

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Standard & Poor's: AA (Stable Outlook)
 Moody's: Aa2
 Fitch: AA (Stable Outlook)

In the opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2015 Bonds is, (a) excludable from gross income of the owners thereof for federal income tax purposes except as otherwise described herein under the caption "TAX EXEMPTION" and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest, however, will be includable in the calculation of a corporation's alternative minimum taxable income and may be subject to other federal income tax consequences referred to herein under "TAX EXEMPTION." See "TAX EXEMPTION" herein for a general discussion of Bond Counsel's opinion and other tax considerations.



\$15,355,000
CITY OF VENICE, FLORIDA
UTILITY SYSTEM REVENUE BONDS, SERIES 2015
(Green Bonds)



Dated: Date of Delivery

Due: December 1, as shown on inside cover

The City of Venice, Florida (the "City") will issue its Utility System Revenue Bonds, Series 2015 (the "Series 2015 Bonds") as fully registered bonds, without coupons, which initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases will be made in book-entry form only in denominations of \$5,000 and any integral multiple thereof. Purchasers of the Series 2015 Bonds (the "Beneficial Owners") will not receive physical delivery of the Series 2015 Bonds. Transfer of ownership in the Series 2015 Bonds will be effected by DTC's book-entry system as described herein. As long as Cede & Co. is the registered owner as nominee of DTC, principal and interest payments will be made directly to such registered owner which will in turn remit such payments to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Accordingly, principal of and interest on the Series 2015 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A. as paying agent (the "Paying Agent") directly to DTC as the registered owner thereof. Disbursements of such payments to the Direct Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants, as more fully described herein. See "DESCRIPTION OF THE SERIES 2015 BONDS" – Book-Entry Only System" herein. The Series 2015 Bonds will bear interest at the fixed rates set forth on the inside cover payable semiannually on each June 1 and December 1, commencing December 1, 2015.

Certain of the Series 2015 Bonds are subject to optional and mandatory redemption prior to maturity as set forth in this Official Statement.

The Series 2015 Bonds are being issued to (i) finance and/or reimburse the cost of acquisition, construction and equipping of various capital improvements to the City's water and sewer utility system (the "2015 Project"), (ii) fund the Series 2015 Subaccount of the Reserve Account in an amount equal to Reserve Requirement for the Series 2015 Bonds and (iii) pay costs of issuance of the Series 2015 Bonds.

The Series 2015 Bonds are being issued pursuant to Chapter 166, Part II, Florida Statutes, the Charter of the City, the Constitution of the State of Florida and other applicable provisions of law (collectively, the "Act"), and pursuant to Resolution No. 2012-05 adopted by the City Council of the City (the "City Council") on May 22, 2012, as amended and supplemented and particularly as amended and supplemented by Resolution No. 2015-01 adopted by the City Council on February 10, 2015 (collectively, the "Resolution"). The Series 2015 Bonds are secured by a pledge of and are payable solely from the Net Revenues of the City's water and sewer utility system, and until applied in accordance with the Resolution, the moneys on deposit in the various funds and accounts created pursuant to the Resolution, except for the Rebate Fund and the income on investments in such funds and accounts (collectively, the "Pledged Revenues"). The lien of the Series 2015 Bonds on the Pledged Revenues is on parity with the lien thereon of the City's Utility System Refunding Revenue Note, Series 2012 currently outstanding in the principal amount of \$2,530,000, the City's Utility System Revenue Bonds, Series 2012 currently outstanding in the principal amount of \$20,010,000 and the City's Utility System Refunding Revenue Note, Series 2013 currently outstanding in the principal amount of \$3,589,000 (collectively, the "Parity Obligations"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and Appendix C hereto.

THE SERIES 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS, LIABILITY, GENERAL OR MORAL OBLIGATION OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE CITY, OR OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATIONS. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF NOR THE CITY SHALL BE OBLIGATED (I) TO LEVY AD VALOREM TAXES ON ANY PROPERTY TO PAY THE PRINCIPAL OF THE SERIES 2015 BONDS, THE INTEREST THEREON, THE RESERVES THEREFOR OR OTHER COSTS INCIDENT THERETO, OR (II) TO PAY THE SAME FROM ANY OTHER FUNDS OF THE CITY EXCEPT FROM THE PLEDGED REVENUES, IN THE MANNER PROVIDED IN THE RESOLUTION. THE SERIES 2015 BONDS SHALL NOT CONSTITUTE A LIEN UPON THE SYSTEM OR ANY PART THEREOF, OR ON ANY OTHER PROPERTY OF THE CITY, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES IN THE MANNER PROVIDED IN THE RESOLUTION.

This cover page contains certain information for quick reference only. It is not a summary of the Series 2015 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2015 Bonds are offered when, as and if issued and received by the Underwriters, subject to the receipt of an opinion as to the validity of the Series 2015 Bonds and certain other matters by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters incident to the issuance and delivery of the Series 2015 Bonds will be passed on for the City by its counsel, Persson & Cohen, P.A., Venice, Florida and Akerman LLP, Orlando, Florida, Disclosure Counsel. Bryant Miller Olive P.A., Tampa, Florida is serving as Counsel to the Underwriters. Larson Consulting Services, LLC, Orlando, Florida is serving as Financial Advisor to the City. It is expected that the Series 2015 Bonds will be available for delivery to the Underwriters at the facilities of DTC in New York New York on or about March 11, 2015.

RBC Capital Markets

Raymond James

Dated: February 20, 2015

\$15,355,000
CITY OF VENICE, FLORIDA
UTILITY SYSTEM REVENUE BONDS, SERIES 2015
(Green Bonds)

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

\$13,630,000 Serial Bonds

Maturity (December 1)	Amount	Interest Rate	Price	Yield	Initial CUSIP Number**
2016	\$ 490,000	5.000%	107.796	0.45%	922690GL0
2017	515,000	5.000	111.429	0.75	922690GM8
2018	540,000	4.000	110.662	1.07	922690GN6
2019	565,000	5.000	116.891	1.30	922690GP1
2020	590,000	5.000	118.638	1.58	922690GQ9
2021	620,000	5.000	120.102	1.81	922690GR7
2022	645,000	2.000	99.643	2.05	922690GS5
2023	665,000	5.000	121.842	2.23	922690GT3
2024	700,000	5.000	122.519	2.39	922690GU0
2025	740,000	5.000	122.853	2.55	922690GV8
2026	775,000	5.000	121.180*	2.71	922690GW6
2027	805,000	3.000	98.434	3.15	922690GX4
2030	920,000	3.000	96.101	3.32	922690HA3
2031	945,000	3.125	96.759	3.38	922690HB1
2032	980,000	3.250	97.621	3.43	922690GY2
2033	1,010,000	3.250	96.851	3.48	922690HC9
2034	1,045,000	3.375	97.807	3.53	922690HD7
2035	1,080,000	3.375	97.015	3.58	922690HE5

\$1,725,000 5.00% Term Bonds due December 1, 2029; Price 118.519*% Yield 2.970%,
Initial CUSIP No. 922690GZ9**

* Priced to first optional call date of December 1, 2025.

** CUSIP numbers have been assigned by an organization not affiliated with the City and are included in this Official Statement for the convenience of the potential purchasers of the Series 2015 Bonds. The City is not responsible for the selection or uses of CUSIP numbers, nor is a representation made as to their accuracy on the Series 2015 Bonds, or as indicated above.

CITY OF VENICE, FLORIDA

CITY COUNCIL

John Holic, Mayor
Jeanette Gates, Vice Mayor
Bob Daniels, Councilmember
Thomas "Kit" McKeon, Councilmember
Jim Bennett, Councilmember
Emilio Carlesimo, Councilmember
Deborah Anderson, Councilmember

ADMINISTRATION

Edward F. Lavalley, MPA, City Manager
Len Bramble, P.E., Assistant City Manager
Persson & Cohen, P.A., City Attorney
Jeff Snyder, CPA, Director of Finance
Linda Senne, CPA, Controller
Tim Hochuli, P.E., Interim Utilities Director
Lori Stelzer, CMC, City Clerk

BOND COUNSEL

Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

FINANCIAL ADVISOR

Larson Consulting Services, LLC
Orlando, Florida

DISCLOSURE COUNSEL

Akerman LLP
Orlando, Florida

FEASIBILITY CONSULTANT

Burton & Associates, Inc.
St. Augustine, Florida

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations in connection with the Series 2015 Bonds other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City, DTC, and other sources which are believed to be reliable. The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute a contract between the City or the Underwriters and any one or more owners of the Series 2015 Bonds, nor does it constitute an offer to sell or the solicitation of an offer to buy the Series 2015 Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements contained in this Official Statement do not reflect historical facts, but rather are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe" and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The City specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except as otherwise expressly provided in "CONTINUING DISCLOSURE" herein.

Information on any internet addresses set forth in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor can any such information be relied upon in making investment decisions regarding the Series 2015 Bonds.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2015 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality, or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the Series 2015 Bonds is made only by means of this entire Official Statement.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2015 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2015 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: www.MuniOS.com. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

In making an investment decision, investors must rely on their own examination of the City, and the terms of the offering, including the merits and risks involved. The Series 2015 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, other than as expressly provided in certificates to be delivered to the Underwriters in connection with the issuance of the Series 2015 Bonds, the City has not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT
relating to
\$15,355,000
CITY OF VENICE, FLORIDA
UTILITY SYSTEM REVENUE BONDS, SERIES 2015
(Green Bonds)

**DEVELOPMENT SINCE THE DATE OF THE PRELIMINARY
OFFICIAL STATEMENT**

On February 2, 2015, Crowe Horwarth LLP, an independent auditor firm, issued a Report on a Description of a Service Organization's System and the Suitability of the Design and Operating Effectiveness of Controls for UFS Affiliate Services, Inc. ("USFAS"), a holding company for four subsidiaries which includes Salem Trust Company ("STC"), which is the entity that provides custody and benefit payment services for the City's police and firefighter pension plans. This independent auditors report is in accordance with the American Institute of Certified Public Accountants' Statement on Standards for Attestation Engagement No. 16 and Reporting on Controls at a Service Organization Type 2. The independent auditors issued an adverse opinion for USFAS for the period covered in the report of June 1, 2013 to June 30, 2014 concluding in part that the applied controls failed to achieve the control objectives and that the tested controls did not operate effectively based on tests of 25 accounts and requests for 25 days of trade and reconciliation information from USFAS' four subsidiaries. STC's response included statements that the adverse findings were due to transition to a new operating system and that it has improved its internal processes and controls since the release of such report.

The City's independent audit firm, Moore Stephens Lovelace, P.A., has indicated that because of the USFAS auditor's report, there may need to be an exception in its opinion as to the City's basic financial statements for the City fiscal year ended September 30, 2014, provided that such exception would be limited to the City's police and firefighter pension plans due to the adverse findings in the USFAS audit. The City and its auditor will be working with STC and the investment managers for the police and firefighter pension plans to review investment activity of the plans during the City's fiscal year ended September 30, 2014. Based on currently available information, the City does not believe that the problems detailed in the independent auditor's report of USFAS as described above will have any material adverse effect on the City's police and firefighter pension plans, the City's ability to pay debt service on the Series 2015 Bonds or on the overall financial position of the City.

INTRODUCTION

The purpose of this Official Statement, including the cover page and all appendices, is to set forth certain information in connection with the sale by the City of Venice, Florida (the "City") of its \$15,355,000 aggregate principal amount of Utility System Revenue Bonds, Series 2015 (the "Series 2015 Bonds").

The Series 2015 Bonds are being issued pursuant to Chapter 166, Part II, Florida Statutes, the Charter of the City, the Constitution of the State of Florida and other applicable provisions of law (collectively, the "Act"), and pursuant to Resolution No. 2012-05 adopted by the City Council of the City (the "City Council") on May 22, 2012, as amended and supplemented and particularly as amended and supplemented by Resolution No. 2015-01 adopted by the City Council on February 10, 2015 (collectively, the "Resolution"). The Series 2015 Bonds are secured by a pledge of and are payable solely from the Net Revenues of the City's water and sewer utility system, and until applied in accordance with the Resolution, the moneys on deposit in the various funds and accounts created pursuant to the Resolution, except for the Rebate Fund and the income on investments in such funds and accounts (collectively, the "Pledged Revenues"). The lien of the Series 2015 Bonds on the Pledged Revenues is on parity with the lien thereon of the City's Utility System Refunding Revenue Note, Series 2012 currently outstanding in the principal amount of \$2,530,000, the City's Utility System Revenue Bonds, Series 2012 currently outstanding in the principal amount of \$20,010,000 and the City's Utility System Refunding Revenue Note, Series 2013 currently outstanding in the principal amount of \$3,589,000 (collectively, the "Parity Obligations"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and APPENDIX C hereto.

THE SERIES 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS, LIABILITY, GENERAL OR MORAL OBLIGATION OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE CITY, OR OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATIONS. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF NOR THE CITY SHALL BE OBLIGATED (I) TO LEVY AD VALOREM TAXES ON ANY PROPERTY TO PAY THE PRINCIPAL OF THE SERIES 2015 BONDS, THE INTEREST THEREON, THE RESERVES THEREFOR OR OTHER COSTS INCIDENT THERETO, OR (II) TO PAY THE SAME FROM ANY OTHER FUNDS OF THE CITY EXCEPT FROM THE PLEDGED REVENUES, IN THE MANNER PROVIDED IN THE RESOLUTION. THE SERIES 2015 BONDS SHALL NOT CONSTITUTE A LIEN UPON THE SYSTEM OR ANY PART THEREOF, OR ON ANY OTHER PROPERTY OF THE CITY, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES IN THE MANNER PROVIDED IN THE RESOLUTION.

