewater transmission facility currently includes 51 lift stations and approximately ten miles of force mains ranging from 36-inches to 48-inches in diameter. The treatment capacity of the Conserv I Plant is sufficient to meet wastewater demands in the Conserv I Plant service area until 2010. Prior to that date, however, additional effluent disposal capacity will be needed to meet anticipated demand. Several alternatives have been evaluated and the City has progressed to the final design work on the preferred option (see "Growth Potential and Limitations").

The Conserv I treatment facilities were constructed on approximately 187 acres of City-owned land in the southwest corner of the Orlando International Airport which has been leased to the Greater Orlando Aviation Authority ("GOAA"). By amendment to the original lease to GOAA, the City was given the right to build the Conserv I Plant and approximately 400 acres of percolation basins on designated sites. The amendment allows the City to utilize the percolation basin sites until September 30, 2026, with provisions for certain extensions of the Agreement. The amendment also gives GOAA the right to take back the percolation basin sites for airport purposes and request demolition/removal of the basins at any time during the term of the lease. In exchange for the rights related to the Conserv I Plant, the City made a lump sum payment of \$586,500 to GOAA and agreed to connect certain existing GOAA wastewater collection systems to the new interceptor at no construction cost to GOAA and to reserve wastewater capacity in the Conserv I Plant for GOAA's existing and future facilities up to certain limits. GOAA will pay, however, all appropriate monthly user and impact fees. The City also covenanted in the amendment to comply with various Federal Aviation Administration ("FAA") and GOAA requirements such as bird control, reduction or elimination of odors, proper lighting, airport security, and structure height.

The Conserv I Plant utilizes the following proven processes:

- Pretreatment by screening and grit removal

- Flow equalization

- Primary clarification

- Activated sludge with nitrification

- Secondary clarification

- Denitrification

- Final clarification

- Dual media filtration

- Chlorination

- Sludge thickening and transport to Conserv II/Iron Bridge for digestion or lime stabilization, dewatering, and disposal

- Chemical addition

The primary means of effluent reuse is groundwater recharge through a system of 15 percolation basins located on the Orlando International Airport property near the treatment plant. Each percolation basin consists of an excavated trench, which was backfilled with gravel topped with a layer of sand, surrounded by earthen berms. Normal operating water levels in the percolation basins range from 8 to 10 feet above the sand layer. Based on the results of tests conducted after construction, the capacity of the percolation basins was expected to be approximately 6 MGD depending on the water levels in the percolation basins, the number of percolation basins operating, the amount of deposition (algae and silt) onto the sand layer, and environmental factors such as rainfall.

During the first few years of operation, the City experienced certain problems regarding disposal capacity in the percolation basins due to plugging of the sand layers by deposits of algae and silt from construction and operational activities. These problems have since been rectified. Unlike the Conserv II rapid infiltration basins (which are on high sandy soil and have always performed beyond expectations), the Conserv I rapid infiltration basins are in a low, wet area and were initially an operational and maintenance challenge. The majority of the plugging problems were resolved by the modification of the percolation basins. In 1995, all of the basins were improved through the addition of a liner to and the placement of gravel on the interior side slopes. This modification has successfully extended the operating capacity of these basins.

Available Treatment Capacity:

The following table compares historical and projected wastewater demand with the treatment capacity available:

CONSERV I PLANT
Historic & Projected Treatment Capacity & Influent Flows
(in MGD)

	<u>Actual</u>				<u>Projected</u>	
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City: ⁽¹⁾						
Permitted Capacity	7.5	7.5	7.5	7.5	7.5	7.5
Actual/Projected Demand ⁽²⁾⁽³⁾	<u>2.9</u>	<u>2.8</u>	<u>3.2</u>	<u>2.9</u>	<u>3.0</u>	<u>3.1</u>
Remaining Capacity	<u>4.6</u>	<u>4.7</u>	<u>4.3</u>	<u>4.6</u>	<u>4.5</u>	<u>4.4</u>

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- (1) The City is the sole user of the Conserv I Plant system (there are no wholesale customers).
 - (2) Wastewater flows based on calendar year annual average daily flow.
 - (3) Beginning in 1993, flows were (and are) being diverted to Iron Bridge Plant through the Interconnect System. Future flows are projected to increase at a rate of 2.5% per annum.

Source: City's Wastewater Division.

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Performance Standards and Compliance:

Under guidelines established by the Florida Department of Environmental Protection ("FDEP"), a treatment facility's operating permit stipulates various numerical performance standards, which state the upper limits of acceptable performance. The following table demonstrates the current standards and actual performance against those standards for the Conserv I Plant facility for the twelve-month period ending June 30, 2003.

CONSERV I PLANT				
	Effluent Flow MGD(3)	CBOD(1) Average mg/l (4)	TSS(2) Average mg/l	Nitrate Average mg/l
July 2002	3.1	2.0	1.00	1.3
August	3.0	2.0	1.00	1.6
September	2.7	2.0	1.00	1.5
October	2.7	2.0	1.00	1.8
November	2.5	1.0	1.01	2.1
December	2.7	1.1	1.07	2.4
January 2003	2.8	1.0	1.10	1.8
February	2.6	1.1	1.02	1.5
March	2.6	1.1	1.08	1.4
April	2.7	1.2	1.00	1.7
May	3.7	1.1	1.10	1.6
June 2003	2.9	1.2	1.00	1.9
Average	2.8	1.4	1.03	1.7
FDEP Standards (5)	7.5	20.0	5.00	10.0

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- (1) CBOD - Carbonaceous Biochemical Oxygen Demand.
 - (2) TSS - Total Suspended Solids.
 - (3) Fluctuations in flow over the course of twelve months are due to intrasystem flow diversion and seasonal rainfall fluctuation.
 - (4) mg/l - milligrams per liter.
 - (5) States the upper limits of acceptable performance as determined by FDEP.

Source: City's Wastewater Division.

City management and its design consultants, who have monitored the operation of the Conserv I Plant, agree that the Conserv I Plant currently meets or exceeds the requirements of its operating permit regarding effluent quality and that the Conserv I Plant is capable of continuing to meet the existing FDEP operating permit numerical standards. The City received its initial FDEP operating permit for the Conserv I Plant and Effluent Disposal System on October 1, 1991 for 7.5 MGD. This permit expired on August 28, 1996. The NPDES "No Discharge" Permit from USEPA expired on April 30, 1996 and was deactivated through agreement with the FDEP. Renewal of the FDEP operating permit was issued on September 19, 1997. The expiration date on this renewed permit was August 15, 2002. The City received a renewed operating permit from FDEP on October 4, 2002 for Conserv I. The expiration date on this renewed permit is September 15, 2007.

Major Wholesale Customers and Interlocal Agreements:

The Conserv I Plant is the only City-operated facility which is not the subject of an Interlocal Agreement with other local governmental entities to provide wastewater treatment capacity for their systems. The City has capacity allocation agreements with the GOAA for the Orlando International Airport, as well as a number of developer agreements, which envision future demands on this facility.

Statewide Water Reuse Initiative-City Status:

The Conserv I Service Area, with its current effluent disposal system, is anticipated to continue to direct 100% of its effluent into some form of reuse. The City has constructed a reclaimed water system, which will expand the residential water reuse program into the 10,204-acre Southeast Annexation Area (which includes the 4,869 acre Lake Nona property). The City is designing a reclaimed water transmission main that will link the Conserv I reuse system with the Iron Bridge treatment facility as part of a regional reclaimed water initiative. This will greatly enhance the City's ability to provide reclaimed water to customers in the Conserv I service area.

Interconnect Systems:

To the extent possible, the City has designed and developed interconnecting systems, which allow for the System to redirect flows from one plant to another. This further enhances the City's ability to manage the System as a whole. The City has the capability to redirect 4.0 MGD of wastewater flow from the Conserv I Plant to the Iron Bridge Plant. The interconnecting systems were designed to maximize the City's flexibility in addressing any unforeseen or unanticipated problems and in meeting the flow demands during the construction of plant expansions.

The City is exploring the possibility of constructing an interconnection with Orange County's collection system. This would provide for additional flexibility under emergency circumstances and potentially allow the City to defer planned system improvements by diverting excess flow to the County.

Growth Potential and Limitations:

The primary limitation on future growth in the Conserv I service area is the City's ability to find alternative effluent disposal systems to supplement the reclaimed water reuse system and allow for the eventual replacement of the existing percolation basins system. The City received a letter from GOAA on May 15, 1998 which requested the removal of the percolation basins over a twelve year period. Two subsequent letters received from GOAA in 1998-99 extended the take-down schedule for removal of the percolation basins by several years. Based on an evaluation of the demolition schedule, the majority of the plant effluent utilization capacity will be eliminated by the year 2005. To address this concern, the City completed an evaluation of five options for replacing the lost percolation basin capacity and providing for the expansion needs of the Conserv I service area. The options evaluated were:

1. Expanded Use of Iron Bridge Artificial Wetlands:

Based on the success of the City's artificial wetlands solution for its Iron Bridge Facility (see "Iron Bridge Plant" discussion), the City has reviewed the potential for rerating the Iron Bridge Artificial Wetlands to accommodate Conserv I's effluent disposal requirements for the future. Such a solution would provide the ability to replace the existing percolation basins system and would involve a major pump station and force main to transfer the treated effluent from the Conserv I Plant to the existing wetlands facility. An application for this rerating was submitted to the FDEP in December 2000, and the FDEP issued the revised permit approving the rerating in September of 2001. This rerating request is in anticipation of offloading wastewater flows as discussed in the subsequent paragraph.

2. Redirected Flow to Iron Bridge:

A variation of this option would involve diverting wastewater from the Conserv I service area directly to Iron Bridge for treatment and subsequent transmission to the wetlands. This option would involve a significant upgrade program for the majority of Conserv I pumping stations and construction of a pipeline to work in parallel with the existing force main. By diverting the flow, the City would consider closing the Conserv I facility altogether and realize a significant annual operation and maintenance cost savings.

3. Land Application:

The City has explored the possibility of purchasing or leasing a large tract of land for effluent disposal. The cost of this solution relates to the length of the force main needed to reach the site, the cost of land and the nature of the distribution system necessary at the terminus point. Purchase of property for this use would be contingent upon a favorable cost to benefit analysis. The City has also explored the possibility of creating a wetlands mitigation bank through the land application program. Mitigation credits could be sold to developers whose projects impact natural wetlands, potentially providing a return to the City on the investment needed to construct such a system. This option has a very high acceptance level with the local regulatory agencies, but would work best in combination with a wet-weather disposal alternative, which may be more difficult to permit.

4. Ground Water Conservation Wells:

Under the original Conserv I Plant design, wastewater was to be treated to FDEP numerical standards for potable water, utilizing an activated carbon treatment process, and then injected into the Upper Floridan Aquifer. While this design option was not implemented because of concerns relating to the reliability of the technology existing at that time and the uncertainty surrounding the long-term impact of this effluent disposal method, it continues to be technically viable. Implementation would, at a minimum, require addition of the activated carbon treatment process to the Conserv I system. Further, recent advances in technology may overcome the objections to this methodology. Currently, within the State and the United States, there are systems which produce treated effluent that exceeds federal drinking water standards. Additionally, membrane-based technologies are becoming potentially more cost-effective for removal of undesirable constituents and may be considered as alternatives to or in conjunction with activated carbon in the future. This option could become more accepted in the future as demands for potable water in the area increase and levels in the aquifer are negatively affected.

5. Expanded Use of Water Conserv II RIBs:

The Water Conserv II rapid infiltration basins (RIBs) have proven to be a reliable means of effluent utilization (See Conserv II plant discussion). Lands are currently available in the vicinity of the Water Conserv II distribution network which could be purchased for RIB construction. This option would require the construction of a major pumping station and transmission facility to convey treated effluent from Conserv I to the Conserv II system. Implementation of this option would be contingent on acceptance by Orange County, joint owner of the Conserv II distribution facilities, and the City being able to obtain permits from Lake County which recently indicated a willingness to allow RIB construction within their jurisdiction.

To assist in the review of the options, the City assigned the task of evaluating each option to different engineering firms. These firms had previous experience with the type of evaluation requested and were considered experts on their assigned option. The firms were responsible for evaluating the technical and regulatory feasibility of the option, developing capital and operating costs for implementing the option, and projecting a timeline for project completion if the option were selected. The results of each evaluation were presented in identical format to allow staff to readily compare the results. A summary is given below:

**Summary of Conserv I
Expansion Alternatives
(in millions)**

<u>Options</u>	<u>Total Capital Cost</u>	<u>Present Worth of O&M</u>	<u>Total Cost</u>	<u>Implementation Time</u>
Groundwater conservation wells	\$25.0	\$ 9.7	\$34.7	26 months with possible permitting delays
Expanded use of wetlands	\$43.0	\$ 4.7	\$47.7	41 months
Conserv II RIBs	\$71.3	\$10.0	\$81.3	41 months
Land application	\$40.2 - \$65.2	\$ 7.0-9.3	\$47.0-\$75.0	44 months
Redirect flow to Iron Bridge	\$18.5	(\$21.4)	(\$2.9)	36 months

As can be seen from the summary, there is a considerable range in project completion time and overall costs for the various options evaluated. One option, however, clearly stands out from the rest with regard to timing and cost. The flow redirection option could be implemented in the time frame indicated in the GOAA letter and would result in a long-term cost savings to the City. Based on technical feasibility, ease of implementation and both capital and operational efficiencies, the staff recommended that the Conserv I facility should be mothballed, and present and future flows should be rerouted to the City's Iron Bridge facility. This option was presented to and approved by the Orlando City Council and was submitted to, and approved by, the local regulatory agencies.

Over the past few years, GOAA has provided and revised their recapture timeline three times, each delaying further the RIB recapture schedule (currently significant recapture by 2010). The staff continues to support the redirection of flow to Iron Bridge and has commenced final design. Construction of the related projects is anticipated to begin in late-2003 with completion in late 2005. This schedule will allow the City to both meet the demands for increased capacity and vacate the RIB property in advance of GOAA's reclamation efforts.

Reclaimed Water Reuse System:

To provide additional short-term effluent disposal capacity, the City is continuing to expand its reclaimed water reuse system. The reuse system consists of pumps, pipelines and turnout devices to transport treated effluent to users, including GOAA and the Lake Nona Development in the Conserv I Plant service area for landscape irrigation, cooling water, and other permitted uses. To augment this limited supply and in anticipation of the flow redirection option, the City has committed to extending reclaimed water service from the Iron Bridge Facility to the Conserv I area. This proposed extension has received the endorsement of the St. Johns River Water Management District which has asked the City to consider developing a regional reclaimed water system in coordination with several other governmental and private utility companies. The regional system received \$2 million in federal grant funding for this project. Staff continues to pursue this as well as other sources of grant funding.

Infiltration and Inflow ("I&I") Correction Program:

The City has an aggressive program for reducing groundwater and stormwater flows into the System. A study of the Conserv I Plant service area performed in the late 1990's disclosed that there was as much as 700,000 gallons per day of I&I from the Navy Annex area (the majority of the gallonage is due to infiltration). As part of the base redevelopment program, the Annex housing sewer system has been completely rehabilitated. This has significantly reduced the I&I and thus, reduce the hydraulic surging caused by the introduction of groundwater into the Conserv I Plant during heavy rain events. The City will continue to rehabilitate other portions of the Base as they are redeveloped in the future.

Lake Nona Plant:

With the completion of the North Lake Nona pumping station and forcemain project, the need to keep the Lake Nona plant operational was eliminated. The plant was subsequently decommissioned and demolished in the Summer of 2001. As part of a right of way property swap agreement, the plant site was conveyed to GOAA. The Lake Nona development reclaimed water demands are currently being met by the Conserv I facility and will eventually be connected to the regional system being extended from Iron Bridge.

The City believes that the current Conserv I Plant will serve the southeast Orlando area's needs through 2010, depending on the schedule of construction for the airport improvements and their subsequent impact on the removal of the percolation basins. The City is actively pursuing implementation of the flow redirection option and believes that improvements will be completed prior to the capacity of the Conserv I facilities being exceeded.

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WATER CONSERV II SERVICE AREA

The Water Conserv II facilities include a 25 MGD treatment plant (the "Conserv II Plant") and a 44 MGD Water Conserv II Citrus Irrigation Project (which is a joint project between the City and Orange County).

The Conserv II Plant serves residential and commercial development generally west of Interstate 4 and is located on McLeod Road between Kirkman Road and Bruton Boulevard. An interlocal agreement between the City and Orange County entered into on July 28, 1983, provided for the design, construction, and operation of the Citrus Irrigation Project. Pursuant to that agreement, the "joint facilities" are defined to include effluent transmission pumping stations, approximately 21.5 miles of transmission pipeline, a distribution center, the citrus distribution network, and a series of rapid infiltration basins ("RIBs").

In order to meet the "no discharge" requirement of the FDEP, the Conserv II Plant was designed to produce advanced secondary effluent that is suitable for public access irrigation and ground water recharge. The Conserv II Plant was designed to ultimately deliver up to 25 MGD for irrigation of 12,000 to 15,000 acres of citrus groves and groundwater recharge through RIBs. There is sufficient capacity in the Conserv II Plant to meet wastewater needs in the Conserv II Plant service area through the year 2020. Currently, the Conserv II Plant utilizes the following proven treatment processes:

- Pretreatment by screening and grit removal
- Primary clarification
- Activated sludge with nitrification
- Secondary clarification
- Flow equalization
- Automatic backwash sand filtration
- High level chlorination
- Sludge thickening, anaerobic digestion and dewatering
- Chemical addition
- Standby power generation

Available Treatment Capacity:

The following table compares historical and projected sewer demands with the treatment capacity available:

CONSERV II PLANT
Historic and Projected Treatment Capacity and Influent Flows
(in MGD)

	Actual				Projected	
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City:						
Permitted Capacity	21.2	21.2	21.2	21.2	21.2	21.2
Actual/Projected Demand (1)	<u>11.1</u>	<u>11.6</u>	<u>10.8</u>	<u>13.0</u>	<u>13.3</u>	<u>13.6</u>
Remaining Capacity	<u>10.1</u>	<u>9.6</u>	<u>10.4</u>	<u>8.2</u>	<u>7.9</u>	<u>7.6</u>
Total System:						
Permitted Capacity	25.0	25.0	25.0	25.0	25.0	25.0
Actual/Projected Demand (1)	<u>12.3</u>	<u>13.0</u>	<u>12.1</u>	<u>14.4</u>	<u>14.8</u>	<u>15.2</u>
Remaining Capacity	<u>12.7</u>	<u>12.0</u>	<u>12.9</u>	<u>10.6</u>	<u>10.2</u>	<u>9.8</u>

- (1) Wastewater flows based on calendar year annual average daily flow. Reductions in flow are associated with changes in inflow and infiltration amounts due to city maintenance efforts and decreased rainfall. Future flow is projected to increase at a rate of 2.5% per annum.

Source: City's Wastewater Division

Performance Standards and Compliance:

The following table compares the performance of the Conserv II Plant for the twelve-month period ending June 30, 2003 to the principal FDEP effluent numerical standards placed on the Conserv II Plant's operation:

CONSERV II PLANT

	Effluent Flow MGD(3)	CBOD(1) Average mg/l (4)	TSS(2) Average mg/l	Nitrate Nitrogen mg/l
July 2002	16.60	2.0	1.0	6.2
August	17.46	2.0	1.0	6.6
September	16.11	2.1	1.0	7.7
October	14.85	2.0	1.0	8.1
November	14.27	1.6	1.0	7.4
December	15.59	1.9	1.8	7.0
January 2003	16.17	1.8	1.3	8.3
February	13.49	2.0	1.3	9.0
March	12.99	2.2	1.2	7.3
April	13.33	2.2	1.3	8.3
May	13.74	1.6	1.0	7.9
June 2003	15.36	2.6	1.1	8.6
Average	15.00	2.0	1.2	7.7
FDEP Standards (5)	25.00	20.0	5.0	10.0

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- (1) CBOD - Carbonaceous Biochemical Oxygen Demand.
 - (2) TSS - Total Suspended Solids.
 - (3) Fluctuations in flow over the course of twelve months are due to intrasystem flow diversion and seasonal rainfall fluctuations.
 - (4) mg/l - milligrams per liter.
 - (5) States the upper limits of acceptable performance as determined by FDEP.

Source: City's Wastewater Division

The FDEP Operating Permit for the Conserv II Plant was renewed in 1999 with an expiration date of August 29, 2004. The NPDES "No Discharge" Permit from USEPA (now administered by FDEP) had an expiration date of April 30, 1996. The FDEP, upon the City's request, has deactivated the NPDES "No Discharge" Permit, so renewal of this permit is not required.

Effective January 1992, FDEP imposed new nitrate nitrogen limits of 10 mg/l monthly average and 12 mg/l weekly average on the City and Orange County treatment plants. With operational changes at the Conserv II Plant facility and the new facilities that came on-line at Orange County's South Water Reclamation Facility, the new FDEP nitrate limits have been consistently met.

City management and design consulting engineers believe that the Conserv II Plant currently meets or exceeds the requirements of its operating permit regarding effluent quality and that the Conserv II Plant is capable of continuing to meet these effluent requirements through 2020.

Major Wholesale Customers and Interlocal Agreements:

The City has interlocal agreements with both Orange County and the City of Winter Park to provide wastewater treatment capacity within the Conserv II Plant. The agreement to serve Orange County was intended to terminate on January 1, 2000 with the capacity reverting to the City; however, the City and Orange County have agreed to an extension until the January, 2010 due to needed construction within the County's system. The following schedule indicates both the committed capacity and the average flows into the Conserv II Plant for the twelve-month period ending June 30, 2003:

WHOLESALE CUSTOMERS (In MGD)

	<u>Average Flows</u>	<u>Contractually Committed Capacity</u>	<u>Available Capacity</u>
Orange County	1.041	2.800	1.759
City of Winter Park	<u>0.421</u>	<u>1.000</u>	<u>0.579</u>
TOTAL	<u>1.462</u>	<u>3.800</u>	<u>2.338</u>

Source: City's Wastewater Division.

Water Reuse Contracts:

Since 1986, the City and Orange County have entered into 87 agreements with citrus growers who have committed to take in excess of 29,830 MGD of reclaimed water to be dispersed over approximately 11,300 acres. While the terms of each individual agreement may vary in some respects, the major provisions of the agreements, summarized below, do not differ materially. In the opinion of the City Attorney, such agreements constitute covenants, which run with the land and will bind all future owners of the land throughout the term of the agreements subject, however, to governmental rights of eminent domain.

Each agreement is for a term of twenty years with provisions for annual extensions if either party does not terminate the agreement. A grower may terminate an agreement at any time, without cause, upon payment of a fee that reflects the proportionate cost of construction of the distribution system. In the first year of the agreement, the fee is \$3,600 per acre committed and in each subsequent year the fee is reduced by 5%.

The City and Orange County are obligated to deliver water of a quality appropriate for irrigation of crops as determined by independent horticultural scientists. Delivery of water of unacceptable quality may result in termination of the agreements with no liability on the part of the growers for the aforementioned termination fee. If a grower is able to demonstrate that the volume of water contracted for will reduce the productivity of his land, his volume will be revised to a lesser volume which the grower is able to demonstrate is compatible with the use of the land existing on the date the agreement is signed. Each grower has the right to restrict or refuse the use of reclaimed water for up to four weeks per year, no more than two of which may be consecutive. The agreements allow for non-performance or modification of performance by either party in the event of unforeseen circumstances or circumstances not in the control of the parties such as governmental acts, flooding or failure of the transmission or distribution system for reasons beyond the City's and Orange County's control.

Reclaimed water distributed to the growers may be used only in a manner that is consistent with State and Federal regulations. Specifically, the water may be used for irrigation of crops, surface storage and frost protection. With permission of the FDEP, the water may be used at sites other than citrus groves. Reclaimed water may not be discharged directly into surface waters of the State of Florida, or used in any other manner that will violate State or Federal regulations. Growers are required to install and maintain irrigation systems capable of receiving the reclaimed water and preventing backflow into the Conserv II reclaimed water distribution system.

Properties served by Conserv II in Lake County requires a conditional use permit ("CUP") under the County's Zoning Code. Participating growers must obtain a CUP for those parcels that are included in the agreements. The City and Orange County have agreed to comply with the conditions set forth in the CUPs, including the implementation of a groundwater-monitoring program. Groundwater

monitoring wells have been installed at alternate application sites that have been approved by FDEP and Lake County. Samples are collected quarterly and routinely analyzed for specific parameters.

The City and Orange County have agreed to indemnify the growers for damages arising out of adverse human health effects caused by exposure to the areas in which reclaimed water is being used or by consumption of products grown in those areas. Indemnification is conditioned upon the growers' compliance with all reasonable restrictions on use established by the City and Orange County.

The City has entered into reclaimed water agreements with other major users in the City that are not part of the Conserv II joint facilities. One of the users, MetroWest, accepts and uses up to 1.5 MGD of reclaimed water on its golf course and median green spaces. In addition, the City is supplying reclaimed water to Valencia Community College, Universal Studios, and other users in the area. Total reclaimed water usage for these customers is approximately 2.25 MGD and is expected to increase as the system is expanded.

The Conserv II Citrus Irrigation Project is uniquely beneficial to both the City and Orange County (each of which will have 25 MGD of the ultimate 50 MGD capacity in the Conserv II Citrus Irrigation Project) in that it reduces the level of nutrient removal required at the treatment plants. At the same time, these nutrients are provided to the grove owners and thereby potentially reduce the amount of nutrients required by the grove owners from other sources such as fertilizer.

While the initial distribution network construction was substantially completed in November, 1986 and the Conserv II Plant upgrading/expansion program was completed in June, 1988, continuing capital commitment is necessary to extend the distribution network and turnouts as new customers are identified and signed up to standard 20-year contracts. The current water reuse capacity approved by FDEP for the distribution system is 44 MGD of which the City's share is 22 MGD. The ability to ultimately expand the distribution network or obtain additional RIB capacity is essential to the expansion of the City's share of the Conserv II Plant distribution system from 22 to 25 MGD and possibly beyond.

Statewide Water Reuse Initiative-City Status:

The Conserv II Plant is currently considered to be 100% directed to reuse. Even considering this, ongoing studies are directed at ensuring that, as the reclaimed water utilization capacity expands, reuse opportunities are always in the forefront of consideration. Similar to the effort being undertaken in the eastern service area, the City and County are evaluating the possibility of participating in a regional reclaimed water program involving Lake County government and several small municipalities. By developing a regional system, the City and County will be diversifying the types of customers being served and should be less impacted by inclement weather. In addition, because of their participation, Lake County has become more receptive to the idea of constructing RIBs within their jurisdiction. This will greatly benefit the Conserv II project, as the majority of undeveloped land suitable for RIB construction is located in Lake County.

Interconnect System:

The City has developed an interconnect system which allows 2 to 3 MGD of wastewater to be redirected between the Conserv II Plant and the Iron Bridge Plant. This interconnect allows for a more efficient management of the wastewater treatment capacity between these two City-owned plants. Additionally, the City has the ability to redirect 0.75 MGD from the Conserv II Plant facility to Orange County's 30.5 MGD South Water Reclamation Facility.

Growth Potential and Limitations:

The ability to expand the Conserv II Plant treatment capacity is directly related to the ability to continue to find additional customers to be connected to the distribution network or to the development of additional RIBs. Now that the distribution network has been in service since January 1986, the potential advantage derived by participation continues to be demonstrated. Damage to a citrus crop can result directly from the temperature dropping below 28 degrees and remaining there for more than 4 hours. The ability to irrigate at high rates during freeze events appears to provide participating owners the option of increasing the temperature within the spray field by up to approximately 8 degrees which could, in many instances, be the difference between a successful growing season and a major freeze-related crop or tree loss.

During the 1980's, several serious freezes occurred in the Central Florida area that affected a portion of the citrus groves which are irrigated by the Conserv II Citrus Irrigation Project. While these freezes did damage certain groves, a number of the citrus growers have replanted, and additional growers are signing up to become a part of the Conserv II system. It is the City's belief, however, that some of the areas which were damaged will be developed as growth continues to occur in the west Orange County area. To the extent that any

of the groves presently receiving reclaimed water do not remain in agricultural use, the City and Orange County would be required to provide alternative means for the use of reclaimed water in order to maintain and expand treatment capacity. To that end, the City and County purchased over 2,300 acres of land in 1998 to be used for agricultural irrigation and/or RIBs. The City and County may issue a request for proposals to solicit participation by private enterprise in the use of the land. The City and County would provide the land and reclaimed water for crop growth in exchange for a share of the profits earned. The proposal selection criteria would consider the quantity of water used and the profit sharing terms offered.

The City and County are presently constructing the first Conserv II RIBs in Lake County. The Lake County Planning and Zoning Board and the Lake County Commission have both approved the construction which commenced in early 2003. Construction of these RIB sites will add additional wet-weather capacity to the system, further ensuring the City's ability to provide service during extreme weather conditions.

As with the Conserv I system, the City has been working with the St. Johns River Water Management District to evaluate the possibility of developing a regional reclaimed water irrigation system in west Orange and east Lake Counties. Because of the rapid development in these areas, the District has expressed concerns regarding potentially negative groundwater impacts resulting from the need to satisfy the potable water and irrigation demands of a growing population. The City and Orange County have met with several public and private utility providers in the area to ascertain potential reclaimed water needs. From preliminary discussions, it appears that the area may have an immediate demand for as high as 12 MGD for irrigation quality water. By partnering with these agencies on the development of a regional reclaimed water system, the Conserv II program would benefit through the continued diversification of customers.

With respect to the Conserv II Plant groundwater-monitoring program, the FDEP has required that the City and Orange County address elevated nitrates that were observed in some of the groundwater monitoring wells in the early 1990's. Responding to this, the City and the County implemented programs to reduce nitrates in their wastewater treatment plant effluents, to implement an enhanced Quality Assurance/Quality Control sampling program, and to study rapid infiltration basin operation in order to optimize nitrate removals. Results have been favorable in that there has been a significant reduction in nitrate levels associated with reclaimed water in the groundwater monitoring wells since the implementation of these programs.

Summary:

The City believes that the Conserv II Plant and the Conserv II distribution system continue to comply with the wastewater treatment and effluent disposal criteria set forth by the citrus growers for irrigation purposes and by the FDEP for reuse of reclaimed water, and expects that the Conserv II Plant will meet the wastewater needs of its service area through build-out.

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IRON BRIDGE SERVICE AREA

The Iron Bridge Plant is a regional wastewater treatment facility, which serves the east and central portions of the City, unincorporated areas of Orange and Seminole Counties, and portions of the Cities of Casselberry, Maitland, and Winter Park. This plant is owned and operated by the City for the benefit of the City and the other governmental participants. There is sufficient capacity at the Iron Bridge Plant to meet the wastewater needs for the Iron Bridge service area through build-out.

The Iron Bridge Plant is a 40 MGD advanced wastewater treatment plant, which employs two different effluent disposal means (wasteload allocation limit on the discharge to the Little Econlockhatchee River and performance standards for the Artificial Wetlands Facility which flows ultimately to the St. Johns River). The original plant (24 MGD) was designed with nineteen trains of air-driven rotating biological contactors ("RBCs") as the main treatment process. This facility was later downrated to 16 MGD as a result of operational difficulties and the lost capacity was replaced with an improved biological nutrient removal system which was completely funded by federal grants (see Growth Potential and Limitations section). The Iron Bridge Plant was expanded to 40 MGD with the expanded liquid treatment train becoming operational in November 1989. The 12 MGD expansion provides growth related capacity to the Cities of Orlando and Winter Park and Seminole County.

The Iron Bridge Plant is located off Alafaya Trail northwest of the University of Central Florida campus in south Seminole County. The plant utilizes the following proven processes:

40 MGD Facility

- Pretreatment by screening and grit removal
- Flow equalization
- Fermentation
- 1st anoxic zone
- Aeration zone
- 2nd anoxic zone
- 2nd aerobic zone
- Secondary clarification
- ABW sand filtration
- Deep Bed filtration
- Chlorination/Dechlorination
- Post aeration
- Sludge thickening and chemical conditioning
- Anaerobic digestion or lime stabilization and dewatering
- Chemical addition
- Standby power generation

Two different effluent outfalls service the Iron Bridge Plant. The original facility had an NPDES permitted discharge of 24 MGD which provided for both concentration and total pounds per day restrictions on the effluent discharged to the Little Econlockhatchee River. To allow for expansion of the Iron Bridge Plant, the City designed and constructed a 20 MGD Wetlands treatment facility on a 1,200-acre site near Christmas, Florida. A 16-mile, 48-inch force main was constructed to transmit the treated effluent from the Iron Bridge Plant to the head of the cell-oriented wetlands. The wetlands were developed with a series of cells divided by earthen berms and planted with different wetland vegetation to create three separate wetlands communities, which provide the nitrogen and phosphorous removal. The wetlands have been operating well within the anticipated performance guidelines since it became operational in September 1987. An indication of the positive performance of the wetlands is the fact that FDEP increased the permitted capacity of the wetlands from the initial level of 8 MGD to 20 MGD during the 1990's.

During 1998, the City's wetlands monitoring consultant performed a series of capacity and treatment tests on the wetlands system. Flow to the wetlands was isolated through one of the three treatment cell trains to allow higher flow rates to be simulated. Wetlands treatment efficiency was evaluated for simulated flow levels of 28 MGD, 37 MGD, and 43 MGD. In all cases, the wetlands were able to meet the operating permit limits for nitrogen and phosphorus, demonstrating that the system is capable of treating significantly more effluent in the future.

Given the City's demonstrated ability to meet the waste load allocation limits of the Little Econlockhatchee River and the potential capacity of the wetlands treatment system, the Iron Bridge Plant appears to have effluent disposal capacity in excess of the 40 MGD

treatment plant capacity. In addition, the FDEP recently issued a permit modification to the City for rerating the capacity of the wetlands from 20 MGD to 35 MGD.

Available Treatment Capacity:

The following table compares the historical and projected wastewater demand for wastewater treatment capacity:

**IRON BRIDGE PLANT
Historic and Projected Treatment Capacity and Influent Flows
(in MGD)**

	Actual				Projected	
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City:						
Permitted Capacity	20.7	20.7	20.7	20.7	20.7	20.7
Actual/Projected Demand (1)	<u>13.0</u>	<u>11.9</u>	<u>14.3</u>	<u>10.9</u>	<u>11.2</u>	<u>11.5</u>
Remaining Capacity	<u>7.7</u>	<u>8.8</u>	<u>6.4</u>	<u>9.8</u>	<u>9.5</u>	<u>9.2</u>
Total System:						
Permitted Capacity	40.0	40.0	40.0	40.0	40.0	40.0
Actual/Projected Demand (1)	<u>25.1</u>	<u>23.4</u>	<u>25.7</u>	<u>23.8</u>	<u>24.4</u>	<u>25.0</u>
Remaining Capacity	<u>14.9</u>	<u>16.6</u>	<u>14.3</u>	<u>16.2</u>	<u>15.6</u>	<u>15.0</u>

- (1) Wastewater flows based on calendar year annual average daily flow. Reductions in flow are associated with changes in inflow and infiltration amounts due to City maintenance efforts and decreased rainfall. Future flow is projected to increase by 2.5% per annum.

Source: City's Wastewater Division.

Performance Standards and Compliance:

Each of the outfalls for the treated effluent from the Iron Bridge Plant (the Little Econlockhatchee River and the constructed Wetlands) has separate performance standards/limitations. The FDEP has issued an operating permit rating the treatment facility at 40 MGD. The City's National Pollutant Discharge Elimination System ("NPDES") permit from the U.S. Environmental Protection Agency ("EPA"), which was based on the original wasteload allocation requirements and the projected degree of treatment, which would take place in the wetlands, has also been revised. As of November 15, 1995, the FDEP Operating Permit expired, and as a result, the City submitted an application to FDEP for a combined FDEP Operating Permit/NPDES permit on September 18, 1995. This combined permit resulted from the EPA delegating the NPDES permitting program to the FDEP in mid-1995. The permit was issued in September 1997 and expired on September 1, 2002. FDEP recently issued the City a new five-year operating permit, with an effective date of April 23, 2003, for the Iron Bridge facility. This new Operating Permit expires on April 23, 2008.

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The following tables demonstrate the standards and actual performance against FDEP's standards for the Iron Bridge Plant for both of its outfalls (the Little Econlockhatchee River Outfall and the Wetlands Outfall into the St. Johns River) for the twelve-month period ending June 30, 2003.

IRON BRIDGE PLANT
Little Econlockhatchee River Outfall

	Effluent⁽¹⁾	CBOD⁽²⁾		TSS⁽³⁾		TN⁽⁴⁾		TP⁽⁵⁾	
	Flow MGD	Average		Average		Average		Average	
		mg/l⁽⁶⁾	lbs/day	mg/l	lbs/day	mg/l	lbs/day	mg/l	lbs/day
July 2002	11.84	1.34	132	1.4	138	1.55	153	0.16	16
August	13.47	1.51	170	1.4	157	1.30	146	0.26	29
September	12.66	1.43	151	1.2	127	1.20	127	0.35	37
October	8.47	1.35	95	2.4	166	1.22	86	0.23	16
November	9.12	1.71	130	2.2	170	1.43	109	0.17	13
December	10.24	2.01	172	2.0	169	2.11	180	0.23	20
January 2003	10.14	1.98	167	1.5	127	2.44	207	0.11	9
February	12.67	1.94	205	1.6	171	1.64	174	0.16	17
March	9.74	1.75	142	1.1	88	1.03	84	0.22	18
April	9.33	1.55	121	1.2	93	.97	76	0.16	13
May	8.75	1.85	135	3.7	270	1.20	86	0.14	10
June 2003	7.87	1.07	70	0.8	53	1.00	67	0.21	14
Average	10.36	1.62	141	1.7	144	1.42	125	0.20	18
FDEP Stds ⁽⁷⁾	28.00	4.28	1,000	17.2	4,000	3.08	720	0.94	220

- (1) Fluctuations in flow over the course of twelve months are due to intrasystem flow diversion and seasonal rainfall fluctuation.
- (2) CBOD - Carbonaceous Biochemical Oxygen Demand.
- (3) TSS - Total Suspended Solids.
- (4) TN - Total Nitrogen.
- (5) TP - Total Phosphorous.
- (6) mg/l - milligrams per liter.
- (7) States the upper limits of acceptable performance as determined by FDEP.

Source: City's Wastewater Division

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IRON BRIDGE PLANT

	<u>ST. JOHNS RIVER WETLANDS OUTFALL</u>				<u>LITTLE ECON RIVER AND ST. JOHNS RIVER COMBINED OUTFALLS(1)</u>		
	<u>Effluent Flow MGD</u>	<u>TN(2) Average mg/l(4)</u>	<u>TN(2) Average lbs/day</u>	<u>TP(3) Average mg/l</u>	<u>TP(3) Average lbs/day</u>	<u>TN(2) Average lbs/day</u>	<u>TP(3) Average lbs/day</u>
July 2002	14.95	0.70	161	0.04	9.21	314	25
August	18.30	0.70	161	0.04	9.19	307	38
September	21.37	0.70	177	0.03	7.57	304	44
October	18.42	0.70	108	0.05	7.50	194	24
November	17.09	0.76	108	0.04	5.80	217	18
December	21.72	0.69	125	0.07	12.99	305	33
January 2003	14.35	0.60	72	0.09	11.21	278	20
February	17.39	0.76	110	0.13	19.53	284	36
March	18.87	0.79	125	0.15	24.11	209	42
April	16.24	0.78	106	0.06	8.13	182	21
May	14.44	0.91	110	0.05	6.02	196	16
June 2003	17.58	0.80	118	0.06	8.80	185	23
Average	17.56	0.74	123	0.07	10.84	248	28
FDEP Standards(5)	35.00	2.31	674	0.20	58.00	780	220

- (1) The average lbs/day is measured on a daily total basis and thus, the sum of the average total per outfall may not always equal the average combined totals.
- (2) TN - Total Nitrogen.
- (3) TP - Total Phosphorous.
- (4) mg/l - milligrams per liter.
- (5) States the upper limits of acceptable performance as determined by FDEP.

Source: City's Wastewater Division.

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Major Wholesale Customers and Interlocal Agreements:

The City and its five governmental entity partners (Orange and Seminole Counties and the cities of Casselberry, Maitland and Winter Park) have entered into various interlocal agreements related to the acceptance, treatment, and disposal of wastewater at the Iron Bridge Plant. The City has also entered into an interlocal agreement with the South Seminole-North Orange County Wastewater Transmission Authority (the "Transmission Authority"), which accepts wastewater from its participants and transmits it to the Iron Bridge Plant. The agreements are essentially uniform in nature as to the procedure for allocation of capacity at the plant and payment for said capacity. Because the Iron Bridge Plant is located in Seminole County, the agreement with Seminole County has specific provisions providing for payments in lieu of taxes, special zoning provisions, and a requirement for a \$1,000,000 letter of credit to ensure environmental protection. The agreements set out the amount of capacity for each party and provide a formula for temporary and permanent reallocation. The entities' proportional share of allocated capacity is shown on the following table:

DISTRIBUTION OF IRON BRIDGE CAPACITY

Contributor	28 MGD		Expansion-12MGD		Total	
	MGD	%	MGD	%	MGD	%
City of Orlando	14.6625	52.367	6.00	50.00	20.6620	51.66
Seminole County	3.2555	11.627	5.25	43.75	8.5050	21.26
Orange County	0.3750	1.339	0.00	00.00	0.3750	0.94
City of Casselberry	3.3950	12.125	0.00	00.00	3.3950	8.49
City of Maitland	1.1000	3.928	0.00	00.00	1.1000	2.75
City of Winter Park	<u>5.2120</u>	<u>18.614</u>	<u>0.75</u>	<u>6.25</u>	<u>5.9620</u>	<u>14.90</u>
TOTAL	<u>28.0000</u>	<u>100.000</u>	<u>12.00</u>	<u>100.00</u>	<u>40.0000</u>	<u>100.00</u>

Source: City's Wastewater Division.

The following schedule reflects the average daily flows over the twelve-month period ended June 30, 2003 of the various participants in the Iron Bridge Plant:

Contributor	Available Capacity (MGD)	Average Influent Flow (MGD)	Remaining Capacity (MGD)(1)
City of Orlando	20.662	14.670	5.992
Seminole County	8.506	4.20	4.306
Orange County	0.375	0.0	0.375
City of Casselberry	3.395	2.738	0.657
City of Maitland	1.100	0.885	0.215
City of Winter Park	<u>5.962</u>	<u>5.553</u>	<u>0.409</u>
TOTAL	<u>40.000</u>	<u>28.046</u>	<u>11.954</u>

(1) Available capacity may be further restricted by currently committed future capacity for developments.

Source: City's Wastewater Division.

Each entity is committed to pay for its share of the capital costs based on allocated capacity regardless of actual flows. In addition, each entity pays an operation and maintenance cost based on actual flows. Relief available to the City for non-payment by any entity is provided by a \$500,000 escrow account funded pro rata by the entities. The agreements allow for the various entities to expand the plant capacity for their needs at their expense regardless of whether or not the City requires expanded capacity.

Statewide Water Reuse Initiative-City Status:

Since the wetlands project is considered reuse by the Florida Department of Environmental Protection, approximately 50% of the Iron Bridge effluent disposal is considered reuse. As detailed in the Conserv I section of this document, the Iron Bridge facility will play a major role in the development of a regional reclaimed water system for the east Central Florida area. Once this system is constructed and begins operation, the percentage of Iron Bridge flow committed to reuse will increase substantially.

Interconnect System:

As indicated earlier, the sewer collection system connected to the Iron Bridge Plant has the ability to transfer 2 to 3 MGD of flows to the Conserv II Plant and 4.0 MGD of flows to the Conserv I Plant and to alternatively receive these related flows from each of the two plants, respectively. This ability to transfer flows between plants is seen as a continuing flexible tool to manage the aggregate System capacity. As discussed in the Conserv I section of this report, the City is evaluating the possibility of constructing additional pipelines from the Conserv I service area to Iron Bridge. This would allow the City to redirect the entire Conserv I service area to Iron Bridge and potentially abandon the Conserv I facility.

Navy Training Center Closure:

In 1993 the United States Congress passed the recommendation of the Defense Base Closure and Realignment Commission to close the Navy Training Center in the Iron Bridge Plant service area. The resulting impact for the City was a temporary reduction in flow to the Iron Bridge Plant of approximately 1.5 MGD. The City has since accepted a proposal for the redevelopment of the base by a private company. Redevelopment of the area as an upscale residential community has commenced and it is anticipated that as the area housing grows, the level of flow from the base area should return to typical historic levels.