The Series 2015 Bonds are being issued to (i) finance and/or reimburse the cost of acquisition, construction and equipping of various capital improvements to the City's water and sewer utility system (the "2015 Project"), (ii) fund the Series 2015 Subaccount of the Reserve Account in an amount equal to the Reserve Requirement for the Series 2015 Bonds and (iii) pay costs of issuance of the Series 2015 Bonds.

Based on the environmental benefits of the 2015 Project, the City has designated the 2015 Project as a "Green Project" designed to be environmentally beneficial in the broad categories of drinking water, clean water, sustainable waste management and energy efficiency, and has designated the Series 2015 Bonds as "Green Bonds". The terms "Green Project" and "Green Bonds" are neither defined in, nor related to the Resolution, and their use herein is for identification purposes only and is not intended to provide or imply that a holder of the Series 2015 Bonds is entitled to any additional security other than as provided in the Resolution. The purpose of labeling the Series 2015 Bonds as "Green Bonds" is to allow holders of the Series 2015 Bonds to invest in environmentally beneficial projects. The City makes no representation that every component of the 2015 Project meets the classification of a Green Project. The City assumes no obligation to ensure the compliance with the principles of Green Bonds as such principles may evolve over time.

The Series 2015 Bonds are issuable only in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2015 Bonds is payable semi-annually on each June 1 and December 1, commencing December 1, 2015. The Series 2015 Bonds will be initially issued to and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be available to purchasers under the book-entry system maintained by DTC through brokers and dealers who are or act through Direct Participants. Purchasers of beneficial interests in the Series 2015 Bonds will not receive physical delivery of the Series 2015 Bonds, but will be Beneficial Owners (and not registered owners) of the Series 2015 Bonds. For so long as any purchaser is the Beneficial Owner of a Series 2015 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a Direct Participant. The principal and interest on the Series 2015 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent directly to Cede & Co. as the registered owner thereof. Disbursements of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants, as more fully described herein. See "DESCRIPTION OF THE SERIES 2015 BONDS – Book-Entry Only System" herein.

This Official Statement speaks only as of its date and the information contained herein is subject to change.

Capitalized terms used but not defined herein have the same meanings as when used in the Resolution unless the context clearly indicates otherwise. Complete descriptions of the terms and conditions of the Series 2015 Bonds are set forth in the Resolution, the composite of which is attached to this Official Statement as APPENDIX C. The description of the Series 2015 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained, after payment of applicable copying and mailing costs, from the City of Venice, 401 West Venice Avenue, Venice, Florida 34285, Attention: Lori Stelzer, CMC, City Clerk.

THE 2015 PROJECT

The City's five-year capital improvement program for the water and sewer utility system for the City's fiscal years 2015 through 2019 is \$72,621,283. See "APPENDIX F: Financial Feasibility Report" herein. Proceeds of the Series 2015 Bonds will fund the 2015 Project, which is expected to include the relocation of Venetian Parkway utilities, at an approximate cost of \$2.3 million; odor control improvements at the water treatment plant (degasifier/scrubber), at an approximate cost of \$2.975 million; and replacement of the aeration system and grit removal system at the Eastside Water Reclamation Facility, at an approximate cost of \$9,920,457. The 2015 Project is expected to include water projects totaling \$5,275,000 and sewer projects totaling \$9,920,457. The planned capital improvements not financed with proceeds of the Series 2015 Bonds are expected to be funded with \$14.9 million from operating revenues, \$7.9 million from proceeds of the City's Utility System Revenue Bonds, Series 2012, \$5.5 million from Infrastructure Sales Surtax funds, \$26.7 million from State Revolving Fund loans, and \$2.3 million from water and sewer capacity charges.

DESCRIPTION OF THE SERIES 2015 BONDS

General

The Series 2015 Bonds will be issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof and will be initially registered in the name of Cede & Co., as nominee of DTC, New York, New York, which will act as securities depository for the Series 2015 Bonds. Unless the book-entry system is discontinued, individual purchases of the Series 2015 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the Series 2015 Bonds or any certificate representing their beneficial ownership interests in the Series 2015 Bonds. See "Book-Entry Only System" below.

Interest on the Series 2015 Bonds is payable on December 1, 2015 and on each June 1 and December 1 thereafter until maturity or redemption. Amounts due on the Series 2015 Bonds will be paid to Cede & Co., as nominee for DTC, as registered owner of the Series 2015 Bonds, to be subsequently disbursed to Direct Participants and Indirect Participants and thereafter to the Beneficial Owners of the Series 2015 Bonds.

Book-Entry Only System

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC and the City does not make any representation or warranty or take any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 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 2015 Bond certificate will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount of such maturity, 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 3.5 million U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC

is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants". DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its DTC Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Bond (each a "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 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bond documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 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 the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on a payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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 DTC Participant and not of DTC nor its nominee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Series 2015

Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and/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.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, 2015 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC upon compliance with any applicable DTC rules and procedures. In that event, Series 2015 Bond certificates will be printed and delivered at the expense of the City.

So long as Cede & Co. is the registered owner of the Series 2015 Bonds, as nominee of DTC, reference herein to the Bondholders or Registered Owners of the Series 2015 Bonds will mean Cede & Co., as aforesaid, and will not mean the Beneficial Owners of the Series 2015 Bonds.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2015 BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE SERIES 2015 BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Optional Redemption

The Series 2015 Bonds maturing on or before December 1, 2025, are not subject to redemption prior to their stated dates of maturity. The Series 2015 Bonds maturing on December 1, 2026 and thereafter shall be subject to redemption prior to their stated dates of maturity at the option of the City, in whole or in part, on December 1, 2025, or any date thereafter, in such order as shall be determined by the City and by lot within a maturity, at the redemption price of 100% of the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Redemption

The Series 2015 Bonds maturing on December 1, 2029 are subject to mandatory redemption prior to maturity, by lot, in such manner as the Paying Agent may deem appropriate, at 100% of the principal amount of the Series 2015 Bonds so to be redeemed in the following Amortization Installments on December 1 in the years specified:

<u>Year</u>	<u>Amortization Installments</u>
2028	\$840,000
2029*	885,000

*Maturity

Notice of Redemption

Notice of redemption for Series 2015 Bonds to be redeemed shall be mailed by the Registrar by first-class mail (postage prepaid) not less than thirty (30) days prior to the date fixed for redemption to the Registered Owner of each Series 2015 Bond to be redeemed at the address as they appear on the registration books, as of the date of

mailing of such notice. Failure to give such notice by mailing to any Holder of Series 2015 Bonds, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Series 2015 Bonds as to which no such failure or defect has occurred.

Pursuant to the Resolution, notice of optional redemption of Series 2015 Bonds shall only be sent if the City reasonably determines it shall have sufficient funds available to pay the redemption price of and interest on the Series 2015 Bonds called for redemption on the redemption date. The City may provide that a redemption may be contingent upon the occurrence of certain condition(s) and that if such condition(s) do not occur, the notice of redemption will be rescinded, provided notice of rescission shall be mailed in the manner described above to all affected Series 2015 Bondholders as soon as practicable.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Series 2015 Bonds, the Parity Obligations and any Additional Parity Obligations hereafter issued pursuant to the Resolution (collectively, the "Bonds") are secured by a pledge of and are payable solely from the Net Revenues, and until otherwise applied in accordance with the Resolution, the moneys on deposit in the funds and accounts created pursuant to the Resolution (except the Rebate Fund) and the income on investment thereof.

THE SERIES 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS, LIABILITY, GENERAL OR MORAL OBLIGATION OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE CITY, OR OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATIONS. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF NOR THE CITY SHALL BE OBLIGATED (I) TO LEVY AD VALOREM TAXES ON ANY PROPERTY TO PAY THE PRINCIPAL OF THE SERIES 2015 BONDS, THE INTEREST THEREON, THE RESERVES THEREFOR OR OTHER COSTS INCIDENT THERETO, OR (II) TO PAY THE SAME FROM ANY OTHER FUNDS OF THE CITY EXCEPT FROM THE PLEDGED REVENUES, IN THE MANNER PROVIDED IN THE RESOLUTION. THE SERIES 2015 BONDS SHALL NOT CONSTITUTE A LIEN UPON THE SYSTEM OR ANY PART THEREOF, OR ON ANY OTHER PROPERTY OF THE CITY, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES IN THE MANNER PROVIDED IN THE RESOLUTION.

Net Revenues consist of Gross Revenues less (i) cost of Cost of Operation and Maintenance and (ii) amounts required to be deposited in the Rebate Fund as provided in the Resolution.

Gross Revenues or **Revenues** consist of all moneys, received or receivable by the City or accruing to it in the operation of the System, from rates, fees, rentals or other charges for the services or facilities of the System, including periodic use or consumption charges, tapping charges and service connection charges, such sums as the City shall pay each year for each fire hydrant of the City using the services and facilities of the System and income derived from the investment of funds held under the Resolution (other than amounts on deposit in the Rebate Fund), all calculated in accordance with sound accounting practice. Gross Revenues do not include Special Connection Charges, Capital Charges or any amounts received by the City from state and Federal grants and grants in aid of construction, unless otherwise provided in the Resolution.

System or **Utility System** means the complete and combined water and sewer system now owned, operated and maintained by the City, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired by the City, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, and including any undivided or partial ownership interests therein, as more fully described in the Resolution.

Special Connection Charges are amounts derived by the City from special connection charges, main extension fees or other charges, imposed to recover all or a portion of the cost of adding or extending water and sewer lines.

Capital Charges are amounts other than Gross Revenues or Special Connection Charges, derived by the City on or after the date of issuance of any Bonds and derived from impact fees or other fees or charges, including fees and charges received pursuant to Ordinance No. 981-83 (enacted by the City on January 11, 1983) of the City, or any amendments or replacements thereof, for capital facilities constituting any portion of a Project and provided to satisfy Increased Capacity Requirements.

Increased Capacity Requirements means any increased demand upon or usage of the capital facilities of the System resulting from additional connections thereto, or from substantial changes to or in the use of properties connected thereto

Cost of Operation and Maintenance of the System means all current expenses, paid or accrued, for the operation, maintenance and repair of all facilities of the System, as calculated in accordance with sound accounting practice, and shall include, without limiting the generality of the foregoing, insurance premiums, administrative expenses of the City related solely to the System, labor, cost of materials and supplies used for current operation, and charges for the accumulation of appropriate reserves for current expenses not annually recurrent but which are such as may reasonably be expected to be incurred in accordance with sound accounting practice, but excluding (i) any reserve for renewals or replacements, (ii) any extraordinary repairs, (iii) any allowance for depreciation or (iv) any costs of issuance incurred in connection with the issuance of Bonds under the Resolution or incurred in connection with the issuance of Subordinated Indebtedness.

Flow of Funds

Pursuant to the Resolution, the City is to deposit the entire Gross Revenues, except the income from investments, upon receipt to the Revenue Fund.

All funds at any time remaining on deposit in the Revenue Fund shall be disposed of on or before the fifteenth (15th) day of each month first to deposit to the Rebate Fund in an amount estimated to be sufficient to timely provide for any rebate amount required under the Resolution, and then only in the following manner and in the following order of priority:

(1) Revenues shall first be used to deposit in the "Operation and Maintenance Fund" such sums as, together with the money then on deposit therein, will be sufficient for the Cost of Operation and Maintenance for the next ensuing month.

(2) Revenues shall next be used for deposit into the Interest Account, such sums as will be sufficient to pay one-sixth (1/6) of all interest becoming due on each series of the Bonds on the next applicable semiannual interest payment date; provided, however, deposits into the Interest Account for the purpose of meeting interest payments for any series of Bonds shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such series.

(3) Revenues shall next be used for deposit into the Principal Account, in any Bond Year in which a Serial Bond matures, such sums as will be sufficient to pay one-twelfth (1/12) of the principal maturing on Serial Bonds in such Bond Year; provided, however, deposits into the Principal Account for the purpose of meeting principal payments for any series of Bonds shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such series.

(4) On a parity basis with the deposits under paragraph (3) above, Revenues shall next be used for deposit into the Bond Amortization Account in any Bond Year in which an Amortization Installment is due, such sums as will be sufficient to pay one-twelfth (1/12) of the Amortization Installment required to be made in such Bond Year. Such payments shall be credited to a separate special account for each series of Term Bonds Outstanding, and if there shall be more than one stated maturity for Term Bonds of a series, then into a separate special account in the Bond Amortization Account for each such separate maturity of Term Bonds. The funds and investments in each such separate account shall be pledged solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any other

series or within a series, or for transfer to any other account in the Sinking Fund to make up any deficiencies in required payments therein. Upon the sale of any series of Term Bonds, the City shall by resolution, establish the amounts and maturities of such Amortization Installments for each series, and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested, in the manner provided below, then the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative amounts of the principal amount of investments required to have been purchased by, the payment date of such Amortization Installment.

Moneys on deposit in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence.

The required deposits to the Principal Account, Interest Account and Bond Amortization Account shall be adjusted in order to take into account the amount of money currently on deposit therein.

(5) (a) Revenues shall next be applied by the City to maintain in the Reserve Account a sum equal to the Reserve Requirement established for any series of Bonds, which sum shall initially be deposited therein from the proceeds of the sale of each series of the Bonds unless a Reserve Account Insurance Policy has been established therefore, or unless a different method of initial funding is specified for a particular series. The amount required to be on deposit in the Reserve Account shall be recomputed not less than annually, and any surplus may be transferred to the Revenue Fund. In the event any separate subaccounts have been created in the Reserve Account, the Revenues shall be applied *pro rata* to the Reserve Account and the subaccounts therein in proportion to the deficiencies (including outstanding Policy Costs) therein.

(b) Notwithstanding the foregoing, the City may, at any time, deposit a Reserve Account Insurance Policy with the Paying Agent. The amount available under such Reserve Account Insurance Policy shall be treated as a credit toward the amount required to be held on deposit in the Reserve Account pursuant to the terms of the Resolution. If the terms of any Reserve Account Insurance Policy provide that the moneys available thereunder for payment of principal and interest on the Bonds may only be applied to the particular series of Bonds for which such Reserve Account Insurance Policy was established, the City shall maintain a separate subaccount within the Reserve Account for such series of Bonds.

(c) Any withdrawals from the Reserve Account and the subaccounts, if any, therein which reduce the balance below the then applicable Reserve Requirement (including payment of Policy Costs in respect of any Reserve Account Insurance Policies) shall be subsequently restored within the next ensuing twelve months following such withdrawal from the first moneys available in the Revenue Fund after all required current payments for the Operation and Maintenance Fund and Sinking Fund (other than the Reserve Account) (including all deficiencies in prior payments to such funds) have been made in full.

(d) Moneys in the Reserve Account and any subaccounts, if any, therein shall be used only for the purpose of the payment of maturing principal of or interest on the applicable Bonds, or maturing Amortization Installments, if any, when the other moneys in the Sinking Fund are insufficient therefore, and for no other purpose except set forth in the Resolution. Payment of Policy Costs and reimbursement of amounts with respect to other credit facilities shall be made on a *pro rata* basis prior to replenishment of any cash drawn from the Reserve Account.

(e) The City may establish within the Reserve Account separate subaccounts for any series of Bonds for which a Reserve Requirement is established. The moneys and/or Reserve Account Insurance Policies on deposit in each subaccount shall be held and applied in the manner determined by the

City, but solely for the payment of the principal or redemption of, or interest on such series of Bonds for which it is established and such series of Bonds shall have no claim upon or lien for payment from the other moneys and/or Reserve Account Insurance Policies in the Reserve Account. If a Reserve Account has been established for one or more separate series of Bonds, and such series of Bonds is redeemed in whole and no Bonds of such series remain Outstanding, the amounts in such Reserve Account shall be applied in accordance with subsection (a) above.

(f) The City may, at its option, provide upon issuance of any series of Additional Parity Obligations that such Bonds shall not be secured by a Reserve Account. In this event such Bonds shall not be entitled to share in the Reserve Account for other series of Bonds, and the deposits into any separate subaccount in the Reserve Account which the City may elect to establish for such series of Additional Parity Obligations shall be made on the same basis as deposits would be made to their subaccounts of the Reserve Account.

(6) Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as are provided in the Resolution the payments into the several accounts in the Sinking Fund shall be increased in such accounts as shall be necessary to make the payments for the principal of, interest on and reserves for such Additional Parity Obligations and, if Term Bonds are issued, the Amortization installments, on the same basis as provided in the Resolution.

The City shall not be required to make any further payments into the Sinking Fund when the aggregate amount of money in the Sinking Fund is at least equal to the total Bond Service Requirement of the Bonds then Outstanding, plus the amount of redemption premium, if any, then due and thereafter to become due on such Bonds then Outstanding by operation of the Bond Amortization Account.

(7) The City shall next apply and deposit the moneys in the Revenue Fund into a special account known as the "Renewal and Replacement Fund." The City shall deposit into such Renewal and Replacement Fund an amount equal to one-twelfth (1/12) of five percent (5%) of the Gross Revenues for the immediately preceding Fiscal Year or such greater amount as may be determined and approved by the governing body of the City, provided that no deposit shall be required to be made so long as there is an amount in the Renewal and Replacement Fund equal to \$1,000,000. The moneys in the Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to or the replacement of capital assets of the System and emergency repairs thereto. Such moneys on deposit in such fund shall also be used to supplement the Reserve Account if necessary in order to prevent a default in the payment of the principal or Amortization Installments of and interest on the Bonds.

(8) The City shall next apply the moneys in the Revenue Fund to pay any amount owed to the Municipal Insurers if not paid above.

(9) The City shall next apply and deposit the moneys in the Revenue Fund into the Subordinated Indebtedness Fund. The City shall deposit into the Subordinated Indebtedness Fund a monthly installment amount sufficient to accumulate adequate moneys to pay, when due, the payments in respect of Subordinated Indebtedness, including in particular the City's State Revolving Fund Indebtedness. The insufficiency of Net Revenues to make any such payments shall not constitute a default under the Resolution.

(10) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may be used by the City for any lawful purpose.

Investments

Moneys on deposit in the Revenue Fund and the Sinking Fund (except the Reserve Account therein) may be invested and reinvested in the manner provided by law provided such investments either mature or are redeemable at not less than par at the option of the City not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. The moneys in the Reserve Account in the Sinking Fund and in

the Renewal and Replacement Fund may be invested and reinvested only in Authorized Investments, in the manner provided by law; provided that investments purchased with moneys in the Reserve Account shall have a term to maturity of not greater than seven (7) years. All income on such investments shall be deposited into the Revenue Fund, except however that investment income earned in the Bond Amortization Account shall remain therein or be transferred to the Principal Account or the Interest Account and used to pay maturing principal, Amortization Installments and interest on the Bonds.

If any investment held in any fund or account under the Resolution shall cease to meet the criteria set forth in the definition of Authorized Investments and such investment, together with all other non-conforming investments under the Resolution exceeds ten percent (10%) of the aggregate funds invested thereunder, such investment shall be sold or liquidated unless otherwise approved in writing by each applicable Municipal Insurer, if any.

Authorized Investments (except investment agreements and United States Treasury Obligations, State and Local Government Series) in the funds and accounts under the Resolution shall be valued at the market value thereof, exclusive of accrued interest, by the City (1) as frequently as reasonably deemed necessary by the applicable Municipal Insurer, if any, but not less often than annually nor more often than monthly and (2) upon any draw upon the Reserve Account. Deficiencies in the amount on deposit in any fund or account held under the Resolution resulting from a decline in market value shall be restored within one year of the valuation date.

Rate Covenant

Pursuant to the Resolution, the City has covenanted to fix, establish and maintain such rates and will collect such fees, rentals and other charges for the services and facilities of the System and revise the same from time to time whenever necessary, as will always provide Gross Revenues in each Fiscal Year sufficient to pay the Cost of Operation and Maintenance of the System in such Fiscal Year and all reserve and other payments required to be made pursuant to the Resolution, and will further be sufficient to provide an amount equal to one hundred and fifteen percent (115%) of the Bond Service Requirement becoming due in such year on all Outstanding Bonds.

The City has further covenanted and agreed that within ninety (90) days after adoption of the Annual Budget it, will annually revise such fees, rates, rentals and other charges for the use of the product, services and facilities of the System to the extent necessary for the estimated Gross Revenues to be derived from the operation of the System during the next succeeding Fiscal Year to increase so as to be sufficient to pay the estimated expenditures for operation and maintenance of the System during such next succeeding Fiscal Year and otherwise comply with all covenants in the Resolution.

If such annual review of the adequacy of the fees, rates, rentals and other charges indicates that the fees, rates, rentals and other charges are, or will be, insufficient to meet the requirements of the Resolution, the City shall (i) promptly take the necessary action to cure or avoid any such projected deficiency, (ii) diligently pursue the actions necessary to cure or avoid any such deficiency, (iii) not permit any expenditure for the operation and maintenance of the System in any Fiscal Year to be made in excess of the amount provided therefore in the applicable Annual Budget without a finding and recommendation by the duly authorized officer in charge thereof, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and the Governing Body of the City shall have approved such finding and recommendation or until the City has met the rate requirements of the Resolution, and (iv) retain a Consulting Engineer to promptly prepare a report or survey of the System, with respect to the management of the properties thereof, the sufficiency of the rates and charges for services, the proper maintenance of the properties of the System, and the necessity for capital improvements and recommendations therefore. Such a report or survey shall also show any failure of the City to perform or comply with such covenants. The City covenants to immediately take such reasonable steps as are necessary to comply with such requirements and recommendations.

Project Account

The City has established a "Project Account," into which a portion of the proceeds of the Series 2015 Bonds will be deposited. The monies in the Project Account shall be used for payment of the costs of the 2015

Project. To the extent that other moneys are not available therefor, amounts in the Project Account shall be applied to the payment of the principal and interest on the Series 2015 Bonds.

Reserve Account

The City will establish within the Reserve Account a separate subaccount for the Series 2015 Bonds (the "Series 2015 Reserve Subaccount"), which will be funded from bond proceeds at closing in an amount equal to the Reserve Requirement for the Series 2015 Bonds of \$1,101,175.00. The Reserve Requirement is defined to mean an amount, if any, established for a series of Bonds by resolution duly adopted by the City prior to the issuance of such series of Bonds; provided, however, that such Reserve Requirement shall not exceed as to any series of Bonds the lesser of (i) the Maximum Bond Service Requirement on all Bonds with respect to which such Maximum Bond Service Requirement is computed in the current or any subsequent Fiscal Year, (ii) one hundred twenty-five percent (125%) of the Average Bond Service Requirement on such series of Bonds, or (iii) ten percent (10%) of the proceeds of such series of Bonds, all within the meaning of Section 147 of the Code.

Additional Parity Obligations

The City has covenanted not to voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge nor issue any other obligations payable from the Gross Revenues of the System that have priority to or would be on a parity with the lien of the Parity Obligations and the Series 2015 Bonds and the interest thereon upon the Gross Revenues except in accordance with the conditions and in the manner provided in the Resolution. Any other obligations issued by the City in addition to the Series 2015 Bonds, the Parity Obligation or Additional Parity Obligations payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds, as to lien on and source and security for payment from the Gross Revenues.

Additional Parity Obligations, payable on a parity from the Pledged Revenues with the Series 2015 Bonds and the Parity Obligation, may be issued for the purposes of refunding a part of any Outstanding Bonds or financing the cost of extensions, additions and improvements to the System and in the manner set forth below.

(1) There shall have been obtained and filed with the City Clerk a certificate of a qualified and recognized firm of independent certified public accountants stating (a) that the books and records of the City relative to the System have been examined by such firm; (b) the amount of the Net Revenues derived for the Fiscal Year preceding the date of issuance of the proposed Additional Parity Obligations or for any 12 consecutive months during the 18 months immediately preceding the date of the issuance of the Additional Parity Obligations with respect to which such certificate is made, adjusted as herein below provided; (c) that the aggregate amount of such Net Revenues, as adjusted, for the period for which such Net Revenues are being certified is equal to not less than 150% of the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter in which any Bonds other than the series of Additional Parity Obligations with respect to which such certificate is made are scheduled to be Outstanding on (i) all Bonds then Outstanding, and (ii) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Consulting Engineers, the Net Revenues described in the previous paragraph may be adjusted for purposes of the issuance of Additional Parity Obligations by including: (a) 100% of the additional Net Revenues which in the opinion of the Consulting Engineer would have been derived by the City from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been implemented before the commencement of the period for which such Net Revenues are being certified, and (b) 100% of the additional Net Revenues estimated by the Consulting Engineer to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made. The adjustments described in (b) may only be made if the Net Revenues as adjusted under (a) for the period for which such Net Revenues are being certified equals at least 1.00 times the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all Bonds then Outstanding, and (ii) on the Additional Parity Obligations with respect to which such certificate is made.

(3) Each resolution authorizing the issuance of Additional Parity Obligations will recite that all of the covenants contained in the Resolution will be applicable to such Additional Parity Obligations.

(4) Immediately following the issuance of such Additional Parity Obligations (i) the City shall not be in default in performing any of the covenants and obligations assumed under the Resolution, and all payments required to have been made into the accounts and funds shall have been made to the full extent required and (ii) unless the applicable Municipal Insurer has otherwise agreed in writing, no Policy Costs shall be outstanding and unpaid.

(5) Notwithstanding the foregoing, the City may issue Additional Parity Obligations for the purpose of refunding any Outstanding Bonds without satisfying the requirements above, provided that upon issuance of such Additional Parity Obligations and the defeasance of the Bonds refunded by such Additional Parity Obligations the Bond Service Requirement is not increased in any year in which Bonds are Outstanding.

(6) As to any series of Bonds the payment of principal and interest on any which is guaranteed by a Municipal Insurer, the Municipal Insurer may consent to the issuance of Additional Parity Obligations upon terms not contemplated in the Resolution provided all Municipal Insurers of any Bonds consent thereto. Any such consent shall be deemed the consent of the Owners of such series of Bonds to the issuance of such Additional Parity Obligations.

Subordinated Indebtedness

Pursuant to the Resolution, the City may issue bonds, notes or other forms of indebtedness designated by the City in the resolution authorizing such as Subordinated Indebtedness payable from amounts on deposit in the Subordinated Indebtedness Fund. Although not yet approved, during Fiscal Year 2016, the City expects to borrow approximately \$27 million from the State of Florida Department of Environmental Protection revolving loan program to fund a portion of the City's water and sewer utility system capital improvement program. See "THE 2015 PROJECT" herein. The Feasibility Consultant in its report attached hereto as APPENDIX F has assumed that such funds will be drawn down in Fiscal Years 2016 through 2019. Such loan is expected to be issued as Subordinated Indebtedness under the Resolution.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the proceeds to be received from the sale of the Series 2015 Bonds.