Growth Potential and Limitations:

Although the City was successful in operating the original facilities to achieve its permit requirements, success came at a significant cost in terms of chemical usage. The City was anxious to reduce this "chemical dependency" while increasing the reliability of performance. Pursuant to a 1987 amendment to the Clean Water Act, the City was provided with an opportunity to construct a replacement treatment works to allow for the reduction of flows to the RBC system, which had failed to meet its design objectives. The City received a \$14,980,461 grant (representing 100% of the replacement costs) to mitigate this problem. Under the terms of the grant, the City downrated the RBC portion of its treatment train from 24 MGD to 12 MGD and constructed a five-stage biological nutrient removal system to replace the lost capacity. The nutrient removal system (the "RBC replacement") was completed in March 1991. Since the RBC replacement program was 100% grant funded, neither the City nor the other entities utilizing the Iron Bridge Plant incurred any significant additional costs.

The City has completed an evaluation of the condition of the mechanical components in the RBC (original) plant. As these components were approaching 20 years of service, they showed signs of advanced deterioration. The City demonstrated, through a full scale pilot project, that the biological nutrient removal (BNR) facility could be modified to accept the full 40 MGD currently permitted. As a result of the pilot testing program, in January 2001, FDEP issued a permit modification rerating the BNR facilities to 40 MGD. The RBC plant was subsequently shut down, resulting in an annual O&M savings of over \$250,000. Construction of the permanent modifications to the BNR facility should be initiated in the next 3 to 5 years.

The City believes that with the RBC replacement projects completed, the aggregate 40 MGD facility may be rerated at nominal costs to further enable the City and its participating entities to properly address their growth-related needs.

Summary:

The City has concluded that (a) the improvement program undertaken in connection with the Iron Bridge Plant was based on sound and proven treatment technologies and provides the basis for meeting the long term treatment needs for the City and the participating entities to the year 2020 and (b) the performance to date has been extremely good and continued performance at this level can be expected. Further, the City is of the opinion that, with the improvements complete and as more flow is received and treated at the plant, the cost per gallon of treatment should continue to decrease, and that recent innovations in biological nutrient removal technology indicate that the current facilities are conservatively designed and have the potential to be rerated to a higher treatment capacity at some point in the future. Such a rerating program could provide the City and the other users of the Iron Bridge Plant with additional treatment capacity and allow

the aging RBC facility to be replaced at a minimal cost.

CONSTRUCTION PROGRAM

The City has established and updates, at least quarterly, a capital projects planning and projection system which identifies prospective capital projects and related revenues, if any, and the anticipated project initiation year within a five-year planning model. Although the actual project initiation will be a function of changing circumstances, the model gives the City an opportunity to identify the major potential capital projects which might be undertaken during the next five-year period. These projects are identified and associated with the City's three major plants and collection system needs.

Conserv I Plant:

As previously discussed, the primary issue facing Conserv I is the provision of adequate effluent utilization capacity to accommodate future growth in the service area and replace the percolation basins as they are taken off line. The City secured the services of several engineering firms to assist in reviewing the most likely options for providing long-term effluent reuse capacity. In June 1999, the option recommended by staff involved the mothballing of Conserv I and the redirection of the Conserv I flow to the Iron Bridge plant as the best solution to the Conserv I service area capacity challenge. At the present time, the City is completing final design work for the implementation of this option.

A number of capital improvement projects will need to be constructed if this option is implemented. These projects include improvements to several pumping stations, construction of a 36-inch force main, and construction of a 10.5 MGD biological nutrient removal treatment facility at the Iron Bridge site. Current estimated costs are as follows:

Capital Cost Conserv I Service Area (in millions)	
	Estimate
Pumping station improvements	\$4.32
36 inch forcemain	\$15.43
Plant construction	\$30.19

In addition to constructing the new facilities, the City will need to demolish the existing Conserv I percolation basins upon completion of the expansion program. Portions of the existing plant may be reused as part of either the reclaimed water or the flow diversion system. Estimates for this work area:

Percolation Basin Demolition (in millions)	
	Estimate
Percolation basin demolition	\$2.07

There is a considerable operational savings which can be realized by closing the Conserv I facilities and diverting the flow to Iron Bridge. This is brought about by the labor savings and economies of scale derived from using a larger facility to treat the flow. A present worth analysis of the operational savings estimated for the period from 2002 to 2015 resulted in a present worth savings of \$21.4 million. This savings significantly offsets the capital cost of implementing the flow redirection option and makes it the most economically viable option evaluated to date.

Conserv II Plant:

The Conserv II Plant has the capacity to meet the City's needs well beyond the next fifteen years. The citrus irrigation and RIB system (the effluent disposal solution) will require additional extensions to the distribution system and participant turnouts, as well as future RIB development. These improvements are required in order to expand the effluent disposal capacity of the system which serves the City's Conserv II Plant and the County's 30.5 MGD South Water Reclamation Facility. Since the RIB system is used to complement and expand the treatment capacity of the irrigation system, the development plan of the Distribution Center (a joint use facility of the City and the County) calls for the aggregate capacity of the two to exceed the 50 MGD design capacity of the distribution network. The ability

to expand beyond the 50 MGD capacity of the distribution network (25 MGD each for the City and County) is primarily dependent upon the ability to expand the distribution network system and the irrigation and RIB capacity thereof. The City and County will continue to work together and share in the cost to expand the effluent disposal capacity of the distribution system.

The City and the County purchased approximately 500 acres of land southeast of the Distribution Center several years ago for the expansion of the RIB system for Conserv II. Through efforts primarily of Orange County staff, proposals were sought for a private company to construct a 36-hole championship golf course which would incorporate a number of rapid infiltration basins into the facility. On February 7, 1994, the City and County entered into a 30-year lease agreement with Team Classic Golf Services, Inc. Under the terms of the agreement, Team Classic would construct and operate the golf facility which has, as one of its requirements, the ability to dispose of up to 5 million gallons of reclaimed water per day. This concept increases the diversification of effluent disposal techniques while minimizing capital costs to the City and County. Construction of this golf facility was completed in February 1999.

Several years ago, the City and County purchased 2,400 acres of land from Hi-Acres in Lake County. These parcels, which were under the previous grower's agreement for irrigation, will provide further flexibility for the wet weather disposal capacity for Conserv II. The land will be used in the future for some combination of RIB systems and agricultural irrigation.

The City is developing a master plan for the expansion of the Conserv II distribution system. The plan will focus on extending the system into adjoining areas that have a high irrigation demand. The plan is being coordinated with several other utility agencies in the area and is strongly endorsed by the Water Management districts.

Current estimated costs are as follows:

Capital Costs	
Conserv II Expansion Program	
(in millions)	
	Estimate*
Distribution System (including user turn outs)	\$ 4.06
RIB System	\$ 3.28

*Represents total cost to be shared equally with Orange County.

Iron Bridge:

The original (RBC) portion of the Iron Bridge Plant is approaching 20 years of service. Recent studies have shown that the rotating biological contactors are deteriorating and will need to be replaced within the next five years. The City is working on the design of modifications that will allow the Bardenpho portion of the facility to be rerated to 40 MGD. This will significantly lower the cost of replacing the RBCs and result in better overall treatment results. The anticipated cost of this program is \$24.0 million and will be shared proportionally with the City's partners in the original plant.

Collection System Improvements:

The City has completed several service area evaluations to determine the ability of the Collection System to accommodate future growth. This process has identified a number of collection system projects over the next five years which will be needed to meet projected capacity demands. In addition, existing collection sewers and pump stations approaching the end of their design service life have been evaluated for both structural and operational integrity. Estimated costs for both system expansion and rehabilitation projects are as follows:

**Capital Costs
Collection System Improvements
(in millions)**

	<u>Estimate</u>
Growth Related	\$ 48.8
Small Diameter Sewers (12" or less)	\$ 1.8

Summary:

The project planning and projection model attempts to conservatively overstate the projected needs to enable the City to plan on a basis which meets or exceeds the System's future capacity requirements. Based on the most recent update to the model and management's appraisal of the most likely circumstances, the City currently anticipates potential borrowings to produce \$15 to \$30 million in construction proceeds near the end of the five-year period to maintain the appropriate levels of capacity availability and thus the City's ability to meet the growth demands of the System. These projections are based on assumptions regarding participation in the projects by various other governmental entities, growth in the number of customers and the related revenue streams, a conservatively overstated development agenda and other assumptions which are all subject to future changes in circumstances. The City will continue to monitor its model, on at least a quarterly basis, to insure that initiatives are undertaken in a timely manner which will allow the City to continue to meet its related growth requirements.

The following schedule includes, but is not limited to, the aforementioned estimated capital projects costs for the next five-year period and beyond. These values have been adjusted by deleting anticipated contributions from various partners such as Orange County, the Iron Bridge Partners, and developers, so that only City costs are shown.

SUMMARY OF CAPITAL PROJECT COSTS (in millions)

	FY 2003-2004	FY 2004-2005	FY 2005-2006	FY 2006-2007	FY 2007-2008 and Beyond	Total
Treatment Plant Expansion	\$18.67	\$16.49	\$ 1.16	\$ 0	\$-	\$ 36.32
Treatment Plant Improvements	20.36	7.65	1.09	0.05	0.05	29.20
Sewer Expansion	30.79	16.22	1.73	-	-	48.74
Sewer Improvements	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>	<u>1.50</u>
TOTAL	<u>\$70.12</u>	<u>\$40.66</u>	<u>\$4.28</u>	<u>\$ 0.35</u>	<u>\$0.35</u>	<u>\$115.76</u>

MANAGEMENT OF THE SYSTEM

Having been elected by special election (on February 25, 2003) to fill a remaining one-year term, the Mayor initiated a citizen-based 90-day Transition Team review of the City's organization. Following the delivery of the Transition Team's report, the Mayor made two primary changes to the City's structure. The first was to move from the Mayor/Chief Administrative Officer (CAO) structure, which combines a strong policy based Mayor with a CAO (a City Manager like position) as the day-to-day organizational leader, to a true strong Mayor/Chief Executive alternative, where the Mayor assumes day-to-day administrative responsibility. The second was to create a Cabinet form of government where the Mayor meets with his Cabinet (the nine Department Heads, the City Attorney and the Mayor's Chief of Staff) on a scheduled twice-weekly basis. The Cabinet process is designed to enhance team spirit and peer interaction and improve interdepartmental cooperation and coordination.

As noted above, the City operates under a strong Mayor form of government. The Mayor is the Chief Executive Officer with nine departments reporting to him (Housing, Finance, City Clerk/General Administration, Police, Fire, Management, Budget and Accounting, Public Works, Economic Development and Families, Parks & Recreation). Separately, under the Mayor's Chief of Staff, there are six offices (Communication/Neighborhood Enhancement; Art, Entertainment and Sports; Human Relations; Audit & Evaluation; Government Relations; and Children & Education). The Wastewater System is an Enterprise Fund and organizationally operates as the Wastewater Division within the Department of Public Works.

Mayor Buddy Dyer is a native of Central Florida, born in Orlando and raised in the nearby city of Kissimmee. Following graduation from high school, he was awarded a scholarship to Brown University where his studies were concentrated on civil engineering. Upon graduation, Mayor Dyer returned to Orlando to work as an environmental engineer, later enrolling in the University of Florida Law School, where he was named editor-in-chief of the University of Florida Law Review. Following graduation from law school, Mayor Dyer began his legal career with the Orlando law firm of Winderweede, Haines, Ward & Woodman. Prior to becoming Mayor, Buddy Dyer served the Orlando area for 10 years as State Senator in the Florida Legislature.

David L. Metzker, P.E., has been the Director of Public Works since February, 1988 and previously served two years as Manager of Engineering for Orange County Utilities in Orlando, Florida and seventeen years as the City Engineer for the City of Finley, Ohio. Mr. Metzker holds a Masters of Science degree in Sanitary Engineering and Professional Engineer Certificates from both Ohio and Florida.

Alan R. Oyler, P.E., became the Deputy Director of Public Works in June 2003 after serving as the Bureau Chief of Wastewater Engineering and Support since 1998. Mr. Oyler came to the City in 1982 and has worked in various capacities on wastewater related projects since that time. From 1984 to 1989, Mr. Oyler served as project manager for collection system expansion projects and the Conserv I treatment plant. Upon his promotion to Assistant Chief of the Wastewater Bureau in 1989, Mr. Oyler became the coordinator for all wastewater capital facilities projects. Mr. Oyler holds a Bachelor of Science degree in Engineering and is licensed as a Professional Engineer in the state of Florida. Mr. Oyler's historical involvement in the development of the wastewater system provides a unique and valuable base of knowledge to the City.

David S. Sloan became the Division Director for Environmental Services under Public Works in June 2003 after serving as the Bureau Chief of the Wastewater Process and Operations Bureau since 1998. Prior to beginning employment with the city in 1996, as Assistant Bureau Chief, Mr. Sloan held positions in both the public and private sector as a Senior Operations and Management Consultant, Senior Executive of an international biosolids recycling firm and Executive Director of a regional wastewater treatment authority. Mr. Sloan has over 25 years of experience in the operations and management of wastewater facilities and has been selected to present papers at national conferences dozens of times over his career. Mr. Sloan has a Bachelor's degree in Environmental Management, a Master's degree in Public Administration, is certified as a Qualified Environmental Professional (QEP) and licensed at the highest level in several states as a Wastewater Treatment Facility Operator.

Thomas L. Lothrop, P.E., became the Wastewater Division Manager in June 2003, after serving as the Director of Environmental Services from December 1987 until September 30, 1999, when the Environmental Services Department was made a part of the Public Works Department. Mr. Lothrop then served as the Deputy Director of Public Works until his assignment as Wastewater Division Manager. Mr. Lothrop originally came to the City in January 1983 as a Project Manager with emphasis on a variety of projects including the Iron Bridge Regional Water Reclamation Facility. Mr. Lothrop holds a Masters of Science degree in Civil Engineering and Professional Engineering Certificates from both Maine and Florida. Mr. Lothrop is uniquely familiar with the development of the City's Wastewater System.

The City believes that the unique combination of the backgrounds of the Mayor, Public Works Director, Public Works Deputy Director, the Division Director for Environmental Services, and the Wastewater Division Manager forge a framework for the effective management of the System.

Financial and Budgetary Support Systems

As of June 2003, the Chief Financial Officer (CFO) and the Director of Management, Budget and Accounting (MB&A) share responsibilities for the oversight of the City's financial affairs, financial management and related systems. The CFO is principally responsible for debt, investment, pension, risk and real estate management. The Director of MB&A is principally responsible for the Comptrollership (payables, receivables, payroll, cashiering and financial accounting), budget development and monitoring, the 5-year capital improvement program and a new (being developed) 5-year financial forecasting model (addressing both capital and operating costs). Both the CFO and the Director of MB&A are actively involved in financial reporting, counseling to various Departments and Business Units, strategic planning and investor relations.

The City has been recognized for both its Comprehensive Annual Financial Report and its annual budget document. A Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City by the Government Finance Officers Association in the United States and Canada ("GFOA") for each fiscal year since 1978. The City was also an early participant in the GFOA's Budget Awards program and received the budget award for its budget document for fiscal years 1984 through 1989. Due to perceived problems with consistency in the budget awards program at the time, the City elected to discontinue participation but maintains internally the high

standards which had been recognized. The Director of MB&A intends to submit the City's 2003-2004 Budget document for consideration.

G. Michael "Mickey" Miller, C.P.A., C.I.A., C.G.F.O., C.G.F.M., has been the Chief Financial Officer (CFO) (previously titled Director of Finance) since December 1979. Mr. Miller has guided the City of Orlando's financial activities to a position of recognized leadership in the areas of financial reporting, debt and investment management practices. Previously, he was the City's Budget Officer/Internal Auditor for two years and had been with the City of Jacksonville's Finance Department and Council Auditor's Office for the preceding five years.

Robert R. Garner, C.P.A., C.M.A., C.G.F.O., in June 2003 became the City's Director of Management, Budget and Accounting. Prior to his appointment, he had served as the City's Comptroller since March 1984. Mr. Garner joined the City staff in February 1979 as Assistant Comptroller and has been principally responsible for the modernization of the City's financial management information systems. Prior to joining the City's staff, he was the Director of Finance for the City of Port Orange, Florida for two years.

Bruce C. Harter has been City Treasurer since March 1987. Mr. Harter joined City staff as Assistant Treasurer in December 1981. As Assistant Treasurer/Investment Officer, Mr. Harter was principally responsible for four evolutions of the City's investment management program. Under Mr. Harter's leadership, the City has become nationally recognized for its sophisticated and highly diversified investment management program. In June 1996, the City received a Certification of Excellence award from the Municipal Treasurers Association for its Investment Policy statement. Before joining the City's staff, Mr. Harter had experience in both the banking and computer services industries.

Kent R. Olson, C.G.F.O., has served as the Assistant Treasurer/Investment Officer for the City of Orlando since July 2001. Previously, he served for a total of fourteen years as a Finance Director for three different communities in Florida and Illinois. Mr. Olson holds a Master's degree in Public Administration with a concentration in State and Local Government Finance from the Maxwell School of Citizenship and Public Affairs at Syracuse University.

Wastewater System

The System is operated as an Enterprise Fund and as the Wastewater Bureau within the Department of Public Works. The Deputy Director of Public Works is principally responsible for the design and planning of the present and future wastewater system.

The City's wastewater program has won numerous awards over the years including the Water Environment Federation's Outstanding Achievement Award in 1992. In 1994 and again in 2001, the System won the Florida Water Environment Association's David York Water Reuse Award for the Water Conserv II Water Reuse System. The Water Conserv II program also won the coveted Water Reuse Association's 2001 International Project of the Year.

In 1995, the Iron Bridge Regional Water Pollution Control Facility won the prestigious Phelps Award. The award is given annually by the Florida Water Environment Association to the best-operated advanced wastewater treatment facility in the State of Florida.

As of September 2002 the City's Bureau of Wastewater had 207 full-time employees. FDEP specifically requires that certain types of plants have certified wastewater treatment plant operators on duty twenty-four hours a day, seven days a week. The City is in full compliance with this requirement.

Currently, 52% of the Bureau's job positions are covered by a bargaining agreement between the City and the Laborers International Union of North America, Local #678. The Bureau has never been subject to a strike by its public employees and its contract with the union prohibits strikes, slowdowns, or other work stoppages. In addition, Florida Statutes specifically prohibit strikes by public employees. The City has a full-time professional labor relations staff and characterizes its relationship with the System's employees as good.

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**CITY OF ORLANDO, FLORIDA
STATEMENT OF NET ASSETS
WASTEWATER SYSTEM FUND**

	September 30,			Unaudited as of June 30,	
	2000	2001	2002	2002	2003
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 120,424,324	\$ 109,816,332	\$ 101,824,309	\$ 101,821,986	\$ 84,618,234
Accounts Receivable (Net)	3,637,187	3,629,929	3,688,034	2,818,823	3,679,431
Due From Other Governments	855,739	1,309,588	516,275	1,409,993	1,216,014
Inventories	221,462	330,727	289,534	330,727	289,534
Prepaid Items	-	-	3,325,925	-	-
Total Current Assets	<u>125,138,712</u>	<u>115,086,576</u>	<u>109,644,077</u>	<u>106,381,529</u>	<u>89,803,213</u>
Non-Current Assets:					
Restricted:					
Cash and Cash Equivalents	15,643,319	14,947,591	14,042,604	10,051,832	12,515,522
Investments	29,033,278	29,524,326	29,397,816	29,796,131	28,345,697
Capital Assets:					
Land	27,523,515	27,523,515	27,651,764	27,691,163	27,651,764
Buildings	156,053,604	156,585,188	156,731,296	158,154,498	157,634,997
Improvements Other Than Buildings	93,753,190	94,388,395	94,388,140	96,388,395	95,059,140
Equipment	100,873,882	104,215,619	106,792,272	108,354,007	107,589,950
Wastewater and Stormwater Lines and Pumpstations	197,773,831	202,756,142	209,864,542	215,256,142	221,212,838
Less Accumulated Depreciation	(253,156,794)	(273,080,495)	(291,244,674)	(288,319,713)	(305,477,251)
Construction in Process	19,498,201	30,297,030	36,378,601	22,145,030	37,719,620
Unamortized Bond Costs	854,049	752,680	656,417	680,483	839,933
Total Non-Current Assets	<u>387,850,075</u>	<u>387,909,991</u>	<u>384,658,778</u>	<u>380,197,968</u>	<u>383,092,210</u>
Total Assets	<u>512,988,787</u>	<u>502,996,567</u>	<u>494,302,855</u>	<u>486,579,497</u>	<u>472,895,423</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	5,606,947	5,196,419	10,111,513	3,820,593	3,221,877
Accrued Liabilities	234,617	243,902	308,085	150,711	163,304
Accrued Interest Payable	3,440,231	3,207,670	3,037,745	1,497,975	1,259,413
Compensated Absences	80,554	123,344	133,972	131,315	139,972
Advance Payments	10,586,485	13,186,090	11,839,191	11,002,583	11,871,822
Current Portion of Loans Payable	587,996	-	-	-	-
Current Portion of Bonds Payable	7,625,000	7,985,000	8,405,000	8,405,000	8,865,000
Total Current Liabilities	<u>28,161,830</u>	<u>29,942,425</u>	<u>33,835,506</u>	<u>25,008,177</u>	<u>25,521,388</u>
Non-Current Liabilities:					
Compensated Absences	926,366	1,418,453	1,540,677	1,510,121	1,609,677
Loans from Other Funds	2,793,416	-	-	-	-
Bonds Payable After One Year	159,881,396	152,800,240	145,244,812	145,032,420	135,173,803
Total Non-Current Liabilities	<u>163,601,178</u>	<u>154,218,693</u>	<u>146,785,489</u>	<u>146,542,541</u>	<u>136,783,480</u>
Total Liabilities	<u>191,763,008</u>	<u>184,161,118</u>	<u>180,620,995</u>	<u>171,550,718</u>	<u>162,304,868</u>
NET ASSETS					
Invested in Capital Assets, net of related debt	189,855,911	200,161,330	204,953,958	204,694,017	214,525,935
Restricted:					
Debt Service	11,431,806	12,000,000	12,000,000	12,000,000	12,000,000
Capital Projects	41,626,983	41,570,562	42,991,114	41,818,690	36,462,020
Renewal and Replacement	1,977,397	883,541	2,702,544	861,482	5,047,303
Unrestricted	76,333,682	64,220,016	51,034,244	55,654,590	42,555,297
Total Net Assets	<u>\$ 321,225,779</u>	<u>\$ 318,835,449</u>	<u>\$ 313,681,860</u>	<u>\$ 315,028,779</u>	<u>\$ 310,590,555</u>

Source: Annual audited financial statements for the fiscal years ending September 30, 2000-2002 and unaudited financial statements for the nine months ending June 30, 2002 and 2003.

**CITY OF ORLANDO
WASTEWATER SYSTEM FUND
SUMMARY OF HISTORICAL OPERATIONS
(In Thousands)**

	Actual (Historical) as of September 30,			Unaudited as of June 30,	
	2000	2001	2002	2002	2003
Operating Revenues:					
User Charges	\$ 35,764	\$ 34,993	\$ 34,311	\$ 27,330	\$ 28,047
New Customer Capacity Charge - Capital	2,372	2,836	3,441	2,512	2,680
Fees and other Operating Revenues	945	559	783	442	1,188
Total Operating Revenue	<u>39,081</u>	<u>38,388</u>	<u>38,535</u>	<u>30,284</u>	<u>31,915</u>
Operating Expenses:					
Salaries, Wages and Employee Benefits	10,256	10,476	11,813	8,882	9,268
Contractual Services, Materials, Supplies and Other Expenses	18,912	21,454	20,171	16,104	17,037
Total Operating Expenses:	<u>29,168</u>	<u>31,930</u>	<u>31,984</u>	<u>24,986</u>	<u>26,305</u>
Net Operating Income	<u>9,913</u>	<u>6,458</u>	<u>6,551</u>	<u>5,298</u>	<u>5,610</u>
Non-Operating Revenues Interest on Investment:					
Operations	2,518	2,880	1,392	929	868
Capital (1)	2,690	3,331	1,447	1,056	1,271
Impact Fee	4,505	5,902	3,259	2,196	2,699
Total Interest Fee Revenues	<u>9,713</u>	<u>12,113</u>	<u>6,098</u>	<u>4,181</u>	<u>4,838</u>
Impact Fees:					
Expansion	6,728	4,243	5,586	5,052	3,266
Collection	781	531	703	638	408
New Customer Capacity Charge - Debt Service	4,603	4,101	3,254	2,494	2,449
Total Impact Revenues	<u>12,112</u>	<u>8,875</u>	<u>9,543</u>	<u>8,184</u>	<u>6,123</u>
Total Non-Operating Revenues	<u>21,825</u>	<u>20,988</u>	<u>15,641</u>	<u>12,365</u>	<u>10,961</u>
Income Before Extraordinary Gains & Losses, Depreciation and Interest Expense	<u>\$ 31,738</u>	<u>\$ 27,446</u>	<u>\$ 22,192</u>	<u>\$ 17,663</u>	<u>\$ 16,571</u>

Source: Annual audited financial statements for the fiscal years ending September 30, 2000-2002 and unaudited financial statements for the nine months ending June 30, 2002 and 2003.

(1) Interest earnings on certain Capital accounts are not included in the Debt Service Coverage schedule.

**CITY OF ORLANDO
WASTEWATER SYSTEM FUND
SUMMARY OF HISTORICAL DEBT SERVICE COVERAGES
(In Thousands)**

	Actual (Historical) as of September 30,			Unaudited as of June 30,	
	2000	2001	2002	2002	2003
Net Revenues					
Net Operating Revenues	\$ 9,913	\$ 6,458	\$ 6,651	\$ 5,298	\$ 5,610
Interest Income-Operations	2,518	2,880	1,392	929	868
Interest Income-Capital	2,303	2,793	1,087	816	1,093
Total	<u>14,734</u>	<u>12,131</u>	<u>9,130</u>	<u>7,043</u>	<u>7,571</u>
Impact Fees:					
Expansion	6,728	4,243	5,586	5,052	3,266
New Customer Capacity-Debt Service	4,603	4,101	3,254	2,494	2,449
Interest Income	4,505	5,902	3,259	2,196	2,699
Total	<u>15,836</u>	<u>14,246</u>	<u>12,099</u>	<u>9,742</u>	<u>8,414</u>
Legally Available Impact Fees (1)	11,866	13,466	10,374	9,692	8,415
Utilities Services Tax (2)	32,493	31,827	39,203	24,310	27,766
R&R Contribution	1,313	1,458	1,417	1,063	1,322
Total Debt Service	16,504	18,729	14,428	13,480	13,519
Senior Debt Service (3)	15,424	15,211	14,428	13,480	13,519
Sunshine State Loan	1,080	3,518	-	-	-
Rate Covenant #1 (2) (4) (1.0 Required)	1.66	1.55	1.70	1.44	1.52
Rate Covenant #2 (2) (4) (1.0 Required)	1.20	1.16	1.08	1.06	1.03
Rate Covenant #3 (2) (4) (1.25 Required)	1.77	1.70	1.79	1.56	1.60
Rate Covenant #4 (2) (4) (1.0 Required)	1.87	1.78	1.87	1.65	1.68
Coverage from all Sources to all Debt Service (includes Refunding & Internal Loans)(2)(5)	3.58	3.07	4.06	3.04	3.24

Source: Annual audited financial statements for the fiscal years ending September 30, 2000-2002 and unaudited financial statements for the nine months ending June 30, 2002 and 2003.

- (1) Represents Impact Fees in an amount equal to the lesser of the Expansion Project Percentage of debt service or actual amount collected.
- (2) As described herein, the City has reserved the right to release the pledge on the Utilities Services Tax upon the occurrence of certain events. To the extent that the Utilities Services Tax pledge is released in the future as described in the "Permitted Release of Utilities Services Tax" section herein, the City will be required to satisfy Rate Covenant tests #2, #3 and #4 above at all times without taking into account Utilities Services Tax revenues.
- (3) For historical coverage scheduled, the actual paid is compared to actual sources available.
- (4) For a description of the above rate covenant tests, see "Synopsis of Wastewater System Revenue Bond Covenants" herein.
- (5) Calculated by all available sources less O&M expenses divided by all debt service including the Internal Loan Fund.

**CITY OF ORLANDO, FLORIDA
STATEMENT OF CASH FLOWS
WASTEWATER SYSTEM FUND**

	For the Year Ended September 30,			Unaudited For the Nine Months Ended June 30,	
	2000	2001	2002	2002	2003
Increase (Decrease) in Cash and Cash Equivalents:					
Cash Flows from Operations:					
Receipts from Customers	\$ 38,555,374	\$ 37,941,871	\$ 39,269,851	\$ 30,995,700	\$ 32,501,842
Payments to Suppliers	(18,038,052)	(20,497,675)	(17,560,227)	(16,785,714)	(19,883,863)
Payments to Employees	(8,079,906)	(7,707,808)	(9,017,761)	(6,901,111)	(7,005,231)
Payments to Internal Service Funds and Administrative Fees	(3,824,495)	(3,598,777)	(3,482,462)	(2,596,646)	(2,961,886)
Net Cash Provided by (Used in) Operating Activities	<u>8,612,921</u>	<u>6,137,611</u>	<u>9,209,401</u>	<u>4,712,229</u>	<u>2,650,862</u>
Cash Flows from Noncapital Financing Activities:					
Transfers In	4,183,196	894,837	177,414	-	112,915
Transfers (Out)	(5,074,178)	(2,232,745)	(526,065)	(519,712)	(2,440,471)
Net Cash Flows from Noncapital Financing Activities	<u>(890,982)</u>	<u>(1,337,908)</u>	<u>(348,651)</u>	<u>(519,712)</u>	<u>(2,327,556)</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Bonds, Loans and Advances	-	-	-	-	46,970,000
Additions to Property, Plant and Equipment	(15,114,882)	(20,605,490)	(19,028,525)	(12,440,344)	(15,449,238)
Principal Paid on Bonds, Interfund Loans, Loans & Leases	(8,121,432)	(11,006,412)	(7,985,000)	(7,985,000)	(6,195,000)
Payment for Advance Refunding of Bonds	-	-	-	-	(52,615,000)
Interest Paid on Bonds, Interfund Loans, Loans & Leases	(8,468,177)	(7,955,228)	(7,044,623)	(6,566,666)	(6,404,774)
Capital Contribution Other Governments, Developers and Funds	272,395	367,941	1,879,231	-	1,122,254
Impact Fees Received	7,602,935	11,474,241	8,196,491	6,000,111	6,156,102
Bond Premium less Bond Issuance Cost	-	-	-	-	1,469,546
Net Cash Flows from Capital and Related Financing Activities	<u>(23,829,161)</u>	<u>(27,724,948)</u>	<u>(23,982,426)</u>	<u>(20,991,899)</u>	<u>(24,946,110)</u>
Cash Flows from Investing Activities:					
Purchases of Investments	(114,441,606)	(119,276,256)	(48,970,292)	(17,348,927)	(46,326,289)
Proceeds from Sales and Maturities of Investments	116,485,286	118,770,594	49,093,009	17,075,498	47,377,835
Interest on Investments	9,706,818	12,127,187	6,101,949	4,182,706	4,838,101
Net Cash Flows from Investing Activities	<u>11,750,498</u>	<u>11,621,525</u>	<u>6,224,666</u>	<u>3,909,277</u>	<u>5,889,647</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,356,724)	(11,303,720)	(8,897,010)	(12,890,105)	(18,733,157)
Cash and Cash Equivalents at Beginning of Year	<u>140,424,367</u>	<u>136,067,643</u>	<u>124,763,923</u>	<u>124,763,923</u>	<u>115,866,913</u>
Cash and Cash Equivalents at End of Year	<u>\$ 136,067,643</u>	<u>\$ 124,763,923</u>	<u>\$ 115,866,913</u>	<u>\$ 111,873,818</u>	<u>\$ 97,133,756</u>
Classified As:					
Current Assets	\$ 120,424,324	\$ 109,816,332	\$ 101,824,309	\$ 101,821,986	\$ 84,618,234
Restricted Assets	15,643,319	14,947,591	14,042,604	10,051,832	12,515,522
Totals	<u>\$ 136,067,643</u>	<u>\$ 124,763,923</u>	<u>\$ 115,866,913</u>	<u>\$ 111,873,818</u>	<u>\$ 97,133,756</u>

Source: Annual audited financial statements for the fiscal years ending September 30, 2000-2002 and unaudited financial statements for the nine months ending June 30, 2002 and 2003.

INVESTMENT POLICY

On September 25, 1995, the City Council adopted its initial Investment Policy which has been amended and ratified annually since that date (the "Investment Policy"). The Investment Policy sets forth guidelines and parameters for making decisions and taking actions relating to the City's aggregate investment portfolio. The aggregate investment portfolio includes all funds held by the City except (1) pension fund assets and (2) funds whose uses are restricted by debt covenants, prior contract or legal, regulatory or other constraints. On December 16, 2002, the City Council adopted the current version of the City's Investment Policy.

In December 2000, the City privatized most of its investment activities when it hired external managers to invest up to 90% of its aggregate investment portfolio. The City manages a minimum of 10% of the portfolio internally to meet liquidity needs and to meet the investment objectives contained in the Investment Policy.

Under the Investment Policy, (1) no less than 10% of the aggregate investment portfolio shall be allocated to the liquidity portfolio (the duration of the liquidity portfolio cannot exceed 1.25 years and the duration of any single holding in the liquidity portfolio shall not exceed 2 years), (2) the average effective duration of the aggregate investment portfolio shall not exceed 5 years nor be less than 0.75 years, (3) not less than 30% of the aggregate investment portfolio shall be invested in a combination of obligations of the U.S. Government, its agencies and instrumentalities, with a minimum of 10% of this 30% of the portfolio invested in U.S. Government and Agency debt obligations, (4) no more than 35% of the aggregate investment portfolio shall be invested in mortgage backed securities, (5) no more than 30% of the aggregate investment portfolio shall be invested in specialty risk categories, (6) no more than 10% of the aggregate investment portfolio shall be invested in corporate securities rated below Baa3 by Moody's Investors Service, BBB- by Standard & Poor's, or BBB- by Fitch Ratings, (7) no more than 12.5% of the aggregate investment portfolio shall be invested in investment grade securities denominated in foreign currency, (8) no more than 5% of the aggregate investment portfolio shall be invested in emerging markets securities, (9) no more than 10% of the aggregate investment portfolio shall be invested in securities with a duration of over 8.5 years, and (10) no more than 5% of the aggregate investment portfolio shall be invested in non-U.S. dollar, non-hedged securities. Investment in items 4 through 10 above shall be externally managed and require the prior approval of the City Council.

The following comprise authorized investment instruments under the Investment Policy subject to limits and standards defined therein: U.S. Government and Agency Debt Obligations, U.S. Government Instrumentality Debt Obligations, High Grade Corporate Debt, Mortgage-Backed Securities, Bank Certificates of Deposit, Repurchase Agreements, Money Market Mutual/Trust Funds, State and Local Taxable or Tax-Exempt Debt, Fixed Income Mutual Funds, Specialty Risk Investments (below investment grade corporate securities, debt issued in foreign currencies, emerging market debt, and treasury and investment grade corporate debt with a duration of greater than 8.5 years), Derivative Securities, and Reverse Repurchase Agreements.

The City is authorized to enter into reverse repurchase agreements (generally defined as a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest). The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their contractual obligations to resell these securities to the City or provide securities or cash of at least equal value, the City would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the repurchase agreement obligations, including accrued interest. There were no City holdings in reverse repurchase agreements as of September 30, 2003.

The City's Investment Policy may be modified from time to time by the City Council.

There are certain restrictions on the investment of funds held under the Senior Bond Ordinance. See "Investment of Monies" in "SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE," Appendix C, attached hereto.

LITIGATION

There is not now pending any litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, the Net Revenues of the System, the Available Impact Fees, the Utilities Services Tax or any proceedings of the City taken with respect to the pledge, issuance or sale thereof. Neither the creation, organization or existence, nor the title of the present members of the City Council or other officers of the City to their respective offices is being contested.

LEGALITY

Certain legal matters incident to the validity of the Series 2003A Bonds and the issuance thereof by the City are subject to the approval of Greenberg Traurig, P.A., Miami, Florida, Bond Counsel, whose approving opinion will be delivered concurrently with the issuance of the Series 2003A Bonds. Certain legal matters will be passed on for the City by its Disclosure Counsel, Liebler, Gonzalez & Portuondo, P.A., Miami, Florida. Certain legal matters will be passed on for the City by Shutts & Bowen LLP, Orlando, Florida, Special Legal Counsel to the City.

Greenberg Traurig, P.A., whose legal services as Bond Counsel have been retained by the City, will opine on the date of issuance of the Series 2003A Bonds with regard to the tax-exempt status of the interest on the Series 2003A Bonds (see "TAX MATTERS"). The proposed text of the legal opinion is set forth as Appendix C. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery of the Series 2003A Bonds. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

While Bond Counsel has participated in the preparation of certain portions of this Official Statement, it has not been engaged by the City to confirm or verify, and, except as may be set forth in an opinion of Bond Counsel delivered to the Underwriters (upon which only the Underwriters may rely) relating to the fairness of the presentation of certain statements contained herein under the heading "TAX MATTERS" and certain statements which summarize certain provisions of the Senior Bond Ordinance and the Series 2003A Bonds and federal tax law, expresses and will express no opinion as to the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the City, the System or the Series 2003A Bonds that may be prepared or made available by the City, the Underwriters or others to the holders of the Series 2003A Bonds or other parties.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the issuance of the Series 2003A Bonds in order that interest on the Series 2003A Bonds not be included in gross income for federal income tax purposes. The failure by the City to meet these requirements may cause interest on the Series 2003A Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City has covenanted in the Senior Bond Ordinance to comply with the requirements of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2003A Bonds.

In the opinion of Bond Counsel, assuming continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2003A Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2003A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2003A Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion that the Series 2003A Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein.

Except as described herein, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on or disposition of the Series 2003A Bonds. Prospective purchasers of Series 2003A Bonds should be aware that the ownership of Series 2003A Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2003A Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on a Series 2003A Bond, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the Series 2003A Bonds, (iii) the inclusion of interest on the Series 2003A Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on the Series 2003A Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion in gross income of interest on the Series 2003A Bonds by recipients of certain Social Security and Railroad Retirement benefits.

Original Issue Premium

The Series 2003A Bonds were sold at prices in excess of the amount payable at maturity. The difference between the amount payable at maturity of a Series 2003A Bond and the tax basis to such purchaser (other than a purchaser who holds a Series 2003A Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is "bond premium". For federal income tax purposes, bond premium is amortized over the term of a Series 2003A Bond. Purchasers of Series 2003A Bonds are required to decrease their adjusted basis in the Series 2003A Bonds by the amount of amortizable bond premium attributable to each taxable year they hold the Series 2003A Bonds. The amount of amortizable bond premium attributable to each taxable year is determined at a constant interest rate compounded actuarially. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of the Series 2003A Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of the Series 2003A Bonds and with respect to the state and local consequences of owning and disposing of the Series 2003A Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of Series 2003A Bondholders to provide certain financial information and operating data relating to the City and the Series 2003A Bonds in each year, and to provide notices of the occurrence of certain enumerated material events.

Annual financial information and operating data and the audited financial statements will be filed by the City with each Nationally Recognized Municipal Securities Information Repository (the "NRMSIRs"), as well as any state information depository that is subsequently established in the State of Florida (the "SID"). The notices of material events, when and if they occur, shall be timely filed by the City with the NRMSIRs or the Municipal Securities Rulemaking Board, and with the SID. The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are more fully described in "COVENANTS CONCERNING CONTINUING DISCLOSURE," Appendix F, attached hereto.

The Continuing Disclosure Certificate will be executed by the City prior to the issuance of the Series 2003A Bonds. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"). The City has complied with all of its continuing disclosure obligations under the Rule and all of its previous continuing disclosure certifications.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2003A Bonds upon an event of default under the Senior Bond Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Senior Bond Ordinance, and the Series 2003A Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2003A Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by (i) bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally enacted before or after such delivery, (ii) equitable principles and (iii) the exercise of judicial discretion.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Florida law requires the City to make a full and fair disclosure of any bonds or other debt obligations which it has issued or guaranteed and which are or have been in default as to principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which it has served as a conduit issuer). The City is not and has not been in default as to principal and interest on bonds or other debt obligations which it has issued, whether as the principal obligor or as a conduit.

There are several special purpose governmental authorities in the City that serve as conduit issuers of private activity bonds for, among other purposes, housing, industrial development, and health care. Defaults may have occurred in connection with some of those private activity bonds; however, such defaults would only affect such defaulted issues and would not have an effect on the payment of

the Series 2003A Bonds. The City would have no obligation to pay such bonds in that conduit issuers have only a limited obligation to pay such bonds from the payments made by the underlying obligors with respect to such issues.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

McGladrey & Pullen, LLP will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Series 2003A Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in Siebert Brandford Shank & Co., LLC's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements of the Refunded Bonds, and (2) the computations of yield on the securities, the Series 2003A Bonds and the Refunded Bonds supporting the determination that the Series 2003A Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code. McGladrey & Pullen, LLP will express no opinion on the assumptions provided to them, nor as to the exclusion from gross income for federal income tax purposes of the interest on the Series 2003A Bonds.

UNDERWRITING

The underwriters listed on the cover page (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Series 2003A Bonds at a net aggregate purchase price of \$26,879,905.15 (which is comprised of par plus original issue premium of \$545,227.15 less Underwriters' discount of \$115,322.00). The Underwriters are committed to purchase all the Series 2003A Bonds if any are purchased. The Underwriters' obligations are subject to certain conditions precedent. The Underwriters may offer and sell Series 2003A Bonds to certain dealers (including dealers depositing Series 2003A Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover of this Official Statement. After the initial public offering, the public offering price of the Series 2003A Bonds may be changed from time to time by the Underwriters.

RATINGS

Fitch, Inc. ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's, a Division of The McGraw-Hill Companies ("S&P") have assigned ratings of "AA+", "Aa3" and "AA-", respectively, to the Series 2003A Bonds without regard to any municipal bond insurance policy. The Insured Bonds have been assigned ratings by Fitch, Moody's and S&P of "AAA," "Aaa" and "AAA," respectively, with the understanding that a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Insured Bonds will be issued by Ambac upon issuance of the Insured Bonds. Each rating reflects only the view of the agency furnishing the same. Explanations of the significance of such ratings may be obtained from the rating agencies. The City furnished to such rating agencies certain information materials respecting the Series 2003A Bonds. There is no assurance that a particular rating will continue for any given period of time, or that they will not be lowered nor withdrawn entirely, if, in the judgment of the agencies originally establishing the ratings, circumstances so warrant. A downward rating or withdrawal of such ratings, or either of them, could have an adverse effect on the market price of the Series 2003A Bonds.

INDEPENDENT AUDITORS

The financial statements of the Wastewater System Fund and the Utilities Services Tax Fund of the City of Orlando, Florida as of and for the year ended September 30, 2002 have been audited by KPMG, LLP, independent auditors and are presented within the City's Comprehensive Annual Financial Report, which is available on the City's website at www.cityoforlando.net.

FINANCIAL ADVISOR

Siebert Brandford Shank & Co., LLC, Miami, Florida is serving as financial advisor (the "Financial Advisor") to the City with respect to the sale of the Series 2003A Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2003A Bonds and provided other advice to the City. The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 2003A Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to review or ensure compliance with the undertaking by the City to provide continuing secondary market disclosure.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2003A Bonds, the security for the payment of the Series 2003A Bonds and the rights and obligations of the owners thereof. Copies of such documents may be obtained as specified under "INTRODUCTORY STATEMENT."

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Series 2003A Bonds.

AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

This Official Statement has been authorized by the City of Orlando. The City has reviewed the information herein and has approved this Official Statement. Concurrently with the delivery of the Series 2003A Bonds, the undersigned will furnish their certificate to the effect that, to the best of their knowledge, this Official Statement did not as of its date and does not as of the date of delivery of the Series 2003A Bonds, contain any untrue statement of a material fact or omit to state a material fact which is necessary in order to make the statements contained herein, in light of the circumstances in which they were made, not misleading.

The execution and delivery of this Official Statement by the Mayor or the Mayor Pro Tem and Chief Financial Officer of the City have been duly authorized by the City Council.