Sources of Funds

Principal Amount of Series 2015 Bonds	\$15,355,000.00
Plus Net Original Issue Premium	<u>1,248,576.40</u>
Total Sources of Funds	<u>\$16,603,576.40</u>

Uses of Funds

Deposit to Project Account	15,195,457.00
Deposit to Series 2015 Subaccount of Reserve Account	1,101,175.00
Costs of Issuance ⁽¹⁾	<u>306,944.40</u>
Total Uses	<u>\$16,603,576.40</u>

⁽¹⁾ Includes legal and financial advisory fees, feasibility consultant fees, paying agent fees, rating agency fees, printing costs and Underwriters' discount.

DEBT SERVICE SCHEDULE FOR SERIES 2015 BONDS AND PARITY OBLIGATIONS

Year Ending September 30	Series 2015 Bonds			Parity Obligations	Total
	Principal	Interest	Total	Debt Service	Debt Service
2015	---	---	---	\$ 4,140,580.00	\$ 4,140,580.00
2016	---	\$759,519.44	\$ 759,519.44	4,133,150.00	4,892,669.44
2017	\$ 490,000	609,175.00	1,099,175.00	1,588,277.00	2,687,452.00
2018	515,000	584,050.00	1,099,050.00	1,590,883.00	2,689,933.00
2019	540,000	560,375.00	1,100,375.00	1,587,690.00	2,688,065.00
2020	565,000	535,450.00	1,100,450.00	1,589,690.00	2,690,140.00
2021	590,000	506,575.00	1,096,575.00	1,588,333.00	2,684,908.00
2022	620,000	476,325.00	1,096,325.00	1,585,760.00	2,682,085.00
2023	645,000	454,375.00	1,099,375.00	1,588,955.00	2,688,330.00
2024	665,000	431,300.00	1,096,300.00	1,155,300.00	2,251,600.00
2025	700,000	397,175.00	1,097,175.00	1,156,550.00	2,253,725.00
2026	740,000	361,175.00	1,101,175.00	1,157,575.00	2,258,750.00
2027	775,000	323,300.00	1,098,300.00	1,158,428.00	2,256,728.00
2028	805,000	291,850.00	1,096,850.00	1,158,272.00	2,255,122.00
2029	840,000	258,775.00	1,098,775.00	1,157,491.00	2,256,266.00
2030	885,000	215,650.00	1,100,650.00	1,156,084.00	2,256,734.00
2031	920,000	179,725.00	1,099,725.00	1,157,625.00	2,257,350.00
2032	945,000	151,159.38	1,096,159.38	1,156,988.00	2,253,147.38
2033	980,000	120,468.76	1,100,468.76	1,155,475.00	2,255,943.76
2034	1,010,000	88,131.26	1,098,131.26	1,158,000.00	2,256,131.26
2035	1,045,000	54,084.38	1,099,084.38	1,159,475.00	2,258,559.38
2036	1,080,000	18,225.00	1,098,225.00	1,158,325.00	2,256,550.00
2037	---	---	---	1,158,950.00	1,158,950.00
2038	---	---	---	1,158,981.00	1,158,981.00
2039	---	---	---	1,158,909.00	1,158,909.00
2040	---	---	---	1,157,569.00	1,157,569.00
2041	---	---	---	1,154,959.00	1,154,959.00
2042	---	---	---	1,155,991.00	1,155,991.00
2043	---	---	---	1,155,572.00	1,155,572.00
	<u>\$15,355,000</u>	<u>\$7,376,863.22</u>	<u>\$22,731,863.22</u>	<u>\$42,539,836.80</u>	<u>\$65,271,700.02</u>

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Portions of the following information under the heading "THE SYSTEM" has been extracted from the report of Burton & Associates, Inc., the City's water and sewer system feasibility consultant, which report is included as APPENDIX F hereto. Such report should be read in its entirety for more definitive and comprehensive information regarding the information contained under such heading.

THE SYSTEM

General

The City of Venice provides potable water, reclaimed water and sanitary sewer services to customers located primarily inside the City limits. The City utility service area covers approximately sixteen (16) square miles and is generally bounded by the Gulf of Mexico to the west and bordered on the north, south and east by unincorporated portions of Sarasota County.

The water system provided potable water service to 11,322 customers as of September 30, 2014. The membrane softening reverse osmosis water treatment plant provides approximately 2.2 million gallons per day (mgd) of finished water that is pumped to the transmission and distribution system.

The sanitary sewer collection system served 10,968 sewer customers as of September 30, 2014. The advanced wastewater treatment plant processes an average annual daily flow of 3.3 mgd. The wastewater treatment plant includes facilities capable of producing reclaimed water for irrigation purposes to a limited number of customers and public spaces, including the municipal golf course. The reclaimed water system served approximately 3,015 customers as of September 30, 2014.

Utility Management

Personnel involved in management, financing, and operations of the System includes an elected City Council consisting of seven members. The City Manager is appointed by the City Council and is responsible for the day to day management and administration of the City. The Director of Finance and the Utilities Director are selected by the City Manager. The Assistant Utilities Director reports to the Utilities Director, and the Controller reports to the Director of Finance.

Edward F. Lavalley, MPA, ICMA-CM, City Manager. Mr. Lavalley has been the City Manager since March 2012. Prior to his appointment as City Manager of Venice, he served terms as Police Administrator, Finance Director, and City Manager of Newport, Rhode Island. Mr. Lavalley has also been a law enforcement instructor for graduate and undergraduate students at colleges and universities for more than 20 years. Mr. Lavalley earned the Credentialed Manager designation from the International City/County Management Association (ICMA). Mr. Lavalley holds a Master in Public Administration from the University of New Haven, Connecticut (graduated number one in his class), a bachelor of Arts in Political Science from the University of Connecticut, and an Associate Degree from Mitchell College, Connecticut.

Lenox E. Bramble, PE, Assistant City Manager. Mr. Bramble has been the Assistant City manager since November 2014 and prior to that was the Director of Utilities commencing May 2007. Mr. Bramble also served as Director of Public Works for two years in 2008 and 2009. Prior to this appointment with the City, Mr. Bramble was the Permit Management Unit Supervisor in the Spokane Regional Office for the Washington Department of Ecology Water Quality Program from May 2003 to May 2007; Associate Engineer for Hahn Engineering in Spokane, Washington from May 2002 to May 2003; Power, Facilities and Systems Management Section Manager for HDR Engineering in Tampa, Florida from January 2002 to April 2002; Senior Project Manager at HDR Engineering in Tampa, Florida from May 2001 to January 2002; Senior Project Manager for B.P. Barber & Associates Engineering in Columbia, South Carolina from October 2000 to May 2001; Director of Public Works for Manatee County, Florida from January 1995 to October 2000; Director of Public Works and County Engineer for York County, South Carolina from October 1986 to December 1994; Environmental Engineer II for the Groundwater Section of the North Carolina Department of Natural Resources and Community Development, Division of Environmental Management in Raleigh, North Carolina from June 1985 to October 1986; Environmental Engineer II for the Solid and Hazardous Waste Management Branch of the North Carolina Department of Human Resources, Division of

Health Services, Environmental Health Division in Raleigh North Carolina from July 1984 to May 1985; and Environmental Engineer I for the Hydrology and Management Branch of the North Carolina Department of Natural Resources and Community Development, Office of Water Resources in Raleigh, North Carolina from November 1980 to June 1984. Mr. Bramble holds a Bachelor of Science in Civil Engineering from North Carolina State University, Raleigh, North Carolina.

Jeffery L. Snyder, CPA, MBA, Director of Finance. Mr. Snyder has been the Director of Finance since 2006. Prior to this appointment with the City, Mr. Snyder was the Director of Fiscal Operations and Chief Accountant for the City of Lubbock, Texas; the Accounting Manager for Spokane County, Washington; and an Audit Manager for the Washington State Auditor's Office. Mr. Snyder is a licensed Certified Public Accountant. Mr. Snyder holds a Masters in Business Administration from Western Washington University and a Bachelor of Science with emphasis in accounting from University of Montana.

Linda Senne, CPA, CGFM, is currently the Controller for the City, having joined the City in 2011. Prior to January 1, 2011, she was the Deputy Financial Services Director/Controller for the City of Cape Coral. Ms. Senne started in 2001 as the Controller for the City of Cape Coral managing the City's Financial Management System including accounting, financial reporting, treasury, cash management and investments, debt issues, payroll, grant coordination, capital assets, capital construction projects, and customer billing services. Ms. Senne was the Project Manager for the JD Edwards EnterpriseOne v9.0 Financial Management Software System implementation and the Kronos HRIS/Payroll System implementation. Ms. Senne was also instrumental in leading the Accounting Division in early implementation of GASB 34, the biggest change in the history of financial reporting for governmental entities.

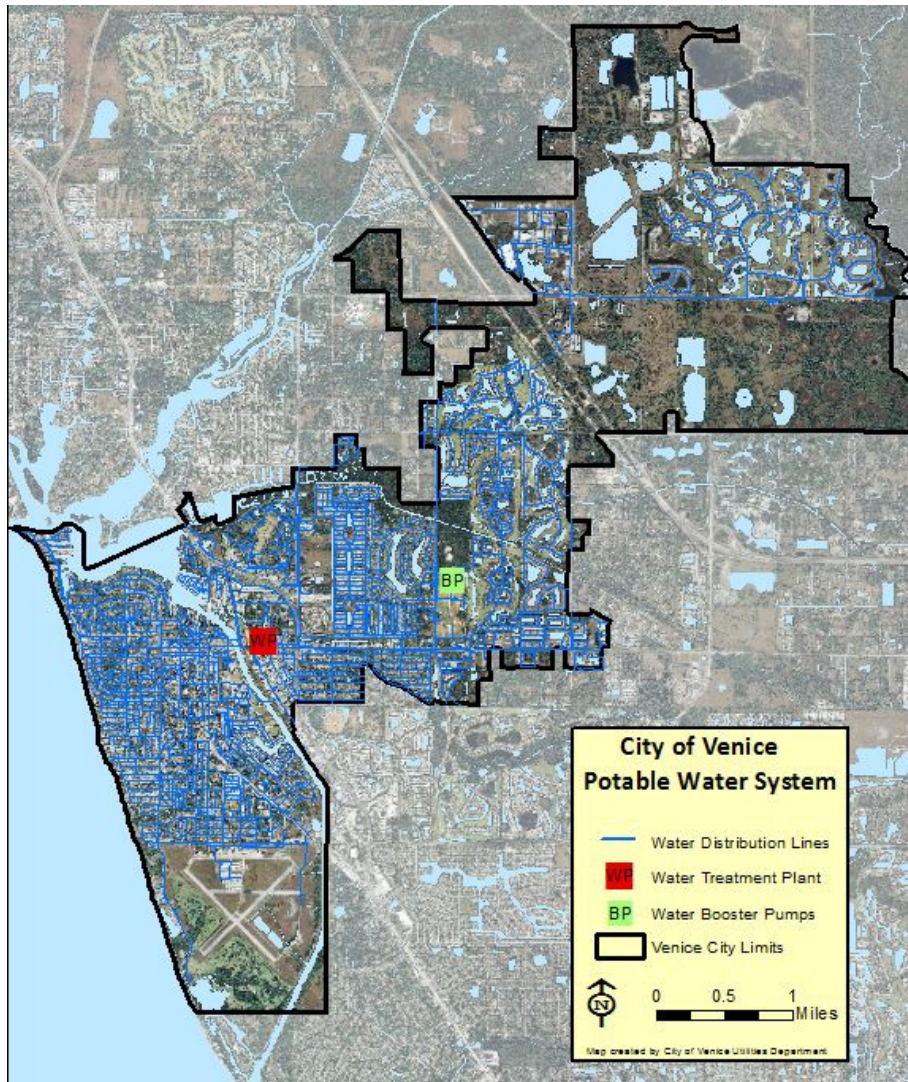
Ms. Senne worked for the Office of the State Auditor in North Dakota for 13 years prior to joining the City of Cape Coral. While working for the State of North Dakota, she was selected by the National Auditor's Association to be on the quality review team for the States of Rhode Island and Alabama. Ms. Senne attended Moorhead State University –Minnesota where she earned a B.S. in Accounting and has been a Certified Public Accountant since 1988.

Timothy Hochuli, PE, PMP, Assistant Utilities Director. Mr. Hochuli has been the Assistant Utilities Director since 2011 and is currently the Interim Utilities Director. His responsibilities include administering utility operations for the City, including planning, organizing and developing facility systems and planning, directing and overseeing implementation of capital improvement projects. Prior to his service to the City, he served for 12 years with Manatee County Government in several positions, including Project Management Director, Public Works Deputy Director, Projects & Engineering Manager and Project Manager. His career also includes 12 years as a consulting engineer. Mr. Hochuli holds a B.S. in Civil Engineering and M.S. in Environmental Engineering from Tufts University and a Master of Public Administration from the University of South Florida. In addition to being licensed as a Professional Engineer, Mr. Hochuli has earned the Project Management Professional and Envision Sustainability Professional certifications and is a Certified Construction Contract Administrator.

Existing System

Water System

The City's water system consists of groundwater withdrawals from two municipal wellfields, centralized treatment at a reverse osmosis water treatment plant, ground and elevated storage tanks, booster pump station and transmission/distribution piping network. The potable water system provides high-quality drinking water to approximately 11,000 accounts and services a population of more than 22,000. The system includes fifteen (15) permitted withdrawal points (of which fourteen (14) are operationally available), a 1-million gallon (MG) covered clearwell, a 1.5 MG ground storage tank, and two (2) 300,000 gallon elevated storage tanks. The water service area is largely built-out in the south and west portions thereof, with some opportunity for growth in the northeast region (see the following water infrastructure map below). The raw water source is the Intermediate Aquifer System (IAS). The high-quality finished water produced by the water treatment plant meets or exceeds all federal and state regulatory drinking water standards.



Water Supply

The City's drinking water supply system consists of fifteen wells (14 operational, one additional permitted) drawing water from two brackish raw water wellfields, one reverse osmosis (RO) water treatment plant (WTP), one booster pump station, two elevated storage tanks and approximately 185 miles of distribution piping. The existing RO plant has a treatment capacity of 4.32 million gallons per day (mgd) and the wellfields are limited to an average daily permitted withdrawal of 6.86 mgd and a peak monthly withdrawal of 8.24 mgd.

The Southwest Florida Water Management District (SWFWMD) regulates the City's groundwater withdrawal through the issuance of a Water Use Permit (WUP). The water system is currently permitted for an average daily withdrawal of 6.86 mgd and a peak month withdrawal of 8.24 mgd. This withdrawal allocation is permitted from fifteen production wells providing brackish groundwater from the Intermediate Aquifer. Fourteen wells are currently in operation, and the City's WUP provides authorization to construct one additional production well for operational flexibility.

Seven of the production wells are located at the City's Intracoastal Wellfield along the Intracoastal Waterway. The remaining seven operational production wells are located within the Sawgrass Community at the City's Eastern Wellfield. The proposed future permitted well, planned for construction in FY 2015, will also be

located at the Eastern Wellfield. The wells are similar in design and operation, and range in depth from 261 feet to 405 feet. Four of the wells have 10-inch diameter casings and ten wells have 12-inch diameter casings.

The operational production wells are equipped with submersible well pumps, flow-measurement devices, and discharge piping and valves. Each well is powered by the local electric utility company, Florida Power & Light. The emergency generator at the City's water treatment plant can provide power to two production wells in the event of a power outage, and seven production wells are equipped with fixed generators. The remaining wells are configured to receive power from the City's portable generators.

In addition to production wells for potable water supply, the City is a joint permit holder with the Venice Golf Association, Inc. for the three irrigation wells. The wells withdraw water from Production Zone (PZ) 3 of the IAS and are used for augmentation of reuse water. The permitted allocation for these wells is 0.20 mgd for average daily use and 0.96 mgd for peak month.

In 1990, the City initiated a wellfield monitoring system to monitor the pumpage, drawdown, and hours of operation of the production wells. The City's Wellfield Management, Monitoring, and Mitigation Plan includes an extensive network of monitoring wells sampled monthly for water quality, and allows for control and optimization of the production well withdrawals so that the Intermediate Aquifer does not experience the adverse impacts of saltwater intrusion.

Water Treatment Facility

The City owns and operates one water treatment facility. The current reverse osmosis facility includes two parallel RO membrane trains with a combined maximum day treatment capacity of 4.32 mgd. The RO WTP is permitted by The Florida Department of Environmental Protection (FDEP).

Raw water pretreatment includes sand separation, cartridge filtration and anti-scalant addition. After pretreatment, the water is pumped at high pressure across reverse osmosis membranes to remove minerals from the water at a 50 percent recovery rate. The RO treatment is composed of two parallel pumping and membrane train buildings; Phase I placed into service in 1975, and Phase II added in 1990.

Phase I can produce up to 2.16 mgd of potable water and utilizes two 150-horsepower (hp) vertical turbine high pressure pumps. The pumps are operated by variable frequency drives (VFDs) for controlling the speed of the pumps to maintain maximum efficiency. These pumps feed two RO membrane trains. Each train contains 36 pressure vessels that are comprised of six spiral wound membrane elements in a single pass configuration. Phase I operates at 50 percent recovery and averages between 150 and 160 pounds per square inch (psi) feed pressure, depending on water quality.

Phase II provides an additional 2.16 mgd, bringing the total plant capacity to 4.32 mgd. Phase II utilizes two 150-hp, vertical turbine high-pressure pumps that feed two RO trains. Each train holds 36 pressure vessels loaded with six spiral wound membrane elements in a single pass configuration. Phase II also operates at approximately 50 percent recovery with feed pressures averaging between 145 and 160 psi, depending on water quality.

A Supervisory Control and Data Acquisition (SCADA) system is used to operate the entire facility. The system allows plant personnel to monitor and adjust all plant operations parameters, raw water well control, distribution flows and pressure, as well as remote booster pumping control.

The water product from both phases are combined and blended with approximately six percent raw well water that is bypassed around the RO process to recharge the finished water with some mineral content. Carbon dioxide is then added to reduce the pH, which allows for the removal of dissolved gases.

Water Transmission and Distribution Facilities

In addition to the 1.0 MG clearwell at the RO WTP, the City's water transmission/distribution system includes two 300,000-gallon steel elevated storage tanks and a 1.5 MG concrete ground storage tank and booster pumping station. The tanks and booster station provide a total storage capacity of 3.1 MG for peak demand and fire flow throughout the utility service area.

Water is pumped from the on-site clearwell to the distribution system using three 250-hp vertical turbine high service pumps. The booster station connects to the distribution system via a 16-inch water main and utilizes a 100-hp booster pump and 50-hp backup booster pump to increase pressure for peak demand and to provide fire protection to the northeast service area.

The distribution system consists of approximately 185 miles of potable water mains, 14 miles of raw water mains, over 800 fire hydrants and over 2,400 main line valves. The distribution network includes ductile iron pipe (DIP), polyvinyl chloride (PVC), high-density polyethylene (HDPE), cast iron (CI), and asbestos concrete (AC) piping, some of which date back to the early 1900's. The piping network supplies water to homes, businesses, irrigation meters and fire hydrants throughout the City. The total length of the distribution network piping classified by diameter is summarized in the table on the following page.

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WATER SYSTEM - SUMMARY OF TRANSMISSION/DISTRIBUTION PIPING

Pipe Diameter (inches)	Pipe Material and Approximate Length of Pipe (feet)						Not	Total
	AC	CI	Copper	DIP	HDPE	PVC	Identified	
1			10		700	1,500	400	2,610
2	600	1,800	190		600	56,100	19,200	78,490
3	1,700			500		14,600	28,100	44,900
4	9,400	1,300		1,200	300	24,700	91,100	128,000
6	25,400	4,200		2,700	100	143,300	124,600	300,300
8	11,800	3,400		400	100	168,700	42,900	227,300
10	6,700	5,500		2,700		18,300	5,500	38,700
12	4,700			1,200		94,400	42,100	142,400
14				40	1,300			1,340
16				9,600		4,500	2,300	16,400
20				700				700
24				100			40	140
Total (feet)	60,300	16,200	200	19,140	3,100	526,100	356,240	981,280

AC = Asbestos-Cement

CI = Cast Iron

DIP = Ductile Iron Pipe

HDPE = High-Density Polyethylene

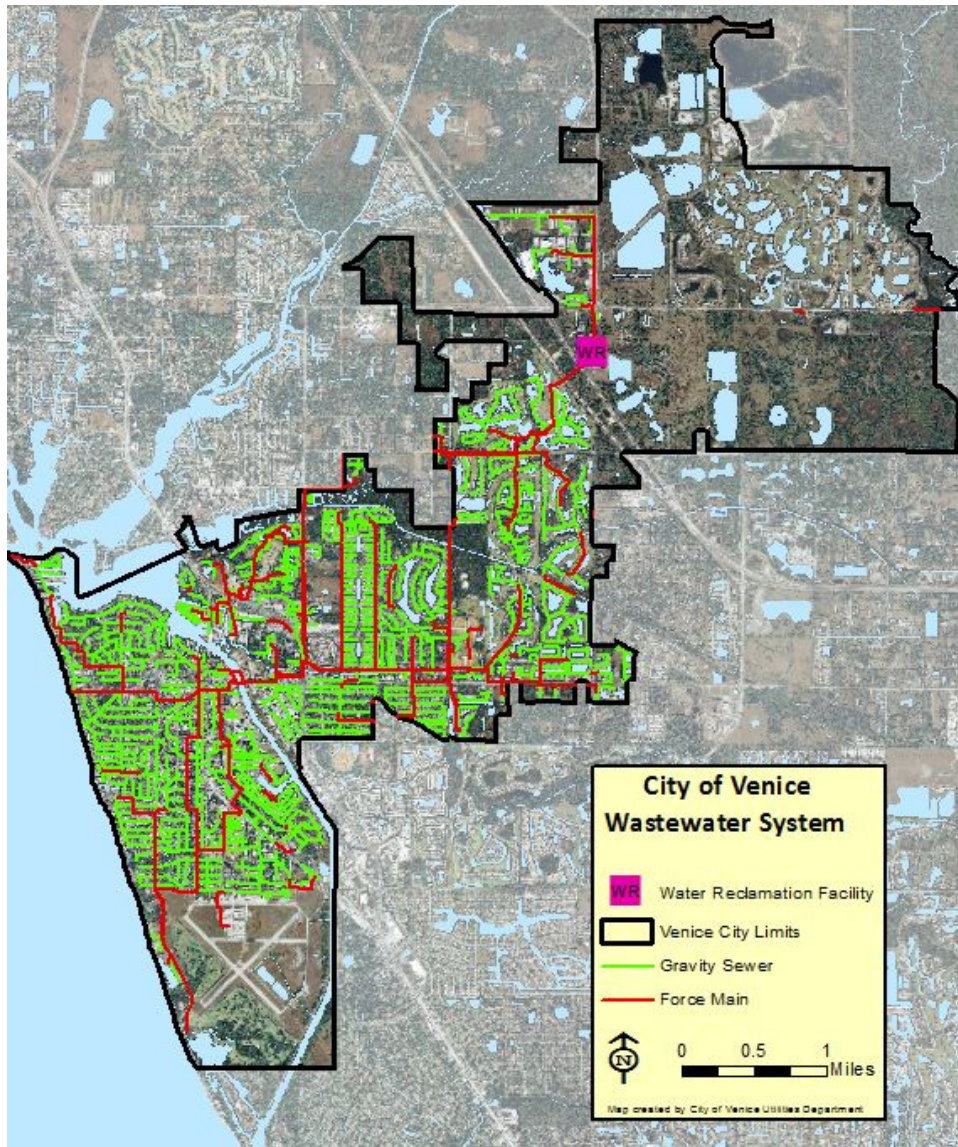
PVC = Polyvinyl Chloride

Sanitary Sewer System

The sanitary sewer collection system served 10,986 sewer customers as of September 30, 2014. The advanced wastewater treatment plant processes an average annual daily flow of 3.3 mgd. The wastewater treatment plant includes facilities capable of producing reclaimed water for irrigation purposes to a limited number of customers and public spaces, including the municipal golf course. The reclaimed water system served approximately 3,015 customers as of September 30, 2014.

The City provides sanitary sewer service to the City and certain unincorporated areas within Sarasota County ("County"). All wastewater is collected and directed to the northeast through a system of gravity sanitary sewer mains, lift stations and force mains. The wastewater is received and treated at the Eastside Wastewater Reclamation Facility (the "Eastside WRF"), which operates under an FDEP permit. The Eastside WRF is currently permitted to treat 6.0 mgd based on a three-month rolling average daily flow (3MRADF). The sanitary sewer service area (see the following sewer infrastructure map) is largely built-out to the south and west. The City has some opportunity for growth in the northeast region; however, much of this area receives sanitary sewer collection service from the County.

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The City and the County have entered into an interlocal agreement for the provision of wholesale or bulk treatment and disposal services by the City to the County on behalf of the customers within the portion of the County's sewer collection service area adjacent to the City as well as in the Curry Creek District. After the most recent expansion of the City's wastewater treatment plant capacity to 6.0 mgd, the City and the County have each reserved 3.0 mgd of treatment capacity under this agreement. The term of this agreement extends for as long as the facilities contemplated therein are used or useful.

Per the agreement, as amended, the City charges the County a bulk rate as published in its current rate ordinance, plus a 10% surcharge. Half of the surcharge revenue is to be placed into a County-controlled account, the proceeds of which shall be used solely for the County's proportionate share of any renewal, replacement, or enhancement of the City's wastewater treatment plant, reuse system, or to pay regulatory fines. The remaining 50% of the surcharge revenue is to be held in a similar City-controlled account for the same purpose.

Wastewater Collection System

The wastewater collection system consists of approximately 107 miles of gravity sewer main, 41 miles of force main, 2,400 manholes and 84 lift stations. Since installation of the initial infrastructure, the City has conducted several modifications and upgrades to the wastewater collection and transmission system including lift station upgrades and manhole rehabilitation, sewer line replacements or lining, and installation of remote telemetry systems and emergency power generators.

Over 70 of the lift stations are monitored by the City's SCADA system, which records operational data such as the number of pump starts and pump run time, and notifies City personnel in the event of a lift station failure. The telemetry system increases system reliability, optimizes aspects of operation, and reduces the potential for sanitary sewer overflows (SSOs) resulting from equipment or power failures.

Wastewater Treatment Facility

The City owns and operates the Eastside WRF, an advanced wastewater treatment facility (AWWTF) with high-level disinfection which treats domestic wastewater received from the City and the County. The Eastside WRF produces high quality effluent which can be safely discharged to Curry Creek under wet conditions, the Intracoastal Waterway or distributed for reuse irrigation. The original facility was put into service in July of 1992, and was expanded in 2001 to its current capacity of 6.0 mgd on a maximum 3-month rolling average. The Eastside WRF is permitted through an FDEP permit. The operating permit was renewed on December 12, 2011 with an expiration date of December 11, 2016.