CITY OF ORLANDO

By: /s/ Buddy Dyer
Mayor

By: /s/ G. Michael Miller
Chief Financial Officer

**APPENDIX A
GENERAL INFORMATION
THE CITY OF ORLANDO, FLORIDA**

GENERAL

The City was incorporated on July 31, 1875 and is located in the approximate center of the State in Orange County (the "County"). The County, established by the Florida Legislature in 1824, is located midway between Jacksonville to the north and Miami to the south, between St. Petersburg-Tampa on the Gulf of Mexico on the west and Daytona Beach on the Atlantic coast on the east. Two of the State's major highways, Interstate 4 for east-west travel and the Florida Turnpike for north-south travel, intersect just outside of the City. The County encompasses approximately 1,003 square miles, ranking nineteenth in the State in terms of land area. The County enjoys an excellent climate, with temperatures ranging from an average of approximately 60° (F.) in January to an average of approximately 83° (F.) in August.

City Government

The City operates under a strong Mayor form of government. The Mayor, who is the City's Chief Executive Officer and the presiding officer of the City Council, is elected for a term of four years. The Mayor's responsibilities include the enforcement of laws, control of City departments and divisions, appointment and removal of officers and employees, supervision of City property, and negotiation of contracts. The Mayor sets the Council meeting agendas, makes recommendations for the creation of ordinances and resolutions, and presents the annual budget for approval to the City Council.

The City Council is the legislative branch of City government, and is responsible for taxation, finances, zoning regulations, and boundaries. The City Council (six district City Commissioners and the Mayor) review plans and specifications for public improvements, enact legislation governing City operations, and approve the City budget. They are elected for rotating four-year terms.

Population

The 2000 Census by the United States Bureau of the Census documents that the Orlando Metropolitan Statistical Area (MSA) is one of the nation's fastest growing metropolitan areas. The following Table 1 indicates the strong population increases of the County and the City since 1960. Table 2 shows historic and projected population levels in five-year intervals. As with Table 1, the projections from the University of Florida's Bureau of Economic and Business Research anticipate continuing growth for the Orlando metropolitan area.

TABLE 1
CITY OF ORLANDO, ORANGE COUNTY, ORLANDO MSA AND FLORIDA
(1960-2001)
(in thousands)

Year	City of Orlando (1)		Orange County (1)		Orlando MSA (2)		Florida (2)	
	Population	% Change	Population	% Change	Population	% Change	Population	% Change
1960	88.1	. %	263.5	. %	337.5	. %	4,951.6	. %
1970	99.0	12.4	344.3	30.7	453.3	34.3	6,791.4	37.2
1980	130.4	31.7	481.7	39.9	723.9	59.7	9,747.0	43.5
1990	164.7	26.3	677.5	40.6	1,072.7	48.2	12,937.9	32.7
1991	168.5	2.3	701.3	3.5	1,113.8	3.8	13,196.0	1.5
1992	169.7	0.7	712.6	1.6	1,300.8(3)	16.8	13,424.4	1.7
1993	172.0	1.4	727.8	2.1	1,330.8	2.3	13,608.6	1.4
1994	170.8(4)	(0.7)	740.2	1.7	1,359.0	2.1	13,878.9	2.0
1995	170.3	(0.3)	759.0	2.5	1,397.0	2.8	14,149.3	1.9
1996	173.1	1.6	777.5	2.4	1,428.6	2.3	14,408.3	1.8
1997	176.4	1.9	803.6	3.4	1,473.3	3.1	14,712.9	2.1
1998	180.5	2.0	824.1	2.6	1,522.2	3.3	15,000.5	2.0
1999	184.6	2.3	846.3	2.7	1,575.5	3.5	15,322.0	2.1
2000	188.0	1.8	867.2	2.5	1,644.6	4.4	15,982.4	4.3
2001	192.0	2.1	884.7	2.0	1,684.6	2.4	16,261.0	1.7
2002	194.9	1.5	955.9	8.1	1,762.9	4.9	16,713.1	2.8

(1) Florida Population Studies, University of Florida vol. 34, #3, October, 2002.

(2) U.S. Census of Population (1960, 1970, 1980, 1990 and 2000). Estimates: ECFRPC, University of Florida Bureau of Economic and Business Research.

(3) As of December 31, 1992, Lake County (population 231,072) was added to the Orlando MSA.

(4) The drop in Orlando's population resulted from the decline in Navy Base-related personnel.

TABLE 2
ORANGE COUNTY AND ORLANDO MSA POPULATION
(1990-2020)
(in thousands)

Year	Orange County Population	Orlando MSA Population	% Change
1990	677.5	1,072.7	--
1995	759.0	1,397.0(1)	30.2%
2000	867.2	1,644.6	17.7
2005	1,003.8	1,844.9	12.2
2010	1,112.2	2,047.1	11.0
2015	1,223.5	2,254.9	10.2
2020	1,338.3	2,469.3	9.5

Source: Projections: University of Florida Bureau of Economic and Business Research, *Florida Estimates of Population*, May 1, 2001.

(1) As of December 31, 1992, Lake County (population 231,072) was added to the Orlando MSA.

REVENUE SOURCES OF THE CITY

General

The City relies on a broad mix of general revenues to finance primary government operations. These revenues include local tax revenues and monies received from State revenue sharing. The local tax revenues for the City are comprised of: a Real Estate and Personal Property Tax, the Municipal Public Service Tax (a.k.a Utilities Services Tax), and Franchise Fees. The State revenue sharing is comprised of: the Motor Fuel Tax, the Beverage License Tax, Sales Tax, and the Insurance Premium Tax. Effective October 1, 2001, the City's Municipal Public Service Tax on telecommunications was repealed and the collection of Franchise Fees on telecommunications and cable services was prohibited under Florida Law, however such revenues were replaced by the Communications Services Tax on telecommunications and cable services authorized by Chapter 202, Florida Statutes. This change to the new Communications Services Tax revenue was intended by the State to have a revenue-neutral impact on municipalities and counties.

The City's various local taxes produced \$130,350,979 for the Fiscal Year ending September 30, 2002. During the period 1993-2002, all of the City's taxes produced revenues as shown in the following Table 3.

**TABLE 3
CITY OF ORLANDO, FLORIDA
TAX REVENUES BY SOURCE**

Fiscal Year	Property Taxes		Franchise Fees	Utilities Service Taxes (1)	Total Taxes
	Operations	Debt Service			
1993	42,936,662	-	13,090,817	20,157,360	76,184,839
1994	42,770,637	-	13,743,111	21,631,723	78,145,471
1995	44,830,696	-	14,305,818	22,606,912	81,743,426
1996	45,086,129	-	15,088,673	25,543,013	85,717,815
1997	47,183,672	-	15,256,556	27,975,875	90,416,103
1998	51,285,519	-	16,748,733	29,397,561	97,431,813
1999	53,911,928	-	17,654,965	29,881,899	101,448,792
2000	57,589,699	-	18,625,360	33,478,429	109,693,488
2001	68,984,150	-	20,732,223	32,689,117	122,405,490
2002	68,620,497	-	21,725,686	40,004,796	130,350,979

- (1) This monthly receipt of tax is pledged as collateral for the payment of debt service for the City's outstanding wastewater revenue bonds and, if not needed, is released monthly. The released Utilities Services Tax revenues are placed in a Special Revenue fund.

Source: City's Department of Management, Budget, and Accounting.

Property Tax Rates, Collections and Uses. The Real Estate and Personal Property Taxes provide the City with a major source of revenue for a variety of functions. The City is limited by the Constitution of the State to an ad valorem tax levy of 10 mills on each dollar of assessed valuation for operating expenditures. The millage rate for all non-exempt real and tangible personal property in the City is established annually by the City Council. The Orange County Property Appraiser is charged with determining the value of such property, whereupon property taxes are collected by the Orange County Tax Collector.

In Table 4, the City's record of property tax rates and tax levies, including all overlapping governments, is presented for the Fiscal Years 1994-2003.

In Table 5, the City's assessed and estimated actual valuations are presented for Fiscal Years 1994-2003.

**TABLE 4
CITY OF ORLANDO, FLORIDA
PROPERTY TAX RATES AND LEVIES
ALL OVERLAPPING GOVERNMENTS**

Millage Rates (\$1.00 per \$1,000 of taxable value)

<u>Fiscal Year</u>	<u>City of Orlando</u>	<u>Orange County</u>	<u>Orange County School Board</u>	<u>Total (1)</u>
1994	6.0666	5.2889	8.9300	20.2855
1995	6.0666	5.2889	9.3240	20.6795
1996	6.0666	5.2889	9.3750	20.7305
1997	6.0666	5.2889	9.1770	20.5325
1998	6.0666	5.2889	9.0770	20.4325
1999	6.0666	5.2889	9.0420	20.3975
2000	6.0666	5.2264	8.6120	19.9095
2001	6.0666	5.1639	8.5770	19.8075
2002	5.6916	5.1639	8.4320	19.2875
2003	5.6916	5.1639	7.8780	18.7335

Tax Levies

<u>Fiscal Year</u>	<u>Orlando</u>	<u>Orange County</u>	<u>Orange County School Board</u>	<u>Total (1)</u>
1994	44,769,353	174,557,937	294,730,923	514,667,200
1995	46,153,001	180,137,403	317,570,978	544,890,954
1996	47,100,053	186,443,169	330,485,490	564,990,138
1997	48,732,876	196,792,906	341,463,915	587,978,829
1998	53,246,307	213,350,935	366,166,520	610,857,532
1999	56,198,217	231,726,135	396,163,232	685,049,950
2000	59,819,952	244,953,979	403,632,264	709,522,956
2001	69,246,507	266,295,545	442,304,630	779,260,324
2002	71,619,345	289,554,023	472,805,346	835,288,614
2003	74,900,751	304,442,689	465,261,662	844,605,102

(1) Tax rates and levies of a fraction of one mill assessed in various years by other units against districts covering less than the entire City or County are omitted here. (Example: Downtown Development District)

Source: Orange County Property Appraiser.

TABLE 5
CITY OF ORLANDO, FLORIDA
ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
NET OF EXEMPTIONS

Fiscal Year	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>	
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>
1994	6,161,682,897	6,161,682,697	1,218,051,765	2,152,795,625	7,379,734,662	8,314,478,522
1995	6,303,653,388	6,303,653,388	1,304,176,891	2,302,572,353	7,607,830,369	8,606,225,741
1996	6,402,373,781	6,402,373,781	1,361,552,611	2,402,174,684	7,763,926,392	8,804,548,465
1997	6,609,441,679	6,609,441,679	1,423,718,337	2,511,410,014	8,033,160,016	9,120,851,693
1998	7,228,749,511	7,228,749,511	1,548,308,496	2,773,595,508	8,777,058,007	10,002,345,019
1999	7,681,067,592	7,681,067,592	1,582,582,525	2,796,576,294	9,263,650,117	10,477,643,886
2000	8,246,105,113	8,246,105,113	1,614,560,062	2,858,134,293	9,860,665,175	11,104,239,406
2001	9,406,864,847	9,406,864,847	2,007,656,526	3,554,003,409	11,414,521,373	12,960,868,256
2002	10,401,514,347	10,401,514,347	2,181,941,004	3,859,793,037	12,583,455,351	14,261,327,384
2003	11,059,464,906	11,059,464,906	2,028,399,146	3,588,181,755	13,160,016,866	14,735,725,270

Source: Orange County Property Appraiser.

Property Assessments. All real property is assessed at 100%. Utilities and Carriers (railroads, truck lines, air lines, bus lines, etc.) are assessed by the County Property Appraiser, and some intangible personal property related to banks is assessed by the State Department of Revenue. The County Property Appraiser reports to the State's Department of Revenue in Tallahassee. Property assessments are made on a continuing basis.

For Fiscal Year 2003, the non-exempt portion of the assessed value of the property in the City was subject to a \$5.6916 per thousand tax. Additionally, the property in the downtown area was subject to a \$1.00 per thousand tax.

Utilities Service Taxes

The Utilities Service Tax (also referred to herein as "Utilities Tax") is assessed at 10% of the sales price of bottled or metered gas, water and electricity, and as a \$.04 per gallon tax on fuel oil. Through September 30, 2002, there was also an assessed 7% Utilities Service Tax on telecommunications services; however, this revenue source has been replaced by the local portion of the Communications Services Tax on telecommunications and cable services authorized by the State of Florida. The rate for the local portion of the Communications Service Tax adopted by the City was 5.3% during the transition period from October 1, 2001 through September 30, 2002 and 5.0% starting October 1, 2002. These rates were set with the expectation that the City would be kept revenue neutral with the communications services tax replacement of the utilities services tax on telecommunications as well as franchise fees on telecommunications and cable services.

Franchise Fees

Franchise fees are received by the City from firms which are permitted to operate and provide various public services to the residents of the City. Fees received by the City for local services provided by the telephone company, the gas system, and cable television are based on a percentage of the gross revenues with a minimum annual fee. Refuse collection firms pay fees to the City based on the number of monthly pick-ups and a minimum annual fee. As part of the Communications Services Tax Simplification Act enacted by the State of Florida, effective October 1, 2001 counties and municipalities are prohibited from requiring the payment of franchise fees on telecommunications and cable services. The Utilities Service Taxes and Franchise Fees had significant increases as a result of the State's new Communications Tax.

State Revenue Sharing

The City receives certain funds from the State which are derived from the motor fuel tax, sales tax and beverage licenses. Additionally, the City receives funds from the Insurance Premium Tax for Municipal Police and Firefighter Retirement Funds, and also a small amount from mobile home license fees.

TAXPAYERS

In the 2002 Fiscal Year, the total assessed valuation of taxable property was \$13,160,016,866. Of this amount, the assessed valuation for the ten largest taxpayers of the City's property tax represents 16.01% of the total assessed valuation for all property as shown in Table 6.

TABLE 6
CITY OF ORLANDO, FLORIDA
SCHEDULE OF TEN LARGEST TAXPAYERS
September 30, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Valuation</u>	<u>Percentage</u>
Universal City Fla. Partners	Entertainment	\$ 1,258,520,804	9.56%
Highwood/Florida Holdings LP	Developer	170,281,705	1.29
Bell South	Communications	162,840,287	1.24
MMM Lakewood, Ltd.	Developer	103,398,204	0.79
ZML-Sun Center LLP	Developer	99,182,728	0.75
Sentinel Communications	Communications	73,035,633	0.55
Orlando Outlet World	Commercial	62,532,704	0.48
CNL APF Partnership LP	Developer	61,677,616	0.47
AT & T Communications	Communications	58,969,222	0.45
USI-Gaedeke Associates LTD	Developer	<u>56,611,305</u>	<u>0.43</u>
Total Taxable Assessed Value of 10 Largest Taxpayers		2,107,050,208	16.01
Total Taxable Assessed Value of Other Taxpayers		<u>11,052,966,658</u>	<u>83.99</u>
Total Taxable Assessed Value of All Taxpayers		<u>\$13,160,016,866</u>	<u>100.00%</u>

Source: Orange County Property Appraiser.

INDUSTRY AND COMMERCE

The Orlando area is located in the center of Florida's High Tech Corridor. This Corridor, which extends from the Tampa Bay region through Metro Orlando and on to Volusia County and the Space Coast, includes 6 primary clusters in the State of Florida. Fortune, Business Week, Entrepreneur and Time magazines each has touted the region, using such terms as emerging leader; fastest growing; and among the best cities in the nation for high technology, film, television and digital media production, and business development. The City's advantageous location, quality workforce, and progressive business environment draw corporations to Metro Orlando.

Corporate Headquarters. Corporate headquarters based in Metro Orlando benefit from a strong pro-business atmosphere and unlimited potential that only the nation's very best business communities can offer. Neighbors include Hughes Supply, American Automobile Association, Chep USA, Dixon Technologies, Hilton and Tupperware International.

High Technology. Today in Metro Orlando, over 3,800 high-tech companies employ more than 78,000 skilled workers. Over the last 10 years, employment in high-tech industries has more than doubled, with approximately 79% of the total manufacturing growth since 1980 occurring in high-tech industries. Today, there are as many Central Floridians working in high tech jobs as in theme parks jobs. Major high technology companies in Orlando include: AT&T, Brite Voice Systems, Convergys, Datametrics, Inviro Research, Oracle and HTE.

Manufacturing. Plants, Sites and Parks magazine lists Metro Orlando as one of the top 50 MSA's for manufacturing. There are a total of 2,981 manufacturers in the region, including some of the industries most prestigious names, such as Lockheed Martin, Siemens ICN, Agere Systems, Tri-City, Recoton, and Transpo.

Digital Media. The progressive digital media sector in Orlando has sprung from the convergence of several established fields in the region, including modeling, simulation and training, location-based entertainment, film and television production, electronic gaming, animation and e-learning. Today, the region is positioned in the heart of one of the top 12 clusters for digital media in the country. As new applications for digital technology have continued to emerge, the industry has kept pace in Orlando. With a focus on content creation and enabling technologies, more than 1,000 digital media companies are currently located in the region, employing 30,000 people and generating annual revenue of an estimated \$9 billion (figure includes location-based entertainment).

Film, Television and Commercial Production. Orlando is also a leading destination for film, television and commercial production. State-of-the-art soundstages and unique venues have helped the region become one of the busiest production centers in the United States. Year-round filming capabilities, a highly-skilled local crew base, and supportive local communities have helped advance this region's reputation as among the world's best for film production. It is no wonder that, in the past 15 years, this region has grown from a \$2.5 million to a \$586 million annual production market.

Warehouse Distribution. The area's excellent transportation network and central location have made Orlando a major warehouse and distribution center for Florida, the Southeast and the Americas. More than 60 industrial/business parks, totaling 87.1 million square feet of space are available to serve the distribution effort. Major warehouse distributors include: Burris Logistics, Daimler Chrysler, Kraft Made, Tire Kingdom, Ringhaver and Walgreens.

International. Orlando has worked hard and cohesively to position itself as an international force in global business. Department of Commerce statistics show that Metro Orlando leads the state in major markets in terms of export growth. The region's multi-faceted transportation infrastructure and central location between North America, South America, Europe and Asia, offer easy access to the world's major markets. In addition, Orlando International Airport and nearby Port Canaveral both offer global export and import possibilities for businesses involved in international trade.

Workforce. Metro Orlando boasts a population that is fast growing, young, well educated and diverse. Not coincidentally, the region is at, or near, the top of national charts in several demographic and labor-related categories. Metro Orlando's civilian labor force ensures a strong, stable labor pool for a community that is expected to remain among the nation's top 10 metropolitan areas.

Nationally recognized programs are in place to provide customized training for employees. Florida's Workforce Development Program, available at minimal or no cost to the company, designs and provides job-specific training. For example, the University of Central Florida and Valencia Community College have customized training programs specifically focused on the skills necessary to work in the semiconductor industry.

Tables 7-9 describe the impact of Orlando's increased economic activity.

TABLE 7
ORLANDO MSA
SCHEDULE OF LARGEST EMPLOYERS
September 30, 2002

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>	<u>Percentage</u>
Walt Disney World	Entertainment	55,900	6.17%
Orange County Public Schools	Government	19,608	2.16
Florida Hospital	Health	18,797	2.07
Publix Super Markets, Inc.	Service	15,628	1.72
Universal Studios Florida	Entertainment	12,000	1.32
Orlando Regional Healthcare	Health	12,000	1.32
Wal-Mart	Service	11,125	1.23
Orange County Government	Government	10,356	1.14
Seminole County Public Schools	Government	8,522	0.94
Winn Dixie Stores	Service	8,045	0.89
Lockheed Martin	Defense	7,998	0.88
Seminole County Government	Government	7,943	0.88
Other Employers	Various	<u>718,278</u>	<u>79.28</u>
Total		<u>906,200</u>	<u>100.00%</u>

Source: Economic Development Commission of Mid-Florida, Inc.

TABLE 8
ORLANDO MSA
EMPLOYMENT SECTOR
(In Thousands)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Manufacturing (durable/nondurable)	51.8	50.2	51.1	51.7	52.3	53.8	54.4	54.7	54.4	51.9
Construction	33.5	35.8	37.0	39.9	43.2	46.3	48.6	51.6	53.7	48.3
Transportation, Communication and Public Utilities	37.1	38.0	38.0	39.3	40.9	42.9	44.2	44.1	44.0	42.3
Trade, Wholesale and Retail	1161.6	169.8	177.9	186.2	198.5	205.5	214.5	218.9	223.0	220.4
Finance, Insurance and Real Estate	38.8	40.8	42.2	44.7	46.0	49.7	54.0	50.8	51.7	52.2
Service & Miscellaneous	249.6	268.5	288.2	305.4	329.7	352.5	371.5	395.0	419.8	392.2
Government	<u>77.5</u>	<u>79.6</u>	<u>79.6</u>	<u>81.4</u>	<u>83.9</u>	<u>86.8</u>	<u>89.0</u>	<u>92.3</u>	<u>95.9</u>	<u>98.9</u>
Total (including Other)	1649.9	682.7	714.0	748.6	794.5	837.5	876.2	907.4	942.5	906.2

Note: The above figures do not include self-employed, unpaid family or domestic laborers.

Source: Florida Department of Labor and Employment Security, Bureau of Labor Statistics, "Current Employment Statistics, U.S. Department of Labor" (Statistical Data Based on Annual Average).

TABLE 9
ORLANDO MSA
COMPARISON OF UNEMPLOYMENT RATES
(Percentage)

<u>Calendar Year</u>	<u>Orlando Metropolitan Area(1)</u>	<u>Florida</u>	<u>United States</u>
1993	6.2	7.0	6.8
1994	5.6	6.6	6.1
1995	4.2	5.5	5.6
1996	3.8	5.1	5.4
1997	3.4	4.8	4.9
1998	3.0	4.3	4.5
1999	2.7	3.9	4.2
2000	2.6	3.6	4.0
2001	4.4	5.0	5.0
2002	5.3	5.5	5.8

(1) Includes Orange, Osceola and Seminole Counties.

Source: Florida Research & Economic Database (<http://fred.labormarketinfo.com>)

TRANSPORTATION

The terminal facility at Orlando International Airport (OIA) opened at its present location in 1981. The airport currently has three parallel runways (two of which can be used concurrently) and covers almost 15,000 acres, which makes OIA the third largest airport in the United States. In 2000 the airport's fourth airside terminal was opened. In 2002, OIA served 26.7 million passengers. The airport has 93 jet gates, a 2.6 million square foot landside terminal with retail, restaurants, the 446-room Hyatt Hotel and 50,000 square feet of convention/meeting space. A total of 9,500 parking spaces are located in the terminal area as well as rental car and commercial ground transportation facilities and there are 9,300 remote satellite parking spaces available.