The expanded facility consists of preliminary treatment followed by dual five-stage Bardenpho process trains for biological nutrient removal, four clarifiers, three dual media automatic backwash traveling bridge filters, and three chlorine contact chambers fitted with a sodium hypochlorite system for disinfection. Waste sludge is processed by four aerated holding tanks and dewatered using two belt filter presses prior to being transported by contract haulers for stabilization and final disposal.

Reclaimed water is stored in either a 3 MG or 7.5 MG above-ground concrete storage tank or a 35 MG on-site lined storage pond. The City has the option to filter and disinfect the water stored in the pond prior to sending it into the reclaimed water distribution system. For disposal, the City has three permitted reuse locations and five permitted surface water locations. Substandard effluent is diverted to a 6 MG clay-lined reject pond, where it can be returned to the headworks of the plant for reprocessing.

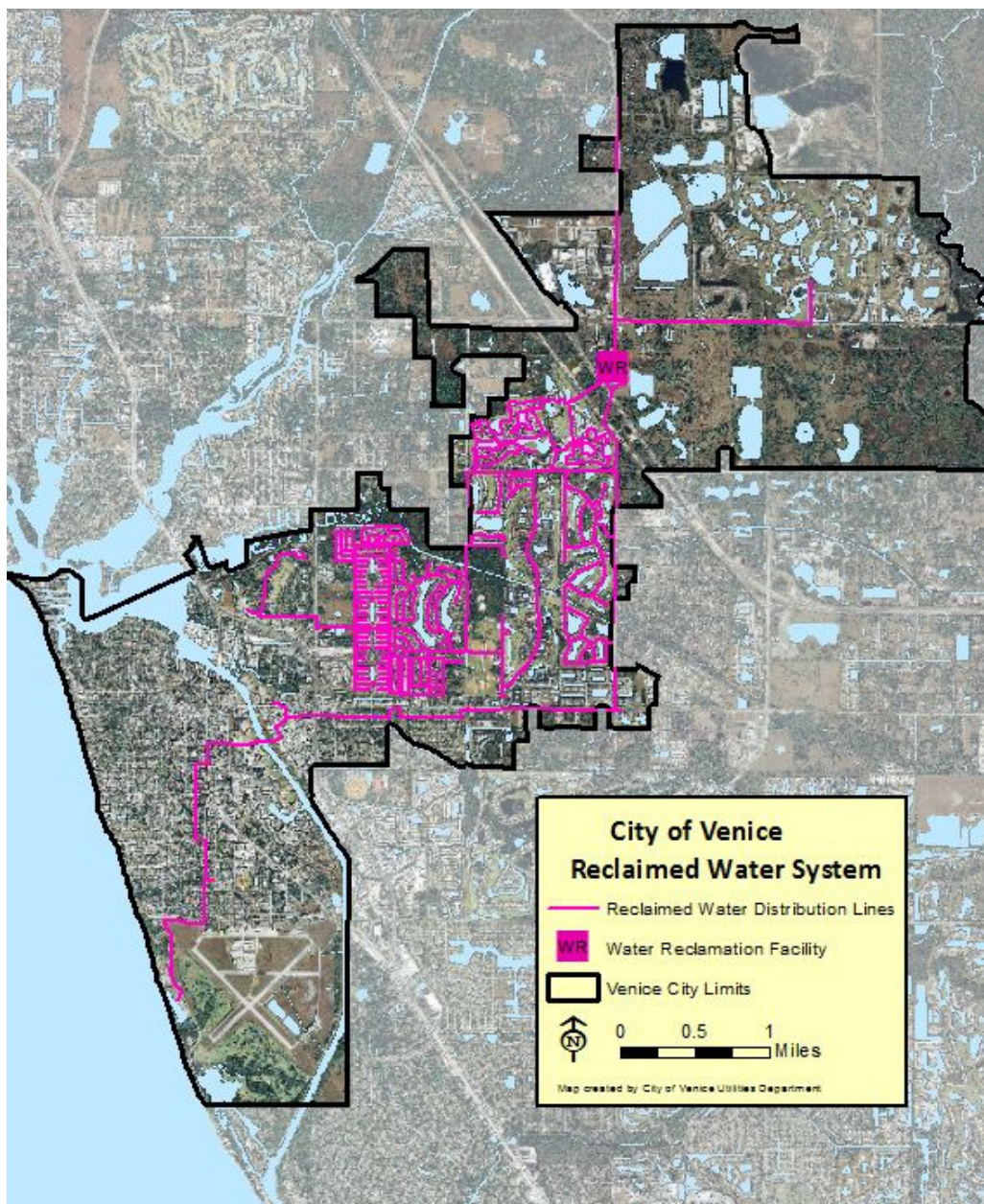
Scheduled equipment maintenance and repairs at the facility are tracked through a computerized maintenance management system (CMMS). Upon implementation of the CMMS, the City programmed the manufacturer's recommended maintenance schedule for each piece of equipment into the software's database. Using this information, the software application automatically generates work orders at scheduled maintenance due dates, which are carried out by City staff. Subsequently, data is re-entered into the program indicating the work done and the date completed, providing a detailed history of repairs and preventative maintenance activities. Utility staff can generate detailed historic maintenance logs for each piece of equipment stored within the application's database.

The FDEP permit establishes maximum contaminant level (MCL) limits for the treated effluent. Adherence to an established operating protocol and routine sampling and reporting ensure that the City consistently meets or exceeds this regulatory treatment level.

Reclaimed Water and Disposal

Reclaimed water is used to provide irrigation water to commercial users, residential users and golf courses within the City's service area and to Sarasota County through an interconnect with the County system. The City owns, operates and maintains approximately 49 miles of reclaimed water distribution mains and 3,015 reclaimed water meters for reuse irrigation service (see reclaimed water infrastructure map). The City also has additional effluent disposal available if reclaimed water production exceeds the reuse demand of the community. The supplementary disposal methods include surface water discharge to Roberts Bay or the Intracoastal Waterway and

the use of the County interconnection. All disposal methods for the City's treated effluent are permitted through the FDEP. This diversification of disposal methods provides the City with reliable disposal capacity under varying conditions.



Condition of Facilities

Ongoing renewal and replacement programs for the distribution and collection systems of both the water and wastewater systems, as well as the water and wastewater treatment facilities, ensures that the systems are kept in good repair, experience minor service interruptions, and are fully compliant with all regulatory permit conditions. The raw water supply wells operate on a wellfield rotation plan, where each well is periodically taken off-line for recovery, refurbishment, and/or general maintenance to ensure production capability and to reduce the potential for saltwater intrusion. Based upon recent master plans and subsequent updates prepared by consulting engineers, the water and wastewater treatment plants are well maintained and have no functional difficulties. Preventive maintenance repairs are scheduled and recorded by the CMMS software application.

The City is committed to continued system improvement, upgrades, rehabilitation and expansion as warranted. Comprehensive utility master plans for the water, wastewater and reclaimed water systems are regularly prepared and updated, and include infrastructure condition assessments, hydraulic system modeling, and future demand and capacity evaluations.

Regulatory Status

The City is in full compliance with all applicable federal and state regulatory requirements relating to the provision of potable water, reclaimed water, and sewer services and there are currently no outstanding consent orders requiring corrective actions that have been issued by any regulatory authority relating to any component of the System. The City is operating its water production facility and wastewater reclamation facility pursuant to the requirements of the permits issued by the requisite regulatory agencies. The City is current on all permit renewals. The water produced by the water system meets all federal and state regulatory drinking water standards, and the reclaimed water produced by wastewater system meets or exceeds all effluent quality parameters for reuse and disposal.

Historical Customer Data

The City's water and sewer rate ordinance provides for two major retail customer classes: (1) residential, comprised of individually and master-metered residential dwellings, and (2) commercial, comprised of all non-residential accounts. The table below provides summary customer data for the City fiscal years 2010 through 2014. It is important to note that metered reclaimed water usage is largely affected by the amount and distribution of precipitation in each year.

HISTORICAL CUSTOMER ACCOUNTS AND FLOWS

Fiscal Years Ending September 30

	2010	2011	2012	2013	2014
<u>Water Accounts</u>					
Residential	9,907	9,910	9,988	9,620	10,339
Commercial	978	978	981	969	981
Total	10,885	10,888	10,969	10,589	11,320
% increase (Decrease)	-0.2%	0.0%	0.7%	-3.5%	6.9%
Metered Flow (MGD)	1.83	1.82	1.9	2.0	1.9
% increase (Decrease)	-1.6%	-0.5%	4.4%	5.3%	-5.3%
<u>Sewer Accounts</u>					
Residential	9,722	9,738	9,814	9,447	10,246
Commercial	854	856	864	859	979
Total	10,576	10,594	10,678	10,306	11,225
% increase (Decrease)	-0.10%	0.17%	0.79%	-3.48%	8.92%
<u>Reclaimed Water Accounts</u>					
Residential	2,830	2,847	2,871	2,720	2,922
Commercial	95	96	97	89	95
Total	2,925	2,943	2,968	2,809	3,017
% increase (Decrease)	-0.5%	0.62%	0.85%	-5.36%	7.40%
Metered Flow (MGD)	4.51	2.39	2.28	2.86	2.86
% increase (Decrease)	3.4%	-47.01%	-4.60%	25.44%	0.04%

Source: City of Venice Utilities

Below is information about the ten largest retail water, sewer (excluding the County, as they are a wholesale contract customer) and reclaimed water customers based upon volume for the City fiscal year ended September 30, 2014.

TEN LARGEST WATER CUSTOMERS
As of September 30, 2014

Customer	Usage (gallons)	Usage (Revenue)	Water Readiness to Serve Charges	Total Revenue
Venice Regional Medical Center	25,983,734	\$141,872	\$64,104	\$205,976
PGT Industries	23,521,869	128,992	5,460	134,452
Country Club Est Co-Op Inc	10,016,623	42,737	97,080	139,817
Ridgewood Mobile Park	8,850,930	43,930	49,680	93,610
Pinebrook Rehab/Sun Healthcare	5,083,641	27,756	3,636	31,392
Motel 6/G6 Hospitality LLC	4,494,130	24,538	1,824	26,362
SW FL Ret Ctr/Matthew/Kitchen	4,334,198	18,453	33,432	51,885
Sharky's on the Pier	4,239,030	23,146	1,824	24,970
Harbor Chase of Venice	4,077,295	22,272	5,688	27,960
HCR Manor Care Site 442	3,932,295	21,450	3,636	25,086
Total of Top Ten Customers	94,533,745	\$495,146	\$266,364	\$761,510
Total System	691,419,199	\$4,085,850	\$4,236,714	\$8,322,564
Top Ten Customers as % of Total	13.7%	12.1%	6.3%	9.1%

Source: City of Venice Utilities

TEN LARGEST SEWER CUSTOMERS
As of September 30, 2014

Customer	Usage (gallons)	Usage (Revenue)	Sewer Readiness to Serve Charges	Total Revenue
Venice Regional Medical Center	25,983,734	\$164,486	\$85,596	\$250,082
PGT PGT Industries	23,521,869	148,963	6,096	155,059
Country Club Est Co-Op Inc	10,016,623	63,405	108,228	171,633
Ridgewood Mobile Park	8,850,930	56,026	55,488	111,514
Pinebrook Rehab/Sun Healthcare	5,083,641	32,181	4,068	36,249
Motel 6/G6 Hospitality LLC	4,494,130	28,449	2,028	30,477
SW FL Ret Ctr/Matthew/Kitchen	4,334,198	27,433	37,344	64,777
Sharky's on the Pier	4,239,030	26,832	2,028	28,860
Harbor Chase of Venice	4,077,295	25,810	6,348	32,158
HCR Manor Care Site 442	3,932,295	24,906	4,056	28,962
Total of Top Ten Customers	94,533,745	\$598,491	\$311,280	\$909,771
Total System	640,774,037	\$4,005,970	\$4,212,516	\$8,218,486
Top Ten Customers as % of Total	14.8%	14.9%	7.4%	11.1%

Source: City of Venice Utilities

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TEN LARGEST RECLAIMED WATER CUSTOMERS
As of September 30, 2014

Customer		Usage (gallons)	Usage/Total Revenue
Venetian Golf & River Club	*	164,796,000	\$14,330
Lake Venice Golf Club	*	147,362,770	12,811
Waterford Golf Club	*	95,891,000	8,339
Bird Bay Golf Course	*	36,706,000	3,192
Capri Isles Golf Inc. - South	*	30,288,000	2,635
Willow Chase Community Assoc.		30,248,600	38,358
Bridle Oaks Homeowners/Master		12,376,100	15,786
San Lino At Waterford, LLC		11,971,200	14,736
Wesley PL Home Owners/Master		11,045,250	14,093
Capri Isles Golf Inc. - North	*	10,786,000	938
Total of Top Ten Customers		551,470,920	\$125,218
Total System		1,044,332,217	\$631,855
Top Ten Customers as % of Total		52.8%	19.8%

*Customers are charged a bulk rate (low pressure) which is less than high pressure customers.

Source: City of Venice Utilities

Historical System Operating Results and Debt Service Coverage

The historical operating results and debt service coverage for the Utility System for the Fiscal Years ended September 30, 2010 through 2014 are included on the following page.

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HISTORICAL SYSTEM OPERATING RESULTS AND DEBT SERVICE COVERAGE

	For the Fiscal Year Ended September 30 ⁽¹⁾				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues					
Charges for Service ⁽²⁾	\$ 17,886,152	\$ 17,883,672	\$ 18,274,853	\$ 19,658,637	\$ 19,949,419
Other Operating Income ⁽³⁾	<u>244,645</u>	<u>476,777</u>	<u>424,907</u>	<u>598,012</u>	<u>797,098</u>
Total Operating Revenues	\$ 18,130,797	\$ 18,360,449	\$ 18,699,760	\$ 20,256,649	\$ 20,746,517
Interest Earnings (loss)	\$ 42,161	\$ 92,114	\$ 86,883	\$ (20,078)	\$ 234,395
Gross Revenues	\$ 18,172,958	\$ 18,452,563	\$ 18,786,643	\$ 20,236,571	\$ 20,980,912
Cost of Operation and Maintenance					
Personal Services	\$ 5,142,697	\$ 4,169,230	\$ 3,941,562	\$ 3,851,823	\$ 4,433,457
Other Operating Expenses ⁽⁴⁾	<u>3,762,917</u>	<u>4,918,935</u>	<u>5,659,478</u>	<u>5,065,365</u>	<u>4,795,468</u>
Total Cost of Operation and Maintenance	\$ 8,905,614	\$ 9,088,165	\$ 9,501,040	\$ 8,917,188	\$ 9,228,925
Net Revenues Available for Bond Service	\$ 9,267,344	\$ 9,364,398	\$ 9,285,603	\$ 11,319,383	\$ 11,751,987
Bond Service Requirement ⁽⁵⁾	\$ 2,632,510	\$ 2,413,313	\$ 2,558,875	\$ 4,138,378	\$ 3,154,128
Bond Service Coverage ⁽⁶⁾	3.52	3.88	3.63	2.74	3.73
Non Operating Revenues					
Federal and State Grants	\$ -	\$ 71,658	\$ 48,302	\$ 33,934	\$ 1,467,572
Disposition of Assets	<u>787</u>	<u>16,188</u>	<u>(58,307)</u>	<u>(248,593)</u>	<u>18,977</u>
Total Non Operating Revenue	\$ 787	\$ 87,846	\$ (10,005)	\$ (214,659)	\$ 1,486,549
Non Operating Expenses					
Subordinated Indebtedness ⁽⁷⁾	\$ 457,498	\$ 457,498	\$ -	\$ -	\$ -
Repayment of Advance from General Fund ⁽⁸⁾	502,599	502,599	502,599	502,599	3,377,599
Administrative Charges Transfer	1,544,883	1,150,288	1,091,057	986,608	1,193,090
Transfer to Fleet Services	-	-	-	-	417,795
Renewal & Replacement Fund Transfer ⁽⁹⁾	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non Operating Expenses	\$ 2,504,980	\$ 2,110,385	\$ 1,593,656	\$ 1,489,207	\$ 4,988,484

(1) FY 2010 – FY 2013 reflects data within each year's respective Comprehensive Annual Financial Report. FY 2014 reflects unaudited actual results, per data provided by City staff.

(2) Net of Provisions for Bad Debts.

(3) Includes leases, franchise fees, and other miscellaneous income. Excludes impact fees.

(4) Excludes Depreciation and Amortization Expenses.

(5) Reflects annual debt service requirements.

(6) In each Fiscal Year, Gross Revenues must be sufficient to pay the Cost of Operation and Maintenance of the System, and sufficient to provide an amount equal to 115% of the Bond Service Requirement due in such year.

(7) Reflects annual debt service requirements

(8) FY 2014 represents the partial payoff of the advance from the General Fund.

(9) Established pursuant to the Resolution. Annual contributions to this Fund are required to equal 5% of the Gross Revenues for the immediately preceding Fiscal Year, provided that no deposit shall be required so long as the amount in the Renewal and Replacement Fund is at least \$1,000,000. The City maintained such a balance in all of the years shown.

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Projected System Operating Results and Debt Service Coverage

The projected operating results and debt service coverage for the Utility System for the Fiscal Years ended September 30, 2015 through 2019 set forth below were prepared by the Feasibility Consultant. Such projections are based on certain assumptions and estimates and no representation is made that any of the assumptions or estimates are valid or that any of such projections will be realized. While the Feasibility Consultant believes its assumptions and estimates are reasonable, said assumptions and estimates are dependent on future events and actual conditions may differ from those assumed. To the extent that actual conditions differ from those assumed by the Feasibility Consultant, the actual operating results of the System will vary from such projections. There can be no assurance that such projections will be realized. Certain supporting detail for the projections is presented within the Financial Feasibility Report included as Appendix F.

PROJECTED SYSTEM OPERATING RESULTS AND DEBT SERVICE COVERAGE

	For the Fiscal Year Ended September 30				
	<u>2015</u> ⁽¹⁾	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenues					
Charges for Service ⁽²⁾	\$ 20,024,301	\$ 20,674,357	\$ 22,139,287	\$ 23,670,836	\$ 25,271,613
Other Operating Income ⁽³⁾	416,016	414,591	427,968	441,367	454,790
Total Operating Revenues	\$ 20,440,316	\$ 21,088,948	\$ 22,567,255	\$ 24,112,203	\$ 25,726,403
Interest Earnings (loss)	\$ 94,416	\$ 108,438	\$ 146,679	\$ 265,185	\$ 503,354
Gross Revenues	\$ 20,534,732	\$ 21,197,386	\$ 22,713,934	\$ 24,377,388	\$ 26,229,757
Cost of Operation and Maintenance					
Personal Services ⁽⁴⁾	\$ 4,806,842	\$ 4,988,031	\$ 5,177,244	\$ 5,374,903	\$ 5,581,456
Other Operating Expenses ⁽⁵⁾	7,311,435	5,939,850	6,114,891	6,297,645	6,488,464
Total Cost of Operation and Maintenance	\$ 12,118,277	\$ 10,927,881	\$ 11,292,135	\$ 11,672,548	\$ 12,069,920
Net Revenues Available for Bond Service	\$ 8,416,455	\$ 10,269,505	\$ 11,421,800	\$ 12,704,840	\$ 14,159,837
Bond Service Requirement ⁽⁶⁾	\$ 4,140,580	\$ 4,892,669	\$ 2,687,452	\$ 2,689,933	\$ 2,688,065
Bond Service Coverage ⁽⁷⁾	2.03	2.10	4.25	4.72	5.27
Non Operating Revenues					
Federal and State Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Disposition of Assets	-	-	-	-	-
Total Non Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Non Operating Expenses					
Subordinated Indebtedness ⁽⁸⁾	\$ -	\$ -	\$ 92,500	\$ 131,972	\$ 787,411
Repayment of Advance from General Fund	264,027	-	-	-	-
Administrative Charges Transfer	1,421,166	1,456,695	1,493,113	1,530,440	1,568,701
Transfers to Fleet Services	155,000	155,000	155,000	155,000	155,000
Renewal & Replacement Fund Transfer ⁽⁹⁾	-	-	-	-	-
Total Non Operating Expenses	\$ 1,840,193	\$ 1,611,695	\$ 1,740,613	\$ 1,817,412	\$ 2,511,112

(1) FY 2015 data reflects the evolution of historical trends, certain information from the FY 2015 Adopted Budget and serves as the basis for future year projections.

(2) Includes water, sewer, and reclaimed water rate revenues, which were projected based upon FY 2014 unaudited actual results adjusted for the impacts of approved rate adjustments and projected system growth. Net of Provisions for Bad Debts.

(3) Includes leases, franchise fees, and other miscellaneous income. Excludes plant capacity fees.

(4) Executed at 95%

(5) Excludes Depreciation and Amortization expenses. Adjusted to reflect a 95% execution rate in FY 2015 and 75% in FY 2016- FY 2019.

(6) Reflects annual debt service requirements of the Parity obligations and the Series 2015 Bonds.

(7) In each Fiscal Year, Gross Revenues must be sufficient to pay the Cost of Operation and Maintenance of the System, and sufficient to provide an amount equal to 115% of the Bond Service Requirement due in such year.

(8) Reflects annual debt service requirements for expected additional future borrowing for designated SRF eligible projects.

(9) Established pursuant to the Resolution. Annual contributions to this Fund are required to equal 5% of the Gross Revenues for the immediately preceding Fiscal Year, provided that no deposit shall be required so long as the amount in the Renewal and Replacement Fund is at least \$1,000,000. The City maintained such a balance in all of the years shown.

RISK FACTORS

The future financial condition of the System could be affected adversely by, among other things, legislation, environmental and other regulatory actions, changes in demand for services, economic conditions, demographic changes, and litigation. In addition to those risks, some of the possible changes in the future may include, but not be limited to, the following:

1. The City's water and sewer facilities are subject to regulation and control by numerous federal, state and local governmental agencies, including but not limited to, the obtaining of permits to operate such facilities and to construct improvements thereto, including the 2015 Project. The City cannot predict the future policies such agencies may adopt. Future changes could result in the City having to discontinue operations at certain facilities or to make significant capital expenditures and could generate substantial litigation.

2. Estimates of revenues and expenses contained herein and the realization of such estimates are subject to, among other things, future economic conditions, the potential occurrence of natural disasters including hurricanes and other conditions which are unpredictable and which may adversely affect such revenues and expenses, and the payment of the Series 2015 Bonds.

LEGAL MATTERS

Certain legal matters in connection with the authorization, issuance and sale of the Series 2015 Bonds are subject to the approval of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, whose approving opinion will be available at the time of delivery of the Series 2015 Bonds.

The proposed form of Bond Counsel opinion is attached hereto as APPENDIX D and reference is made to such form of opinion for the complete text thereof. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. 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.

Bond Counsel has not been engaged to, nor has it undertaken to, review (1) the accuracy, completeness or sufficiency of this Official Statement or any other offering material relating to the Series 2015 Bonds; provided, however, that Bond Counsel will render an opinion to the Underwriters and the City relating to the accuracy of certain statements contained hereunder under the heading "TAX EXEMPTION" and certain statements which summarize provisions of the Resolution and the Series 2015 Bonds, and (2) the compliance with any federal or state law with regard to the sale or distribution of the Series 2015 Bonds.

Certain letters matters will be passed upon for the City by Persson & Cohen, P.A., Venice, Florida, City Attorney and Akerman LLP, Orlando, Florida, Disclosure Counsel. Bryant Miller Olive P.A., Tampa, Florida, is serving as counsel to the Underwriters.

LITIGATION

There is no pending or, to the knowledge of the City, any threatened litigation against the City of any nature whatsoever which in any way questions or affects the validity of the Series 2015 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Resolution, or the pledge of the Pledged Revenues. Neither the creation, organization or existence, nor the position of the present members of the City Council or Charter officers of the City is being contested.

The City experiences routine litigation and claims incidental to the conduct of its affairs. In the opinion of the City Attorney, there are no actions presently pending or threatened, the adverse outcome of which would have a material adverse effect on the availability of the Pledged Revenues or the ability of the City to pay the Series 2015 Bonds from the Pledged Revenues. From time to time, the City is party to other various legal proceedings which individually are not expected to have a material adverse effect on the operations or financial condition of the City or

the System, but may, in the aggregate, have a material impact thereon. However, in the opinion of the City Attorney, the City and/or its insurance carrier will either successfully defend such actions or otherwise resolve such matters without any material adverse consequences.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

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

The City has not undertaken an independent review or investigation of securities for which it has served as conduit City. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Series 2015 Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, the form of which is included as "APPENDIX D - Form of Bond Counsel Opinion" attached hereto, the interest on the Series 2015 Bonds is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing statutes, regulations, rulings and court decisions. However, interest on the Series 2015 Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on corporations pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Failure by the City to comply subsequently to the issuance of the Series 2015 Bonds with certain requirements of the Code, regarding the use, expenditure and investment of Series 2015 Bonds proceeds and the timely payment of certain investment earnings to the Treasury of the United States, may cause interest on the Series 2015 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance. The City has covenanted in the Resolution to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the Series 2015 Bonds for purposes of federal income taxation. In rendering its opinion, Bond Counsel has assumed continuing compliance with such covenants.

Internal Revenue Code of 1986

The Code contains a number of provisions that apply to the Series 2015 Bonds, including, among other things, restrictions relating to the use or investment of the proceeds of the Series 2015 Bonds and the payment of certain arbitrage earnings in excess of the "yield" on the Series 2015 Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Series 2015 Bonds being included in gross income for federal income tax purposes retroactive to their date of issuance.

Collateral Tax Consequences

Except as described above, 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 2015 Bonds. Prospective purchasers of Series 2015 Bonds should be aware that the ownership of Series 2015 Bonds may result in other collateral federal tax consequences. For example, ownership of the Series 2015 Bonds may result in

collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such Series 2015 Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Series 2015 Bonds in passive income for certain Subchapter S corporations. In addition, the interest on the Series 2015 Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2015 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE SERIES 2015 BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

Interest on the Series 2015 Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Series 2015 Bonds should consult their own tax advisors as to the income tax status of interest on the Series 2015 Bonds in their particular state or local jurisdictions.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2015 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alterations of federal tax consequences may have affected the market value of obligations similar to the Series 2015 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2015 Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Series 2015 Bonds. For example, proposals have been discussed from time to time in connection with deficit spending reduction, job creation and other tax reform efforts that could significantly reduce the benefit of, or otherwise affect the exclusion from gross income of, interest on obligations such as the Series 2015 Bonds. Introduction or enactment of one or more of such proposals could affect the market price or marketability of the Series 2015 Bonds.