In 2002 the airport was served by 52 airlines of which 9 are all-cargo carriers. OIA has direct service to almost 100 cities worldwide with the number of air passengers growing to 26.7 million in 2002 making it the 16th largest airport in the United States and the 28th largest in the world. The airport authority continues to implement capacity projects to meet projected demand. OIA is adding a fourth runway (third concurrent) that is scheduled to open in 2003. In addition, OIA will implement Phase I of the future South Terminal Complex. OIA projects the airport will handle 53M passengers annually by 2021.

The Orlando area is also served by two general aviation airports, Orlando Executive and Kissimmee Municipal. The Orlando Executive Airport opened a new 10,000 square foot terminal in 2000 and has two fixed-base operators and 400 based aircraft on the 1,056 acre site. The Kissimmee Municipal airport has a terminal, two runways, four fixed-base operators two of which are currently expanding their operations and 270 aircraft based on its 871 acres. Additionally the Orlando-Sanford Airport serves the Orlando area and has general aviation and terminal facilities for domestic and international charter operation. The Orlando-Sanford airport has seen tremendous growth during the late 90's. In 2000 it was ranked 16th in the nation for nonstop passenger volume and operations to/from Europe and carried over 1 million passengers. Three satellite airports also serve Orlando. Located between Tavares and Leesburg, the Leesburg Municipal Airport has a 5,000-foot asphalt runway. Mid-Florida Airport, which is located near Mount Dora, Florida, has a well-maintained 3,000-foot lighted runway suitable for most general aviation. OCAV, Inc. Airport, located in Plymouth, Florida, has a 3,000-foot paved runway. This airport provides flight instruction, FBO facilities, hangar space and nonstop charter service to southern U.S. and island locations.

The Orlando area is criss-crossed by the Florida Turnpike and Interstate 4. Currently the \$2.7B I-4 expansion project is in progress and consists of phased construction projects including the addition of general use lanes, High Occupancy Vehicle (HOV) lanes and interchange improvements. These improvements began construction in 2000 and

will be completed throughout the 20-year period. The Martin Andersen Bee Line Expressway (State Road 528) links the east coast beaches with Interstate 4 and the Florida Turnpike. State Road 408 (formerly the Holland East-West Expressway) expedites traffic through the City of Orlando and to outlying cities and counties.

Concurrent planning and construction is now underway for a beltway road system around the Orlando area. More than three quarters of the beltway, called the Central Florida Greenway and Western Beltway, is now in use. The regional 20-year cost feasible plan calls for light rail to connect Seminole, Orange and Osceola counties with the City of Orlando. Additional light rail segments as well as commuter and high speed rail are currently being studied.

The Orlando MSA is served by 122 carrier truck lines, parcel delivery and package express services, most of which have local terminals. The Orlando area is fast becoming a staging point for Florida freight movements—nearly two thirds of all of Florida’s north/south flows are to, from or through Orlando.

Greyhound Bus Lines offers charter, express and passenger services. CSX Transportation provides freight service with an average of 16 trains per day passing through Orlando. Rail passenger stations in the Orlando area are the busiest in the southeast. Amtrak operates four trips per day through the Orlando metropolitan area.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND ORDINANCE

This summary of certain provisions of the Senior Bond Ordinance does not include provisions that have been summarized in the text of this Official Statement. The summaries herein do not purport to be complete. Reference is made to the Senior Bond Ordinance for a complete recital of the respective terms thereof. Reference is also made to “THE SERIES 2003A BONDS - Permitted Release of the Utilities Services Tax” in this Official Statement for a discussion of the circumstances in which references in the Senior Bond Ordinance to the Utilities Services Tax will be deleted and the pledge and lien thereon released.

Definitions

As used in this Summary of the Senior Bond Ordinance and in the text of this Official Statement (unless otherwise defined therein):

“Additional Bonds” means the Senior Debt Service Component of the Cost of Contracted Services, payable and entitled to such priority and rights as provided in the Senior Bond Ordinance, and additional obligations issued in compliance with the terms, conditions and limitations contained in the Senior Bond Ordinance which will have an equal lien on the Gross Revenues, Impact Fees and the Utilities Services Tax, to the extent provided therein, and rank equally in all other respects with the Senior Bonds originally issued under the Senior Bond Ordinance.

“AMBAC” means Ambac Assurance Corporation, New York, New York, or its successors in interest.

“Amortization Installment” means the funds to be deposited in the Debt Service Account in a given Bond Year for the payment at maturity or redemption of a portion of a series of Term Bonds on the next succeeding October 1, as established by resolution or ordinance of the Issuer at or before the delivery of that series of Term Bonds.

“Authorized Depository” means any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the Issuer as a depository, which is authorized under Florida law to be a depository of municipal funds and which has qualified with all applicable state and federal requirements concerning the receipt of Issuer funds.

“2003A Bond Insurer” means Ambac Assurance Corporation, as the bond insurer with respect to the Series 2003A Bonds.

“Bond Counsel” means counsel experienced in matters relating to the validity of, and the tax exemption of interest on, obligations of states and their political subdivisions.

“Bondholders” or “holders” means the registered owners (or their authorized representatives) of Senior Bonds.

“Bonds” means the Issuer’s Waste Water System Refunding Revenue Bonds, 1997 Series A (Muni CPIs), Waste Water System Refunding Revenue Bonds, 1997 Series C and Waste Water System Refunding Revenue Bonds, 2002 Series A, all of which were issued pursuant to the Senior Bond Ordinance, and all other Additional Bonds that may be issued thereunder (including the Series 2003A Bonds when issued), except that Bonds shall not include the Senior Debt Service Component where the context of the Senior Bond Ordinance clearly otherwise requires.

“Bond Service Requirement” means for a given Bond Year the remainder after subtracting any accrued and capitalized interest for that year that has been deposited into the Debt Service Account under the Senior Bond Ordinance or a separate subaccount in the Construction Account for that purpose from the sum of:

- (1) the amount required to pay the interest coming due on Senior Bonds during that Bond Year,
- (2) the amount required to pay the principal of Serial Bonds and the principal of Term Bonds, maturing in that Bond Year that are not included in the Amortization Installments for such Term Bonds,
- (3) the Amortization Installments for all series of Term Bonds for that Bond Year,
- (4) the premium, if any, payable on all Bonds required to be redeemed in that Bond Year in satisfaction of the Amortization Installment, and
- (5) the Senior Debt Service Component, if any, required to be paid in such Bond Year.

For purposes of the rate covenant contained in the Senior Bond Ordinance, and for purposes of determining the maximum amount required to be deposited in the Reserve Account under the Senior Bond Ordinance, the interest rate on Variable Rate Bonds for the Bond Year in which such calculation is made, or for the following Bond Year, as the case may be, shall be assumed to be one hundred ten percent (110%) of the greater of (i) the daily average interest rate on such Variable Rate Bonds during the twelve months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding, or (ii) the rate of interest on such Variable Rate Bonds on the date of calculation. For purposes of determining the Maximum Bond Service Requirement for the issuance of Additional Bonds pursuant to the Senior Bond Ordinance, the interest on Variable Rate Bonds Outstanding on the date of calculation shall be the same as the rate used for the rate covenant as described above, and the interest on Variable Rate Bonds proposed to be issued under the provisions of the Senior Bond Ordinance shall be deemed to be the interest rate quoted as the 25 Revenue Bonds Bond Buyer Index for the last week of the month preceding the date of calculation as published in CREDIT MARKETS, or if that index is no longer published, the interest rate for the last week of such month as published in an index that the Qualified Independent Consultant deems substantially equivalent. If Bonds are payable at the option of the holder, the “put” date or dates shall be ignored and the stated maturity dates thereof shall be used for purposes of this calculation.

“Bond Year” means the annual period beginning on the first day of October of each year and ending on the last day of September of the following year; provided that when such term is used to describe the period during which deposits are to be made pursuant to the Senior Bond Ordinance to amortize principal and interest on the Senior Bonds maturing or becoming subject to redemption, interest and principal maturing or becoming subject to redemption on October 1 of any year shall be deemed to mature or become subject to redemption on the last day of the preceding Bond Year.

“Chief Financial Officer” means the Finance Director of the Issuer or such other chief financial officer of the Issuer as defined in Section 218.403, Florida Statutes.

“Contracted Services” means services rendered to the Issuer by third parties through the use of specific projects or systems under long term contracts (that is, those with an initial term of five (5) years or more, excluding renewal options) executed after the date of issuance of the first Series of Bonds under the Senior Bond Ordinance in connection with the collection, distribution or treatment of waste water of the Issuer or in connection with the performance for or on behalf of the Issuer of similar functions performed by the System, pursuant to which contracts the Issuer is obligated to pay a fixed rate or determinable amount whether or not the full amount of such services are supplied or accepted.

“Cost of Contracted Services” means the payments to be made by the Issuer for Contracted Services which shall consist of two elements: (i) a “Debt Service Component” which shall consist of that part of the payment for Contracted Services which the Issuer is obligated to pay and which the Qualified Independent Consultant shall have determined in writing at the time the Issuer commits to receive such Contracted Services to be for the purpose of paying principal or interest or both on the obligations of the entity providing the Contracted Services directly associated with rendering the Contracted Services, and (ii) the “Operating Component” which shall consist of the remaining portion of the payment for Contracted Services which the Issuer is obligated to pay, which shall constitute a Cost of Operation and Maintenance of the System.

“Cost of Operation and Maintenance” means the Operating Component of the Cost of Contracted Services and the current expenses, paid or accrued, of operation, maintenance and repair of the System and its facilities, as calculated in accordance with generally accepted accounting principles, consistently applied, and shall include, without limiting the generality of the foregoing, administrative expenses relating to the System, and insurance premiums and charges for the accumulation of appropriate reserves for self-insurance, not annually recurrent but which are reasonably expected to be incurred on a periodic basis in accordance with generally accepted accounting principles, consistently applied. The Cost of Operation and Maintenance shall not include (i) any reserve for renewals and replacements (except to the extent contemplated under the Federal Clean Water Act, 33 U.S.C.A. 1251 et. seq., and the regulations promulgated thereunder, with respect to certain equipment replacement), extraordinary repairs or any allowance for depreciation or amortization, (ii) the payment of any principal of and interest on the Bonds, the Notes and all other notes, bonds and similar obligations of the Issuer, and (iii) the Debt Service Component of the Cost of Contracted Services.

“Designated Maturity Bonds” means all of the Senior Bonds of a Series or a particular maturity thereof, so designated by the Issuer by supplemental ordinance or resolution adopted prior to the issuance thereof, for which either (i) no Amortization Installments have been

established or (ii) the aggregate amount of the Amortization Installments that have been established for the Senior Bonds of such maturity is less than the principal amount of the Senior Bonds of such maturity.

“Expansion Project Percentage” means a fraction, the numerator of which is the total principal amount of Senior Bonds originally issued under the Senior Bond Ordinance (including all Additional Bonds and without taking into account any repayments of principal) (the “Original Issue Amount”) that have been allocated to Expansion Projects by certificate of the Qualified Independent Consultant at the time of issuance of such Senior Bonds, and the denominator of which is the Original Issue Amount for all Senior Bonds issued under the Senior Bond Ordinance. If Impact Fees are used to redeem Bonds in advance of their scheduled maturity or in excess of the Amortization Installment due on the Senior Bonds in such Bond Year, the numerator shall thereafter be reduced by the principal amount of Senior Bonds so redeemed.

“Expansion Projects” means Projects or portions thereof for the oversizing, separating, expanding or constructing of new additions to the System, all of which are designed to expand its capacity.

“Federal Securities” means direct obligations of the United States of America or obligations the payment when due of the principal of and interest on which is unconditionally guaranteed by the United States of America.

“Fiscal Year” means the period commencing on October 1 of each year and ending on the succeeding September 30, or such other consecutive 12-month period as may be hereafter designated as the fiscal year of the Issuer pursuant to general law.

“Governing Body” means the City Council of the Issuer.

“Gross Revenues” means all income or earnings (excluding Impact Fees) derived by the Issuer from the ownership, operation, leasing or use of the System, or any part thereof, including the Gross Revenue Component of certain contract payments received pursuant to the Senior Bond Ordinance, any income from the investment of funds to be deposited in the General Revenue Account, or any of the accounts therein as provided in the Senior Bond Ordinance, and proceeds from insurance, condemnation or the disposition of property (to the extent and for the purposes provided in the Senior Bond Ordinance), but shall not include proceeds from the sale of any Bonds, Notes or other obligations of the Issuer.

“Impact Fee Account” means the account established by that name pursuant to the Senior Bond Ordinance.

“Investment Obligations” means, to the extent permitted by law (i) Federal Securities, or (ii) direct obligations of the Federal Intermediate Credit Banks, Federal Land Banks, Federal Farm Credit System, Federal Home Loan Banks or Banks for Cooperatives, or (iii) certificates of deposit or other interest bearing obligations of any bank, savings and loan association, or trust company (including any Authorized Depository) authorized to engage in the banking business, either fully insured by either the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or fully collateralized by obligations described in (i) or (ii) above having a fair market value (determined at least quarterly) equal to the principal amount of

such certificates of deposit or other interest bearing obligations, or (iv) repurchase agreements with any Authorized Depository or primary reporting government dealers, in each case having a capital and surplus or net capital of not less than \$100,000,000, and, unless otherwise authorized by AMBAC, having senior debt obligations rated at least A by Standard & Poor's Corporation, secured by collateral of the type and in the amount described in (iii) above, or (v) general obligation or full faith and credit bonds, notes or obligations of any state or any municipality or political subdivision of any state, if such obligations are rated by at least one nationally recognized rating service in either of the two highest classifications approved by the Comptroller of the Currency for the investment of funds of national banks, or any insured revenue bonds, notes or obligations of any such entities, or any agency or authority thereof, if such obligations are rated by at least one nationally recognized rating service in the highest such classification, or (vi) any other obligations in which surplus municipal funds may be invested under the laws of the State of Florida, including, without limitation, the Local Government Surplus Funds Trust Fund created and established pursuant to Part IV, Chapter 218, Florida Statutes, as amended.

“Issuer” means the City of Orlando, Florida.

“Maximum Bond Service Requirement” means, as of any particular date of calculation, the largest Bond Service Requirement for any remaining Bond Year, except that (i) with respect to any Senior Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Senior Bonds shall be reduced by the aggregate principal amount of such Senior Bonds to be redeemed from Amortization Installments to be made in prior Bond Years, and (ii) with respect to Designated Maturity Bonds, the unamortized principal coming due on the final maturity date thereof shall be ignored and in lieu thereof there shall be added to the Bond Service Requirement for the Bond Year in which such final maturity occurs and to each Bond Year thereafter through the 25th anniversary of the issuance of such Senior Bonds (the “Reamortization Period”) the amount of substantially level principal and interest payments (using the same interest rate actually applicable to such unamortized Senior Bonds before maturity) that if paid in each year during the Reamortization Period would be sufficient to pay in full the unamortized portion of such Designated Maturity Bonds by such anniversary.

“Outstanding” or “Bonds outstanding” or “Outstanding Bonds” means all Senior Bonds which have been issued pursuant to the Senior Bond Ordinance, except:

(a) Senior Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Senior Bonds for the payment or redemption of which cash funds or Federal Securities or any combination thereof shall have been theretofore irrevocably set aside in a special account with the Paying Agents (whether upon or prior to the maturity or redemption date of any such Senior Bonds) in an amount which, together with earnings on such Federal Securities, will be sufficient to pay the principal of and interest on such Senior Bonds at maturity or upon their earlier redemption; provided that, if such Senior Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of the Senior Bond Ordinance or irrevocable instructions directing the timely publication of such notice and directing the

payment of the principal of and interest on all Senior Bonds at such redemption dates shall have been given to the Paying Agents; and

(c) Senior Bonds which are deemed paid by being called for redemption pursuant to the Senior Bond Ordinance, or in lieu of which other Senior Bonds have been issued for mutilated, destroyed, stolen or lost Bonds under the Senior Bond Ordinance.

“Paying Agent” means any Authorized Depository designated by the Issuer to serve as a Paying Agent or place of payment for any one or more Series of Senior Bonds that shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premium, if any, with respect to the Bonds to the registered owners thereof, from funds made available therefor by the Issuer, and any successors designated pursuant to the Senior Bond Ordinance. The Paying Agent for the Series 2003A Bonds is U.S. Bank National Association.

“Projects” means the construction or acquisition of additions, extensions and improvements to various components of the System, all as described from time to time by ordinance or resolution of the Issuer, or the refunding of Notes issued for such purpose.

“Qualified Independent Consultant” means one or more qualified and recognized independent consultants, having favorable repute, skill and experience with respect to the acts and duties required of a Qualified Independent Consultant by a particular section or one or more sections of the Senior Bond Ordinance, as shall from time to time be retained by the Issuer for the purposes of the Senior Bond Ordinance.

“Record Date” means the fifteenth (15th) day (whether or not a Business Day) of the month next preceding an interest payment date; and when Bonds are in default, the close of business on a special record date for the payment of such defaulted interest established by the Registrar not less than 15 days preceding such special record date.

“Registrar” means the Issuer or any agent designated from time to time by the Issuer to maintain the registration books for the Bonds issued under the Senior Bond Ordinance or to perform other duties with respect to registering the transfer of Bonds. The Issuer has appointed U.S. Bank National Association as the Registrar with respect to the Series 2003A Bonds.

“Senior Bond Ordinance” means the Ordinance bearing documentary number 17940, finally enacted by the Issuer on July 25, 1983, authorizing the issuance of the Senior Bonds, as supplemented and amended.

“Senior Bonds” means Bonds issued from time to time under the Senior Bond Ordinance.

“Senior Debt Service Component” means the Debt Service Component of the Cost of Contracted Services to the extent such component meets the tests contained in the Senior Bond Ordinance (determined by including in such computations the aggregate Senior Debt Service Components as though such obligations were a proposed Series of Additional Bonds), as certified by the Qualified Independent Consultant referred to therein, and if that component has been so designated by the Issuer at the time it commits to receive Contracted Services.

“Serial Bonds” means all Senior Bonds of a Series other than Term Bonds.

“Series” means any portion of the Senior Bonds of an issue authenticated and delivered in a single transaction, payable from an identical source of revenue and identified pursuant to the supplemental ordinance or resolution authorizing such Senior Bonds as a separate Series of Senior Bonds, regardless of variations in maturity, interest rate, Amortization Installments or other provisions, and any Senior Bonds thereafter authenticated and delivered in lieu of or in substitution of a series of Senior Bonds issued pursuant to the Senior Bond Ordinance.

“Short Term Ordinance” means the Ordinance bearing documentary number 17941, enacted by the Issuer on July 25, 1983, as supplemented and amended.

“Supplemental Ordinance or Resolution” means an ordinance or resolution supplemental to the Senior Bond Ordinance or the Short Term Ordinance duly enacted or adopted by the Issuer, unless otherwise specified in the Short Term Ordinance, prior to the sale of any series of Notes.

“System” means the entire waste water collection, treatment and distribution system and all parts and components thereof or interests therein, owned, operated or used by the Issuer, and all such parts and components hereafter constructed, contracted for or acquired, including the Issuer’s rights under Contracted Services contracts, the improvements, extensions and additions thereto to be constructed or acquired either from the proceeds of the Bonds authorized by the Senior Bond Ordinance, or from any other sources, together with all land and interests therein, plants, buildings, machinery, franchises, pipes, fixtures, equipment, contract rights and all property, real or personal, tangible or intangible, now or hereafter owned, operated or used by the Issuer in connection therewith.

“Term Bonds” means Designated Maturity Bonds, Senior Bonds of a Series for which Amortization Installments are established, and such other Senior Bonds of a Series so designated by supplemental ordinance or resolution of the Issuer adopted on or before the date of delivery of such Senior Bonds.

“Variable Rate Bonds” means Bonds issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage at the date of issue for the entire term thereof.

Senior Bond Ordinance Constitutes a Contract

The Senior Bond Ordinance is deemed to be and constitutes a contract between the Issuer and the Bondholders, and the covenants and agreements set forth therein to be performed by the Issuer are to be performed for the equal benefit, protection and security of the Bondholders.

General Provisions Affecting Series 2003A Bonds

In the event of any default in the payment of interest on any interest payment date, such defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest as established by notice by deposit in the U.S. mail, postage prepaid, by the Issuer to the Registered

Owners of Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day (whether or not a Business Day) preceding the date of mailing.

If the date for payment of the principal of, premium, if any, or interest on any Series 2003A Bond or for the taking of any action provided for under the Senior Bond Ordinance shall not be a Business Day, then, unless otherwise provided in the 2003A supplemental resolution, the date for such payment or action shall be the next succeeding Business Day and payment or taking of such action on such Business Day shall have the same force and effect as if made or taken on the nominal date provided therefor.

Registration and Transfer

The persons in whose name the Series 2003A Bonds are registered shall be deemed and regarded as the absolute owners thereof for all purposes, and payment of or on account of the principal of or interest or redemption premium, if any, on the Series 2003A Bonds will be made only to or upon the order of the Registered Owners thereof or their legal representatives. The registration of the Series 2003A Bonds may be transferred upon the registration books upon delivery to the principal office of the Registrar accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Registrar, duly executed by the owners of the Series 2003A Bonds or by their attorneys-in-fact or legal representatives, containing written instructions as to the details of transfer of the Series 2003A Bonds, along with the social security number or federal employer identification number of such transferees. In all cases of a transfer of a Bond, the Registrar shall at the earliest practical time in accordance with the provisions of the Ordinance enter the transfer of ownership in the registration books and shall deliver in the name of the new transferee or transferees a new fully registered Bond or Bonds of the same maturity and of authorized denomination or denominations, for the same aggregate principal amount and payable from the same source of funds. The Issuer and the Registrar may charge the owner of such Bond for the registration of every such transfer of a Bond an amount sufficient to reimburse them for any tax, fee or any other governmental charge required (other than by the Issuer) to be paid with respect to the registration of such transfer, and may require that such amounts be paid before any such new Bond shall be delivered. Neither the Issuer nor the Registrar shall be required to register the transfer of any Bond between the Record Date and the related interest payment date, or, in the case of any proposed redemption of the Bonds, after such Bond or any portion thereof has been selected for redemption.

Funds and Accounts

The Senior Bond Ordinance created the Waste Water Treatment Fund and the following accounts therein:

The Construction Account into which shall be paid sufficient funds to pay the cost of each Project, with a separate subaccount established in the Construction Account for each such Project. The Issuer will proceed to complete each such Project with due diligence; however, it may abandon any Project if abandonment will have a more favorable effect on the Issuer's ability to meet its rate covenant than if the Project were completed.

The General Revenue Account into which all Gross Revenues shall be deposited by the Issuer immediately upon receipt.

The Operation and Maintenance Account from which the Cost of Operation and Maintenance shall be paid.

The Debt Service Account which shall be used solely for the payment of principal of, interest on and any redemption premiums required with respect to the Senior Bonds; provided, however, that if such principal and interest payments, or a portion thereof, have been made on behalf of the Issuer by an insurer, credit facility issuer or other entity insuring, guaranteeing or providing for the payment of the Senior Bonds, or any Series thereof, moneys on deposit therein and allocable to such Series shall be paid to such insurer, credit facility issuer or entity having theretofore made a corresponding payment.

The Reserve Account which may be used only for the purpose of curing deficiencies in the Debt Service Account. If the funds on deposit in the Reserve Account exceed, in the aggregate, the Maximum Bond Service Requirement for the Senior Bonds, the Expansion Project Percentage of such excess funds shall be deposited into the Impact Fee Account and the balance shall be paid into the General Revenue Account. Any proceeds received from municipal bond insurance shall be applied immediately to cure deficiencies in the Debt Service Account and for no other purpose.

The Renewal and Replacement Account which shall be used only (i) for curing deficiencies in the Debt Service Account or the Reserve Account, or both, or (ii) when no such deficiencies exist, as needed for the purpose of paying the cost of replacement of capital assets of the System, or (iii) to redeem Senior Bonds. If the funds on deposit in the Renewal and Replacement Account exceed \$1,500,000 and the Issuer obtains a certificate from the Qualified Independent Consultant that funds or a portion thereof in excess of that amount are not needed for the purposes described in clause (ii) above, and so long as no deficiencies described in clause (i) above exist, such excess funds may be used for the redemption or purchase of Senior Bonds.

The Utilities Tax Account into which the proceeds of the Utilities Services Tax shall be deposited by the Issuer as soon as they are received.

The Impact Fee Account into which all payments received as Impact Fees shall be segregated and deposited.

The Waste Water Treatment Fund and all accounts therein shall constitute trust funds for the purposes provided in the Senior Bond Ordinance, shall be delivered to and held, in the case of the Reserve Account, by an Authorized Depository and in the case of all other funds and accounts by the Chief Financial Officer (or an Authorized Depository designated by the Chief Financial Officer), in each case who shall act as trustee of such funds, shall be subject to a lien and charge in favor of the Bondholders, and shall at all times be kept separate and distinct from all other funds of the Issuer and used only as provided in the Senior Bond Ordinance.

Deposits Constitute Trust Funds

All funds or other property which at any time may be owned or held in the possession of or deposited with the Issuer in the Waste Water Treatment Fund under the provisions of the Senior Bond Ordinance shall be held in trust and applied only in accordance with the provisions of the Senior Bond Ordinance, and shall not be subject to lien or attachment by any creditor of the Issuer.

All moneys deposited with each Authorized Depository shall be credited to the particular Fund or Account to which such moneys belong.

Investment of Moneys

Moneys held for the credit of the Debt Service Account and the Reserve Account (including the subaccounts therein) shall be invested and reinvested by the Issuer in Investment Obligations of the type described in clauses (i) through (iv) of the definition of that term. Moneys held for the credit of the Impact Fee Account (including the subaccounts therein) shall be invested and reinvested by the Issuer in Investment Obligations of the type described in clauses (i) through (v) of the definition of that term. Moneys held for the credit of all other Funds and Accounts created by the Senior Bond Ordinance shall be invested and reinvested by the Issuer in Investment Obligations. Such investments or reinvestments shall mature not later than the respective dates, as estimated by the Issuer, that the moneys held for the credit of said Funds or Accounts will be needed for the purposes of such Funds or Accounts.

Obligations so purchased as an investment of moneys in any such Fund or Account shall be deemed at all times to be a part of such Fund or Account, and shall at all times, for the purposes of the Senior Bond Ordinance, be valued semiannually on April 1 and October 1 of each year at the cost thereof at the time of purchase or market value, whichever is less.

Except as otherwise provided in the Senior Bond Ordinance, all income and profits derived from the investment of moneys in the Construction Account and the Impact Fee Account shall be retained in such Accounts and used for the purposes specified for such Accounts. All income and profits derived from the investment of moneys in the Reserve Account shall be deposited upon receipt, pro rata to the extent necessary into each subaccount in the Construction Account created for a specific Project, until all such Projects have been completed or until the funds on deposit in the Construction Account are sufficient to fully pay the cost thereof; thereafter, such income and profits shall be used first to cure deficiencies in the Reserve Account, and then the Expansion Project Percentage of the remaining income and profits shall be transferred upon receipt into the Impact Fee Account and all remaining income and profits shall be transferred upon receipt into the General Revenue Account. The Expansion Project Percentage of the income and profits derived from the investment of moneys in the Debt Service Account shall be transferred upon receipt to the Impact Fee Account, and all remaining income and profits derived from such investments shall be transferred upon receipt to the General Revenue Account. All income and profits derived from the investment of moneys in all other Accounts created by the Senior Bond Ordinance shall be deposited upon receipt into the General Revenue Account.

General Covenants of the Issuer

In the Senior Bond Ordinance, the Issuer has made certain covenants with the Bondholders, including without limitation the following:

Maintenance of System. 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 such equipment, maintenance and repairs and for renewals and replacements thereof as may be proper for its economical operation and maintenance.

The System shall be inspected and its operations reviewed annually by the Issuer or, at the option of the Issuer, by the Qualified Independent Consultant, and immediately following such inspection a written report on the condition of the System and manner of operations shall be filed with the Issuer.

A copy of the report as it relates to the Waste Water Treatment Fund and the accounts therein shall be available for inspection at the offices of the Issuer, and mailed to any Bondholder requesting the same.

If the report shows that the System is not in good condition, then to the extent funds in the Operation and Maintenance Account, the Renewal and Replacement Account or certain impact fee accounts are available, the Issuer shall immediately make or cause to be made such repairs as shall be necessary to place it in good condition.

Operating Budget. Before the first day of each Fiscal Year the Governing Body shall prepare, approve and adopt in the manner prescribed by law, a detailed budget of the Gross Revenues, Impact Fees, Utilities Services Tax, Bond Service Requirement, and Cost of Operation and Maintenance for the next succeeding Fiscal Year. Copies of its annual budgets and all authorizations for increases in the Cost of Operation and Maintenance shall be available for inspection at the offices of the Issuer and shall be mailed to any Bondholder requesting the same. The Issuer shall not expend any moneys for any purpose in excess of the budgeted appropriation therefor, or for a purpose for which there is no appropriation unless such expenditure will not have an appreciable effect upon the Issuer's anticipated or actual Gross Revenues available to pay debt service on the Senior Bonds and to make the other deposits required under the Senior Bond Ordinance.

Books and Records. The Issuer shall keep separately identifiable financial books, records, accounts and data concerning the operation of the System and the receipt and disbursement of Gross Revenues, Impact Fees and Utilities Services Tax, and any Bondholder holding not less than three percent (3%) in principal amount of the Senior Bonds shall have the right at all reasonable times to inspect the same.

Reports and Annual Audits. The Issuer shall require that an annual audit of its accounts and records be completed within six (6) months after the end of each Fiscal Year by an independent certified public accountant of recognized standing. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governments and shall include a certification by the auditors stating that no default on the part of the Issuer of any covenant in the Senior Bond Ordinance has been disclosed by reason of such audit or,

alternatively, specifying in reasonable detail the nature of such default or failure to comply. The Issuer shall also require its Chief Financial Officer to file with the Issuer within six (6) months after the end of each Fiscal Year a written report certifying that all payments, deposits and credits to and payments, transfers and withdrawals from each fund and account created under the Senior Bond Ordinance have been made in strict compliance with the terms of the Senior Bond Ordinance.

A copy of each report of the Chief Financial Officer, together with the comprehensive annual financial report, shall be available for inspection at the offices of the Issuer and shall be promptly furnished to the managing underwriter of each Series of Senior Bonds and mailed to any Bondholder requesting the same upon payment by such Bondholder of the cost of reproduction and mailing. In addition, the waste water portion of the annual financial report shall be promptly mailed to any Bondholder requesting the same without charge.

No Mortgage or Sale of System.

(a) The Issuer will not mortgage, pledge or otherwise encumber the System.

(b) The Issuer will not, except in the ordinary course of business, sell or otherwise dispose of any part of the System or any component thereof, or any portion of the future capacity thereof, the fair market value of which, as determined by the Qualified Independent Consultant, in either case, exceeds two percent (2%) of the Cost of Operation and Maintenance in such Fiscal Year, except under the following conditions:

(1) if the fair market value of the property in question as determined by the Qualified Independent Consultant, together with the fair market value as determined by the Qualified Independent Consultant of all property previously sold or disposed of in such Fiscal Year, does not exceed two percent (2%) of the undepreciated book value of the System as determined by the Qualified Independent Consultant, the Governing Body, by affirmative vote at a meeting duly called and held, shall first find that such property is no longer necessary, useful or profitable in the operations of the Issuer and then may authorize the sale or disposition of such property. The proceeds received from the sale or disposition of such property shall be deposited, at the option of the Issuer, either into the Renewal and Replacement Account for the uses therein provided or into the Debt Service Account for the purchase or redemption of Senior Bonds.

(2) if the fair market value of the property in question as determined by the Qualified Independent Consultant, together with the fair market value as determined by the Qualified Independent Consultant of all property previously sold or disposed of in such Fiscal Year, exceeds two percent (2%) of the undepreciated book value of the System as determined by the Qualified Independent Consultant, the Qualified Independent Consultant shall first find in writing that the sale or disposition of such property will not materially and adversely affect the Net Revenues of the System in any of the five (5) Fiscal Years following the Fiscal Year in which such property is sold, and the Governing Body, by affirmative vote at a meeting duly called and held, shall find that such property is no longer necessary, useful or profitable in the operations of the Issuer, and may then authorize the sale or other disposition of such property. The proceeds derived from the sale or other disposition of such property shall be deposited into the Renewal and Replacement Account in an amount which the Qualified

Independent Consultant shall certify is necessary and advisable for said fund, and any remaining proceeds shall be used for the purchase or redemption of Senior Bonds.

(3) The Issuer will not sell the future capacity of the System or any portion thereof unless (i) the recipient of such capacity agrees to pay monthly charges calculated to reimburse the Issuer for the Cost of Operation and Maintenance with respect to that portion of the System's capacity and (ii) the Issuer first receives a certificate from the Qualified Independent Consultant that the contract price for the capacity is fair and reasonable and that the incremental deposits or installment payments, if any, derived from such contract price that are permitted to be deposited into the Debt Service Account pursuant to the Senior Bond Ordinance, together with other Gross Revenues, Available Impact Fees as defined in the Senior Bond Ordinance and Utilities Services Tax will be sufficient to satisfy the Issuer's obligations under its rate covenant in each of the three (3) consecutive Bond Years following the sale of such capacity. Such certificate of the Qualified Independent Consultant shall also state the portion of the contract price referred to in clause (3)(ii) above, and each installment thereof if paid in installments, that represents Impact Fees (the "Future Capacity Component"). The remaining portion of such contract price, and the remaining portion of each installment thereof, shall be referred to as the "Gross Revenue Component."

Proceeds received from the sale or disposition of the System or a substantial part thereof, or any sale of the future capacity thereof as described in clause (3)(ii) above, are pledged as security for the Bondholders for the purposes provided in the Senior Bond Ordinance but shall not be deemed Gross Revenues for purposes of the rate covenant or the financial covenants for issuance of Additional Bonds. If proceeds received from the sale of capacity pursuant to clause (3)(ii) above are payable in substantially equal consecutive semiannual (or more frequent) installments during the period for which capacity has been reserved (taking into account such inflation factors, if any, that the Issuer deems appropriate), the Gross Revenue Component of such payments shall be deemed Gross Revenues for all purposes of the Senior Bond Ordinance. If such proceeds are payable in lump sum or on other than a substantially equal consecutive semiannual (or more frequent) installment basis, the Gross Revenue Component of such proceeds shall, at the option of the Issuer exercised concurrently with such sale, either be deposited into the Debt Service Account and used to purchase or redeem Bonds, or deposited into a special subaccount in the Debt Service Account and disbursed incrementally on a monthly basis into the Debt Service Account in substantially equal installments during the period for which such payments for the capacity of the System were made. Incremental deposits into the Debt Service Account pursuant to the preceding sentence shall be treated as Gross Revenues. The Future Capacity Component of such contract payments shall be treated as Impact Fees for all purposes of the Senior Bond Ordinance whether received in lump sum or on an installment basis, and are required to be deposited into the Impact Fee Account and disposed of accordingly.

(c) The System may be sold or disposed of in whole or in substantial part only upon the following conditions:

(1) If the net proceeds to be realized shall be sufficient to fully retire all of the Senior Bonds issued pursuant to the Senior Bond Ordinance, or to make provision for their payment in accordance with the Senior Bond Ordinance and all other obligations payable pursuant to the terms thereof shall be paid in full.

(2) The Issuer may also sell, lease, transfer or dispose of all or a substantial part of the System to any other public entity or agency thereof in the State of Florida provided (i) such public entity or agency assumes the covenants, duties and obligations of the Issuer under the Senior Bond Ordinance by ordinance, resolution or other appropriate written instrument, (ii) the Issuer or such other public entity or agency thereof continues to collect, pledge and make available the Impact Fees and the Utilities Services Tax as provided in the Senior Bond Ordinance, (iii) in the written opinion of the Qualified Independent Consultant, the rates, fees, rentals and charges from the operation of the System by such public entity or agency, together with the remaining Gross Revenues from that part of the System not sold, leased, transferred or disposed of, the Utilities Services Tax and, to the extent appropriate, the Impact Fees, will be sufficient to satisfy the Issuer's rate covenants and to pay in each year the debt service on the Senior Bonds and the Cost of Operation and Maintenance and the deposits into the Reserve Account and the Renewal and Replacement Account as provided in the Senior Bond Ordinance, (iv) in the opinion of Bond Counsel, such action will not cause the interest on the Senior Bonds outstanding, or any of them, to become subject to federal income taxes, (v) the Issuer shall have first received confirmation from any of the rating agencies initially rating all Series of Senior Bonds then outstanding that such arrangement will not cause the rating on any such Series to be lowered, and (vi) the documents evidencing such sale, lease, transfer or disposition shall otherwise comply in all material respects, in form and substance, with the written recommendations of the Qualified Independent Consultant.

(3) The Issuer may also lease the System or any part thereof to any other legal entity provided (i) the System or such part shall, concurrently with such lease, be subleased to the Issuer or to any other public entity or agency thereof in the State of Florida qualifying under the conditions specified above, pursuant to an agreement with a term no shorter than the final maturity date of any Senior Bonds issued under the Senior Bond Ordinance, and (ii) the Issuer shall first comply with all of the provisions of subclauses (ii) through (vi) of clause (2) immediately above.

Insurance and Condemnation Awards. The Issuer will carry adequate fire, windstorm and explosion insurance on the components of the System that are subject to loss through fire, windstorm or explosion; adequate public liability insurance; other insurance of the kinds and amounts normally carried in the operation of similar facilities and properties in Florida; and in time of war, such insurance as may be available at reasonable cost against loss or damage by the risks and hazards of war in an amount or amounts equal to the fair market value of the System as determined by the Qualified Independent Consultant. The Issuer may, upon appropriate authorization by its Governing Body, self-insure against such risks on a sound actuarial basis. All proceeds received from property damage or destruction insurance and all proceeds received from the condemnation of the System or any part thereof are pledged by the Issuer as security for the Senior Bonds and shall be deposited at the option of the Issuer but subject to the limitations described in the Senior Bond Ordinance either (i) into the Renewal and Replacement Account, in which case such proceeds shall be held in the Renewal and Replacement Account and used to remedy the loss, damage or taking for which such proceeds are received, or (ii) into the Debt Service Account for the purpose of purchasing or redeeming Senior Bonds.

No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same

class; and in the event the Issuer or any department, agency, instrumentality, officer or employee thereof, shall avail itself of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenue derived from such operation of the System.

Mandatory Cut Off. Upon the failure of any user to pay for services rendered by the System within sixty (60) days, the Issuer shall, to the extent permitted by applicable law, shut off the connection of such user and shall not furnish him or permit him to receive from the System further service until all obligations owed by him to the Issuer on account of services shall have been paid in full.

Enforcement of Collections. The Issuer will diligently enforce its right to receive the Gross Revenues and will diligently enforce and collect the fees, rates, rentals and other charges for the use of the products, services and facilities of the System. The Issuer will not take any action that will impair or adversely affect its rights to levy, collect and receive the Gross Revenues or impair or adversely affect in any manner the pledge of the Gross Revenues or the rights of the Bondholders. The Issuer shall be unconditionally and irrevocably obligated, so long as any of the Senior Bonds are outstanding and unpaid, to take all lawful action necessary or required to continue to entitle the Issuer to receive the Gross Revenues in at least the amounts required by the Senior Bond Ordinance.

No Competing System. To the full extent permitted by law, the Issuer will not grant, cause, consent to, or allow the granting of, any franchise or permit to any person for the furnishing of waste water collection and treatment services to or within the boundaries of the Issuer, provided, however, that with respect to areas annexed by the Issuer, existing treatment facilities or septic tanks may continue in operation for reasonable periods necessary for integration with the System, to the extent that Net Revenues of the System will not, in the opinion of the Qualified Independent Consultant, be adversely affected during such period. The provisions of this paragraph shall not, however, prevent the Issuer from granting permits for septic tanks or temporary package plants if the area serviced by such plants is not then being serviced by the System. The Issuer will not own or operate a competing waste water treatment or distribution system.

Imposition, Collection and Release of Impact Fees. The Issuer shall adopt and maintain an ordinance pursuant to which it will establish just and equitable Impact Fees, taking into account the recommendations of the Qualified Independent Consultant. The Issuer shall diligently enforce its rights to receive Impact Fees and shall diligently enforce and collect the same. The Issuer shall not take any action that will impair or adversely affect its rights to impose, collect and receive the Impact Fees, as pledged in the Senior Bond Ordinance, or impair or adversely affect the pledge of the Impact Fees or the rights of the Bondholders.

The Issuer's obligations to impose, collect and dispose of Impact Fees in accordance with the Senior Bond Ordinance shall terminate, and the lien created on such Impact Fees shall be automatically released, as soon as the aggregate amount of Senior Bonds purchased, redeemed or

retired at maturity from Impact Fees, plus the amount of Impact Fees on deposit in the stabilization fund created pursuant to the Senior Bond Ordinance and the funds used to reimburse the Issuer for principal payments made from Gross Revenues as described in the Senior Bond Ordinance equal the Expansion Project Percentage of the Original Issue Amount; provided, however, that all Funds held in the Impact Fee Account at the time the lien on Impact Fees is released shall remain subject to the provisions of the Senior Bond Ordinance and shall be disposed in accordance with the terms thereof.

Connections with System. The Issuer will, to the full extent permitted by law and within the capabilities of the System, subject to exception only in isolated hardship instances, require all lands, buildings and structures within the boundaries of the City of Orlando fronting or abutting on the System or any part thereof or which can use the facilities and services of the System to connect with and use the facilities and services of the System and cease all other means and methods for the collection, purification, treatment and disposal of sewerage and liquid waste matter. Lands, buildings and structures annexed by the Issuer after August 1, 1983 that are serviced by septic tanks may be declared by the Issuer to be exempt from the connection requirements described in the preceding sentence.

Events of Default; Remedies

Events of Default. The following are Events of Default under the Senior Bond Ordinance:

(a) Payment of principal of any Senior Bond shall not be made when the same shall become due and payable, either at maturity (whether by acceleration or otherwise) or on required payment dates by proceedings for redemption or otherwise.

(b) Payment of any installment of interest shall not be made when the same shall become due and payable.

(c) The Issuer shall discontinue or unreasonably delay or fail to complete within a reasonable period of time a Project for which Senior Bonds have been issued, unless the same shall be abandoned pursuant to the Senior Bond Ordinance.

(d) The Issuer shall for any reason be rendered incapable of fulfilling its obligations under the Senior Bond Ordinance to the extent that the payment of or security for the Senior Bonds would be materially adversely affected, and such conditions shall continue unremedied for a period of thirty (30) days after the Issuer becomes aware of such conditions.

(e) An order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or receivers of the Issuer, the System, the Gross Revenues, or any part thereof or the filing of a petition by the Issuer for relief under federal bankruptcy laws or any other applicable law or statute of the United States of America or the State of Florida, which shall not be dismissed, vacated or discharged within thirty (30) days after the filing thereof.

(f) Any proceedings shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statutes now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Gross Revenues.

(g) The entry of a final judgment or judgments for the payment of money against the Issuer as a result of the ownership, operation or control of the System or which subjects any of the funds pledged under the Senior Bond Ordinance to a lien for the payment thereof in contravention of the provisions of the Senior Bond Ordinance for which there does not exist adequate insurance, reserves or appropriate bonds for the timely payment thereof, and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof.

(h) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Senior Bonds or in the Senior Bond Ordinance on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by the registered owners of not less than ten percent (10%) in aggregate principal amount of the Senior Bonds then outstanding.

The Issuer will not be deemed in default under clauses (c), (d) and (h) above if it promptly institutes and diligently pursues curative action until such conditions have been cured.

Enforcement of Remedies. Upon the happening and continuance of any Event of Default, the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Senior Bonds then outstanding may appoint any state bank, national bank, trust company or national banking association qualified to transact business in Florida to serve as trustee for the benefit of the owners of all Senior Bonds then outstanding (the "Trustee").

After a Trustee has been appointed pursuant to the foregoing, the Trustee may proceed, and upon the written request of owners of twenty-five percent (25%) of the principal amount of Senior Bonds outstanding shall proceed, to protect and enforce the rights of the Bondholders.

See "Rights of 2003A Bond Insurer" below for a description of certain rights of the 2003A Bond Insurer to exercise the rights and remedies given to owners of Series 2003A Bonds insured by it upon the occurrences and continuation of an event of default under the Senior Bond Ordinance.

Acceleration of Maturities. Upon the happening and continuance of any Event of Default outlined in clause (a), (b), (e) or (f) of the paragraph entitled "Events of Default" above, the Trustee may, and upon the written request of the owners of not less than a majority in aggregate principal amount of the Senior Bonds then outstanding shall, by a notice in writing to the Issuer,

declare the principal of all of the Bonds then outstanding (if not then due and payable) to be due and payable immediately, with such premium as may be required for optional redemption and upon such declaration the same shall become and be immediately due and payable. If the Event of Default has been cured to the Trustee's satisfaction before entry of final judgment, the Trustee may, and upon written request of a majority of Bondholders shall, rescind such acceleration.

Notwithstanding the foregoing, Senior Bonds insured by AMBAC are not subject to acceleration upon default, unless and until AMBAC defaults in the timely payment to the insurance trustee of amounts required to be paid by AMBAC under the policy or policies of municipal bond insurance insuring such Bonds.

Effect of Discontinuing Proceedings. In case any proceeding taken by the Trustee or any Bondholder on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Bondholder, then and in every such case the Issuer, the Trustee and Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Directions to Trustee as to Remedial Proceedings. The holders of a majority in principal amount of the Senior Bonds then outstanding under the Senior Bond Ordinance shall have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Senior Bond Ordinance, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Senior Bond Ordinance and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Restrictions on Actions by Individual Bondholders. No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or other remedy except as provided in the Senior Bond Ordinance; however, such restrictions shall not affect or impair the right of any Bondholder, individually, to enforce the payment of the principal of and interest on his Senior Bond or Bonds at and after the maturity thereof, at the time, place, from the source and in the manner provided in the Senior Bond Ordinance.

Appointment of a Receiver. Upon the happening and continuance of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under the Senior Bond Ordinance, the Trustee shall be entitled, as a matter of right, without regard to the solvency of the Issuer, to the appointment of a receiver or receivers of the System, pending such proceedings, with such powers as the court making such appointments shall confer, whether or not the Gross Revenues and other funds pledged under the Senior Bond Ordinance shall be deemed sufficient ultimately to satisfy the Bonds outstanding under the Senior Bond Ordinance.

Miscellaneous Provisions

Compliance with Tax Requirements. The Issuer covenants and agrees, for the benefit of the holders from time to time of the Series 2003A Bonds, to comply with the requirements applicable to it contained in the Internal Revenue Code to the extent necessary to preserve the

exclusion from gross income for federal income tax purposes of interest on the Series 2003A Bonds.

Modification or Amendment. No modification or amendment of the Senior Bond Ordinance materially adverse to the Bondholders of a Series may be made without the consent of a majority of Bondholders of such Series then outstanding, but no modification or amendment shall permit a change (a) in the maturity of the Senior Bonds or a reduction in the rate of interest thereon, (b) in the amount of the principal obligation of any Senior Bond, (c) that would affect the unconditional promise of the Issuer to collect and hold the Gross Revenues, Impact Fees and Utilities Services Tax as provided in the Senior Bond Ordinance, or provide for the receipt and disbursement of such revenues as provided in the Senior Bond Ordinance, or (d) that would reduce such percentage of holders of the Bonds, required above, for such modifications or amendments, without the consent of all of the Bondholders. The Issuer may amend the Senior Bond Ordinance to make other amendments not prohibited by the foregoing without the consent of the Bondholders.

See “Rights of 2003A Bond Insurer” below for a description of certain rights of the 2003A Bond Insurer to consent to certain amendments on behalf of owners of Series 2003A Bonds insured by it.

Defeasance. If, at any time after the date of issuance of the Senior Bonds, (a) all Senior Bonds secured by the Senior Bond Ordinance or any Series thereof or maturity within a Series shall have become due and payable in accordance with their terms or otherwise as provided in the Senior Bond Ordinance, or shall have been duly called for redemption, or the Issuer gives the Paying Agents irrevocable instructions directing the payment of the principal of, premium, if any, and interest on such Senior Bonds at maturity or at any earlier redemption date scheduled by the Issuer, or any combination thereof, (b) the whole amount of the principal, premium, if any, and the interest so due and payable upon all of such Senior Bonds then outstanding, at maturity or upon redemption, shall be paid, or sufficient moneys shall be held by the Paying Agents in irrevocable trust for the benefit of such Bondholders (whether or not in any accounts created by the Senior Bond Ordinance) which, when invested in direct obligations of the United States of America maturing not later than the maturity or redemption dates of such principal, premium, if any, and interest will, together with the income realized on such investments, be sufficient to pay all such principal, premium, if any, and interest on said Senior Bonds at the maturity thereof or the date upon which such Senior Bonds are to be called for redemption prior to maturity, and (c) provisions shall also be made for paying all other sums payable under the Senior Bond Ordinance by the Issuer, then and in that case the right, title and interest of such Bondholders under the Senior Bond Ordinance and the pledge of and lien on the Gross Revenues, the Impact Fees and the Utilities Services Tax, and all other pledges and liens created by or pursuant to the Senior Bond Ordinance, with respect to such Bondholders shall thereupon cease, determine and become void, and if such conditions have been satisfied with respect to all Senior Bonds issued and then outstanding, all balances remaining in any other funds or accounts created by the Senior Bond Ordinance other than moneys held for redemption or payment of Senior Bonds and to pay all other sums payable by the Issuer under the Senior Bond Ordinance shall be distributed to the Issuer for any lawful purpose; otherwise the Senior Bond Ordinance shall be, continue and remain in full force and effect.

Rights of 2003A Bond Insurer

Pursuant to the 2003 Supplemental Resolution, the 2003A Bond Insurer is given certain rights to act with respect to the Series 2003A Bonds insured by it, subject to the limitations described below.

Rights Upon Default. Anything in the Senior Bond Ordinance to the contrary notwithstanding, upon the occurrence and continuation of an event of default under the Senior Bond Ordinance, except as described below, the 2003A Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders of the Series 2003A Bonds insured by it.

Rights Regarding Amendments. Subject to the limitations described below, for all purposes of Section 14.01 of the Senior Bond Ordinance (relating to amendments to the Senior Bond Ordinance) the 2003A Bond Insurer shall be deemed to be the Bondholder of all Series 2003A Bonds insured by it, except that the 2003A Bond Insurer shall not be deemed to be the Bondholder of such Series 2003A Bonds for purposes of consenting to amendments with respect to changes in the maturity, principal amount, interest rates or payment dates with respect to the Series 2003A Bonds.

Limitations On Rights of 2003A Bond Insurer. Notwithstanding the foregoing provisions or any other provision in the 2002 Supplemental Resolution to the contrary:

(1) If the 2003A Bond Insurer shall be in default in the due and punctual performance of its obligations under its insurance policy with respect to the Series 2003A Bonds or if such policy for whatever reason is not then enforceable and in full force and effect; or

(2) If the 2003A Bond Insurer shall apply for or consent to the appointment of a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its assets, or shall admit in writing its inability, or be generally unable, to pay its debts as such debts become due, or shall make a general assignment for the benefit of its creditors, or commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect) or shall file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or shall fail to convert in a timely and appropriate manner, or acquiesce in writing to, any other petition filed against Ambac in any involuntary case under said Federal Bankruptcy Code, or shall take any other action for the purpose of effecting the foregoing; or

(3) If a proceeding or case shall be commenced without the application or consent of the 2003A Bond Insurer, in any court of competent jurisdiction seeking the liquidation, reorganization, dissolution, winding up or composition or readjustment of debts of the 2003A Bond Insurer or the appointment of a trustee, receiver, custodian, or liquidator or the like of the 2003A Bond Insurer or of all or a substantial part of its assets, or similar relief with respect to the 2003A Bond Insurer under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such proceeding or case shall continue undismissed and an order, judgment or

decree approving or ordering any of the foregoing shall be entered and continue unstayed in effect for a period of one hundred twenty (120) days from the commencement of such proceedings or case, or any order for relief against the 2003A Bond Insurer shall be entered in an involuntary case under said Federal Bankruptcy Code;

then and in any such event the 2003A Bond Insurer shall not be entitled to any rights specifically granted to it in the 2003 Supplemental Resolution to consent to, approve or participate in any actions proposed to be taken by the City, a Bondholder or any of them pursuant to the 2003 Supplemental Resolution or the Senior Bond Ordinance or to any other rights granted to the 2003A Bond Insurer under the 2003 Supplemental Resolution, including those described above.

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

On the date of issuance of the Series 2003A Bonds in definitive form, Greenberg Traurig, P.A., Bond Counsel, proposes to render its approving opinion in substantially the following form:

November __, 2003

City of Orlando, Florida
400 South Orange Avenue
Orlando, Florida 32801

**Re: \$_____ City of Orlando, Florida Waste Water System
Refunding Revenue Bonds, 2003 Series A**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Orlando, Florida (the "City"), of its \$_____ City of Orlando, Florida Waste Water System Refunding Revenue Bonds, 2003 Series A (the "Bonds").

All terms used herein in capitalized form and not otherwise defined herein shall have the same meaning as ascribed to them under an Ordinance bearing Documentary No. 17940 enacted by the City on July 25, 1983, as supplemented and amended by Ordinances of the City enacted on May 14, 1984, May 20, 1985, June 10, 1985, August 19, 1985, April 23, 1990, August 23, 1993, March 24, 1997 and October 21, 2002, and by Resolutions of the City adopted on April 19, 1984, May 20, 1985, June 10, 1985, August 5, 1985, August 19, 1985, April 14, 1986, July 28, 1986, October 20, 1986, April 23, 1990, January 7, 1991, August 17, 1992, January 11, 1993, July 12, 1993, January 22, 1996, February 12, 1996, March 17, 1997, March 24, 1997, March 31, 1997, July 7, 1997, October 21, 2002, November 4, 2002 and September 29, 2003 (collectively, the "Ordinance").

The Bonds are dated November __, 2003, have been issued in fully registered form and bear interest from the date thereof.

The Bonds have been issued for the purpose of refunding the City's outstanding Waste Water System Refunding Revenue Bonds, 1993 Series B (collectively, the "Refunded Bonds").

Pursuant to the Ordinance, the principal of, premium, if any, and all interest on the Bonds shall be payable from and secured by a lien upon and pledge of the Net Revenues of the City's entire waste water collection, treatment and distribution system, Available Impact Fees, the Utilities Services Tax (unless and until the lien thereon is released as described in the Ordinance and the form of the Bonds) and certain funds and investment earnings thereon, in each case to the extent and in the manner described in the Ordinance (collectively, the "Pledged Revenues"). The Bonds are payable from such Pledged Revenues on a parity with the City's outstanding City of Orlando, Florida Waste Water System Refunding Revenue Bonds, 1997 Series A (Muni CPIs), City of Orlando, Florida Waste Water System Refunding Revenue Bonds, 1997 Series C and City of Orlando, Florida Waste Water System Refunding Revenue Bonds, 2002 Series A (collectively, the "Outstanding Bonds"). The Bonds and the obligations evidenced thereby are limited obligations of the City payable solely from the Pledged Revenues in the manner expressly provided in the Ordinance and do not constitute a general liability or obligation of the City or the State of Florida or any political subdivision or agency thereof, or a pledge of the faith and credit or taxing power of the City, the State of Florida or any political subdivision thereof.

The description of the Bonds in this opinion and other statements concerning the terms and conditions of the issuance of the Bonds do not purport to set forth all of the terms and conditions of the Bonds or of any other document relating to the issuance of the Bonds, but are intended only to identify the Bonds and to describe briefly certain features thereof. This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the Bonds.

In rendering the opinions set forth below, we have examined certified copies of the Ordinance, and are relying on the covenants and agreements of the City contained therein, including, without limitation, covenants of the City to comply with any applicable requirements contained in the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder (the "Code"), to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes.

We have also examined certified copies of the proceedings of the City, and other information submitted to us relative to the issuance and sale by the City of the Bonds. Reference is made to the opinion of even date herewith of Shutts & Bowen LLP, Special Legal Counsel to the City, on which we rely as to the due creation and valid existence of the City and the due enactment and adoption of the Ordinance. In addition to the foregoing, we have examined and relied upon such other agreements, certificates, documents and opinions, including certificates and representations of public officials and other officers and representatives of the various

parties participating in this transaction, as we have deemed relevant and necessary in connection with the opinions expressed below. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such agreements, documents, certificates, representations and opinions, and have relied solely on the facts, estimates and circumstances described and set forth therein.

In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that:

(i) The Ordinance constitutes a valid and binding obligation of the City, enforceable in accordance with its terms.

(ii) The Bonds are valid and legally binding limited obligations of the City, payable solely from and secured, on a parity with the Outstanding Bonds and Additional Bonds hereafter issued pursuant to the terms of the Ordinance, by a lien on and pledge of the Net Revenues and Available Impact Fees, and the Utilities Services Tax (unless and until released as described in the Ordinance and the form of the Bonds), all in the manner and to the extent provided in the Ordinance.

(iii) Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the following paragraph, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds.

In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes.

(iv) The Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

In rendering the opinions set forth above, we have relied, without independent investigation or verification of any underlying assumptions, upon:

(a) all schedules furnished to us by the underwriters or the financial advisor to the City, including those illustrating the sufficiency of the cash flow from investments held in the Escrow Deposit Trust Fund created under the Escrow Deposit Agreement between the City and The Bank of New York, as Escrow Agent, dated as of the closing date, to pay the debt service on the Refunded Bonds and those calculating the yields on the Bonds and the Federal Securities to be deposited in the Escrow Deposit Trust Fund; and

(b) the report of the verification agent, verifying the accuracy of the schedules prepared by the underwriters or the financial advisor to the City, including their calculation of the sufficiency of the cash flow from investments held in the Escrow Deposit Trust Fund to pay the debt service on the Refunded Bonds and their calculation of the yields on the Bonds and such Federal Securities.

Our opinions expressed herein are predicated upon present laws and interpretations thereof. We assume no affirmative obligation with respect to any change of circumstances, law or interpretations thereof that may adversely affect the opinions contained herein or the exclusion from gross income of interest on the Bonds for federal income tax purposes after the date hereof.

All opinions as to legal obligations of the City set forth above are subject to and limited by state and federal laws relating to bankruptcy, insolvency, reorganization, moratorium and similar laws, and to equitable principles, affecting the enforcement of creditors' rights generally, and to the exercise of judicial discretion in appropriate cases.

The scope of our engagement in relation to the issuance of the Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein. We have not been engaged to confirm or verify and therefore express no opinion as to the accuracy, completeness, fairness or sufficiency of the Official Statement or any exhibits or appendices thereto or any other offering material relating to the Bonds, except as otherwise set forth in our opinion to the underwriters dated as of the date hereof. In addition, we have not

City of Orlando, Florida
November __, 2003
Page 5

been engaged to and therefore express no opinion as to the compliance by the City or the underwriters with any federal or state statute, regulation or ruling with respect to the sale or distribution of the Bonds.

Sincerely yours,

GREENBERG TRAURIG, P.A.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Orlando, Florida (the "Issuer") in connection with the issuance of its \$ _____ Waste Water System Refunding Revenue Bonds, 2003 Series A (the "Series 2003A Bonds"). The Series 2003A Bonds are being issued pursuant to the Constitution and laws of the State of Florida, particularly Article VIII, Section 2, Constitution of the State of Florida, Chapter 166 and Section 159.11, Florida Statutes, as amended, and the Home Rule Ordinance bearing documentary number 17943 adopted on July 25, 1983. Additionally, the Series 2003A Bonds are being issued pursuant to Ordinance bearing documentary number 17940 adopted on July 25, 1983, as previously amended and supplemented (the "Original Ordinance"), as further supplemented by Resolution adopted on September 29, 2003 (the "2003 Supplemental Resolution") (the Original Ordinance, as further supplemented by the 2003 Supplemental Resolution is hereinafter referred to as the "Senior Bond Ordinance"). The Issuer covenants and agrees as follows:

SECTION 1. PURPOSE OF DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Series 2003A Bondholders and in order to assist the original underwriters of the Series 2003A Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 (the "Rule").

SECTION 2. PROVISION OF ANNUAL INFORMATION. Except as otherwise provided herein, the Issuer shall provide to all of the nationally recognized municipal securities information repositories described in Section 4 hereof (the "NRMSIRs"), and to any state information depository that is established within the State of Florida (the "SID"), on or before April 30 of each year, commencing April 30, 2004, the information set forth below in this Section 2. Notwithstanding the immediately preceding sentence, to the extent any such information does not become available to the Issuer before April 30 of any year, the Issuer shall provide, or cause to be provided, such information when it becomes available, but no later than one year following the end of the Issuer's Fiscal Year.

(A) the Issuer's Comprehensive Annual Financial Report for the immediately preceding Fiscal Year (the "CAFR"), which shall include the audited financial statements of the Issuer for the immediately preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, as modified by applicable State of Florida requirements and the governmental accounting standards promulgated by the Government Accounting Standards Board; provided, however, if the audited financial statements of the Issuer are not completed prior to April 30 of any year, the Issuer shall provide unaudited financial statements on such date and shall provide the audited financial statements as soon as practicable following their completion; and

(B) to the extent not set forth in the CAFR, additional financial information and operating data of the type included with respect to the Issuer in the final official statement prepared in connection with the sale and issuance of the Series 2003A Bonds (the "Official Statement"), as set forth below:

1. Updates of information set forth in the Official Statement set forth under the principal captions "REVENUES OF THE SYSTEM," "IMPACT FEES," "UTILITIES SERVICES TAX," "THE SYSTEM" and "INVESTMENT POLICY;" and

2. description of any material litigation or contingent liabilities which would have been disclosed in the Official Statement if such litigation or contingent liability existed at the time the Official Statement was dated.

For purposes of this Disclosure Certificate, "Fiscal Year" means the period commencing on October 1 and ending on September 30 of the next succeeding year, or such other period of time provided by applicable law.

SECTION 3. REPORTING SIGNIFICANT EVENTS. The Issuer shall provide to the NRMSIRs or the Municipal Securities Rulemaking Board (the "MSRB") and to the SID, if any, on a timely basis, notice of any of the following events, if such event is material with respect to the Series 2003A Bonds or the Issuer's ability to satisfy its payment obligations with respect to the Series 2003A Bonds:

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults;
- (C) Unscheduled draws on the debt service reserve fund reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancement reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions with respect to or events affecting the tax-exempt status of the Series 2003A Bonds;
- (G) Modifications to rights of Series 2003A Bondholders;
- (H) Calls of the Series 2003A Bonds for redemption (other than scheduled mandatory redemption);
- (I) Defeasance of Series 2003A Bonds, in whole or in part;
- (J) Release, substitution, or sale of property securing repayment of the Series 2003A Bonds;

(K) Rating changes; and

(L) Notice of any failure on the part of the Issuer or any other Obligated Person (as defined in the Rule) to meet the requirements of Section 2 hereof.

The Issuer may from time to time, in its discretion, choose to provide notice of the occurrence of certain other events, in addition to those listed in this Section 3, if, in the judgment of the Issuer, such other events are material with respect to the Series 2003A Bonds, but the Issuer does not specifically undertake to commit to provide any such additional notice of the occurrence of any material event except those events listed above.

Whenever the Issuer obtains knowledge of the occurrence of a significant event described in this Section 3, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities law to holders of Series 2003A Bonds, provided, that any event under clauses (D), (E), (F), (K) or (L) above will always be deemed to be material.

SECTION 4. NRMSIRs. The NRMSIRs to which the Issuer shall provide the information described in Sections 2 and 3 above, to the extent required, shall be the following organizations, their successors and assigns:

- (A) Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: 609/279-3225
Fax: 609/279-5962
Email: Munis@Bloomberg.com

- (B) FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: 212/771-6999
Fax: 212/771-7390 (Secondary Market Information)
212/771/7391 (Primary Market Information)
Email: NRMSIR@FTID.com

- (C) Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, New York 10041
Phone: 212/438-4595
Fax: 212/438-3975
Email: nrmsir_repository@sandp.com

(D) DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: 201/346-0701
Fax: 201/947-0107
Email: nrmsir@dpcdata.com

(E) Any NRMSIRs that are established subsequently and approved by the SEC.

(F) A list of the names and addresses of all designated NRMSIRs as of any date may currently be obtained by calling the SEC's Fax on Demand Service at 202/942-8088 and requesting document number 0206 or by visiting the SEC's website at "www.sec.gov/info/municipal/nrmsir.htm."

SECTION 5. NO EVENT OF DEFAULT. Notwithstanding any other provision in the Senior Bond Ordinance to the contrary, failure of the Issuer to comply with the provisions of this Disclosure Certificate shall not be considered an event of default under the Senior Bond Ordinance. To the extent permitted by law, the sole and exclusive remedy of any Series 2003A Bondholder for the enforcement of the provisions hereof shall be an action for mandamus or specific performance, as applicable, by court order, to cause the Issuer to comply with its obligations hereunder. For purposes of this Disclosure Certificate, "Series 2003A Bondholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2003A Bonds (including persons holding Series 2003A Bonds through nominees, depositories or other intermediaries), or (B) is treated as the owner of any Series 2003A Bond for federal income tax purposes.

The City has complied with all of its continuing disclosure obligations under the Rule and all of its previous continuing disclosure certifications.

SECTION 6. INCORPORATION BY REFERENCE. Any or all of the information required herein to be disclosed may be incorporated by reference from other documents, including official statements or debt issues of the Issuer or related public entities, which have been submitted to each of the NRMSIRs and the SID, if any, or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each document incorporated by reference.

SECTION 7. DISSEMINATION AGENTS. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor disseminating agent. This Issuer has not appointed a dissemination agent.

SECTION 8. TERMINATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon (A) the legal defeasance, prior redemption or payment in full of all of the Series 2003A Bonds, or (B) the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action.

SECTION 9. AMENDMENTS. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision may be waived, if such amendment or waiver is supported by an opinion of counsel that is nationally recognized in the area of federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in its annual information described in Section 2 hereof or notice of occurrence of a significant event described in Section 3 hereof, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in its annual information or notice of occurrence of a significant event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in its future annual information or notice of occurrence of a significant event.

SECTION 11. OBLIGATED PERSONS. If any person, other than the Issuer, becomes an Obligated Person (as defined in the Rule) relating to the Series 2003A Bonds, the Issuer shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

Dated: November __, 2003

CITY OF ORLANDO, FLORIDA

By: _____
Mayor

By: _____
Chief Financial Officer

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APPENDIX E

SPECIMEN COPY OF FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Endorsement

Policy for:

Attached to and forming part of Policy No.:

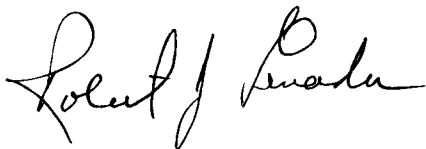
Effective Date of Endorsement:

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation



President



Secretary

Authorized Representative