Tax Treatment of Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2015 Bonds maturing on December 1, 2022, December 1, 2027 and December 1, 2030 through and including December 1, 2035 (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excludable from gross income for federal income tax purposes to the same extent as interest on the Series 2015 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Tax Treatment of Bond Premium

The difference between the principal amount of the Series 2015 Bonds maturing on December 1, 2016 through and including December 1, 2021, December 1, 2023 through and including December 1, 2026 and December 1, 2029 (the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the

term of each Premium Bond or, in the case of certain of the Premium Bonds that are callable prior to maturity, the amortization period and yield must be determined on the basis of the earliest call date that results in the lowest yield on such Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

RATINGS

Fitch Ratings ("Fitch"), Standard & Poor's Ratings Services ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned ratings of "AA" (stable outlook), "AA" (stable outlook) and "Aa2", respectively, to the Series 2015 Bonds. The ratings reflect only the views of said rating agencies and an explanation of the ratings may be obtained only from said rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies, or any of them, if in their judgment, circumstances so warrant. A downward change in or withdrawal of any of such ratings, may have an adverse effect on the market price of the Series 2015 Bonds. An explanation of the significance of the ratings can be received from the rating agencies, at the following addresses: Standard & Poor's Rating Services, 55 Water Street, New York, New York 10041, Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, and Fitch Ratings, 33 Whitehall Street, New York, New York 10004.

FINANCIAL ADVISOR

The City has retained Larson Consulting Services, LLC, Orlando, Florida, as Financial Advisor (the "Financial Advisor") in connection with preparation of the City's plan of financing and with respect to the authorization and issuance of the Series 2015 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 the Official Statement. Larson Consulting Services, LLC is an independent SEC and MSRB registered financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

FINANCIAL FEASIBILITY CONSULTANT

The City has retained Burton & Associates, Inc. to prepare the financial feasibility report included as APPENDIX F hereto (the "Financial Feasibility Report"). Such report should be read in its entirety.

FINANCIAL FEASIBILITY REPORT

Certain of the information under the heading "THE SYSTEM" herein was excerpted from the Financial Feasibility Report. Reference is made to the complete report of the Feasibility Consultant set forth in APPENDIX F hereto. The summaries of the Financial Feasibility Report in this Official Statement are qualified by the complete discussions and descriptions contained in such Report.

INVESTMENT POLICY

Pursuant to Resolution 2006-34 of the City Council adopted on November 28, 2006, the Director of Finance of the City is authorized to invest and reinvest surplus funds in certain authorized investments consisting of:

1. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act as provided in Section 163.01, F.S.;
2. Direct obligations of the U.S. Government;

3. Obligations guaranteed by the U.S. Government as to principal and interest;
4. Time deposits and savings accounts in banks and savings and loan associations, organized under the laws of Florida or the United States and doing business and situated in Florida, provided that any such deposits are secured by collateral as prescribed by Chapter 280, F.S.;
5. Obligations of the Federal Farm Credit Banks; the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation Participation Certificates; or the Federal Home Loan Bank or its district banks or obligations guaranteed by the Government National Mortgage Association;
6. Obligations of the Federal National Mortgage Association, including Federal National Mortgage Association Participation Certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association;
7. Repurchase and reverse repurchase agreements done through a commercial bank or government securities dealer, the underlying collateral of which shall be any U.S. government security described under 2 above in which the market value is equal to the full amount of the agreement, in accordance with the City's master repurchase agreement. Investment in repurchase agreements is limited to transactions in which the proceeds are intended to provide liquidity and for which the City has sufficient resources. A Master Repurchase Agreement shall be executed with each counter party detailing the requests of all authorized institutions/dealers involved in repurchase agreements on behalf of the City.
8. Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency;
9. Bankers' Acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated at least "MIG-1" by Moody's, "SP-1" by Standards and Poor's and "F-1" by Fitch for short-term debt.
10. State and/or Local Government, either taxable or tax-exempt, Debt rated at least "AA" by Moody's, "AA" by Standards & Poor's, and "AA" by Fitch for long-term debt, or rated at least "MIG-1" by Moody's, "SP-1" by Standards and Poor's and "F-1" by Fitch for short-term debt.

The Finance Director is to prepare periodic annual reports for submission to City Council, which shall include securities in the portfolio by class or type, book value, income earned, and market value as of the report date, and an independent auditor is to review such report and address the City's adherence to such policy on an annual basis as part of the financial audit.

The City's investment policy may be modified by the City Council from time to time.

DEBT MANAGEMENT AND INTERFUND LOAN POLICY

Pursuant to Resolution No. 2008-21, the City Council has established a debt management policy for the City which includes the following provisions.

1. The City will consider the use of debt financing only for capital assets and improvement projects and only under the following circumstances:
 - When the project's useful life will exceed the term of the financing.
 - When project revenues or specific resources will be sufficient to service the long-term debt.

- Debt financing will be used for major, non-recurring items with a minimum of four years of useful life.

General-purpose annual debt service payments should generally not exceed 10% of General Fund revenues, and in no case should they exceed 15%.

Bond sales shall be structured to achieve level debt service payments to the extent possible taking into consideration the costs of such financings. Scheduling larger payments during the later years (back loading of debt payments) shall be avoided.

2. Interfund Borrowing. The City may issue interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of these funds will not impact the fund's current operations. The prevailing interest rate, as established by the Director of Finance, will be paid to the lending fund.

3. Variable Rate Debt. The City may issue securities that pay a rate of interest that varies according to pre-determined formula or results from a periodic remarketing of the securities, consistent with state law and covenants of pre-existing bonds, and depending on market conditions. The City will have no more than 15% of its outstanding bonds in variable rate form.

4. Short-term Debt. Short term obligations may be issued to finance projects or portions of projects for which the City ultimately intends to issue long term debt; i.e., it will be used to provide interim financing which will eventually be refunded with the proceeds of long term obligations with a tax or revenue pledge or a pledge of other available resources. The amount of short-term obligations due to mature in a year shall not exceed 5% of outstanding long-term debt.

The City goal is to maintain a minimum ratio of utility revenue to debt service of 1.6/1 to ensure debt coverage in times of revenue fluctuations attributable to weather or other causes and to ensure a balanced pay-as-you-go-capital improvement plan.

The City's debt management policy may be modified by the City Council from time to time.

FUND BALANCE POLICY

The City's fund balance policy establishes unrestricted unreserved fund balance policies for the City's general fund and for enterprise funds. Such policy provides that the targeted unreserved fund balance in the general fund is three months of operating expenses. In the enterprise funds, including the Utilities Fund, the targeted unreserved net asset balance is four months of operating expenses.

THE CITY

General

The City, incorporated during 1927, is located in Sarasota County, in the southwestern part of the state. The City provides a full range of services that include public safety, construction and maintenance of streets and other infrastructure, solid waste services, a general aviation airport, recreational activities, and cultural events. The City also provides utilities for water, wastewater, and stormwater runoff services.

The City has operated under the Council-Manager form of government since incorporation in 1927. Policy making and legislative authority are vested in a City Council consisting of the Mayor and six other members. The Mayor and the City Council are elected at large to serve staggered three year terms.

Pension and OPEB Matters

The City maintains two single-employer defined benefit public employee retirement systems known respectively as the City of Venice Firefighters' Pension Plan and the City of Venice Police Officers' Pension Plan. The costs of administering these plans are captured within such plans. The contribution limits subject to the provisions of the applicable state law can be amended by action of the City Council.

The Firefighters' Pension Plan covers permanent City firefighters. Any participant who has credited service of 10 years and has attained age 55, or 25 years of credited service, is eligible to receive benefits. Such a retiree would receive a normal retirement benefit of 2.75% (recently reduced from 3.50%) of average final compensation for each year of credited service, plus \$175 per month, provided however, in no event shall the monthly benefit exceed one hundred percent of the average final compensation. Average final compensation is one-twelfth (1/12) of the average salary of the five best years of the last ten years of credited service prior to retirement, termination, or death. The firefighters' cost of living adjustment of 3% from date of retirement until age 65 was recently terminated. A participant's monthly retirement benefits ceases upon the later of death or one hundred twenty months from the date of commencement. Such plan provides disability and death benefits for both duty related and off-duty related disabilities. The firefighters' plan provides for early retirement upon obtaining age of 50 and 10 years of credited service, or the completion of 20 years of credited service regardless of age. Early retirement members are assumed to retire with an immediate subsidized benefit at the rate of 15% per year.

The benefit for line of duty disabilities is computed at 50% of the average final salary at the time of disability. The benefit for off-duty disabilities is computed at 50% of the average final salary at the time of disability, provided there are five or more years of credited service. The Plan also provides death benefits for both duty related and off-duty related deaths. For non-service incurred deaths with less than five years of credited service, the benefit is equal to 100% of the participant's contributions. If the participant has five or more years of service, the benefit is computed at 50% of average final compensation.

As of October 1, 2013, the actuarial accrued liability in excess of assets for the firefighters' pension plan was \$21,501,177. The firefighters pension board was recently notified by the Florida Department of Management Services that its GASB 25 funded status was less than 50%. As a result of recent changes to the Firefighters' Pension Plan, some of which are described above, the actuarial accrued liability as of October 1, 2014 is expected to be approximately \$3.8 million less than it was as of October 1, 2013.

During the year ended September 30, 2013, contributions totaling \$1,991,843 were made in accordance with contribution requirements determined by an actuarial valuation of such plan as of October 1, 2012. The City contributed \$1,451,786 of such total.

The Police Officers' Pension Plan covers permanent City of Venice police officers. Normal eligibility for retirement benefits is based on 10 years of credited service if the participant has attained age 50, or 25 years of credited service. Such a retiree would receive a normal retirement benefit of 2.75% (recently reduced from 3.50%) of average monthly earnings times credited service, plus \$175 per month. Average (monthly) final compensation is one-twelfth (1/12) of the average salary of the highest five years of service during the last ten years of credited service prior to retirement, termination, or death, or the career average as a full-time police officer, whichever is greater. The Plan provides disability and death benefits for both duty related and non-duty related disabilities.

As of September 30, 2013, there were 94 members of such Plan. As of October 1, 2013, the actuarial accrued liability in excess of assets was \$9,463,149. As a result of recent changes to the Police Officers' Pension Plan, some of which are described above, the actuarial accrued liability will be less as of October 1, 2014 than it was as of October 1, 2013.

During the year ended September 30, 2013, contributions totaling \$2,163,723 were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of October 1, 2012. The City's actual contribution was \$1,758,205.

Both plans have recently been closed to new employees. All new employees will be members of the Florida Retirement System. In connection with the closing of the firefighters' and police pension plans to new employees, approximately sixty percent (60%) of the current employees migrated to the Florida Retirement System.

The City Council recently directed City staff to budget a half mill increase in the City ad valorem tax rate which, based on current valuations, is expected to generate approximately \$1.5 million annually. Such moneys will be used to fund the unfunded liabilities in the police and firefighters' pension plans.

All full-time City employees, with the exception of the City's public safety officers, are participants in the Florida Retirement System, "The System," a multiple-employer, cost-sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement, covers in excess of 650,000 full-time employees of various governmental units within the State of Florida.

The System provides for vesting benefits after six years of creditable service or eight years of creditable service for members initially enrolled after July 1, 2011.

During the year ended September 30, 2013, the City contributed \$528,070, which was 100% of the required contribution. This contribution level will increase in future years as a result of the changes to the police and firefighter pension plans described above. Participating employer and employee contributions are based upon state-wide rates established by the State of Florida. The City has no responsibility for the System other than to make the required contributions.

For additional information on the City's pension plans and their funding status, see Note H to the Audited Basic Financial Statements of the City for the Fiscal Year ended September 30, 2013 which are presented in APPENDIX B attached hereto and are incorporated herein by reference.

The City also provides an Other Postemployment Benefit Plan (the "OPEB Plan") which is a single-employer defined benefit healthcare plan. The contribution required to support the OPEB Plan is calculated based on the annual required contribution (ARC), an amount determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, calculated using the pay-related, entry-age normal cost method, and to amortize the unfunded actuarial liability over a period not to exceed thirty years. The contribution requirements of plan members and the City are established and may be amended by the City Council. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits. As of September 30, 2013, the OPEB plan had an unfunded actuarial accrued present value liability of approximately \$22.8 million. Currently, the City's OPEB Plan benefits are unfunded and contributions are based on a pay-as-you-go basis.

For additional information on the City's OPEB Plan and its funding status, see Note I to the Audited Basic Financial Statements of the City of Venice, Florida for the Fiscal Year ended September 30, 2013 which are presented in APPENDIX B attached hereto and are incorporated herein by reference.

FINANCIAL STATEMENTS

The Audited Basic Financial Statements of the City for the Fiscal Year ended September 30, 2013, and report thereon of Moore Stephens Lovelace, P.A. (the "Independent Certified Public Accountants") are attached hereto as "APPENDIX B — Audited Basic Financial Statements of the City for Fiscal Year Ended September 30, 2013". Such statements speak only as of September 30, 2013 and have been included in this Official Statement as public documents and the consent of the Independent Certified Public Accountants to include such documents herein was not requested. The Independent Certified Public Accountants were not requested nor did they perform any procedures with respect to the preparation of this Official Statement or the information presented herein.

UNDERWRITING

The Series 2015 Bonds will be purchased by RBC Capital Markets, LLC (the "Representative"), acting on behalf of itself and as representative of Raymond James & Associates, Inc. (collectively, the "Underwriters") at an aggregate purchase price of \$16,533,555.40 (which includes a net original issue premium of \$1,248,576.40 and Underwriters' discount of \$70,021.00). The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2015 Bonds if any Series 2015 Bonds are purchased. The Series 2015 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2015 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

CONTINGENT FEES

The City has retained Bond Counsel, the Financial Advisor and Disclosure Counsel with respect to the authorization, sale, execution and delivery of the Series 2015 Bonds. Payment of the fees of such professionals and a discount to the Underwriters (including the fees of their counsel) are each contingent upon the issuance of the Series 2015 Bonds.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2015 Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the Federal Bankruptcy Code, the remedies specified by the Resolution and the Series 2015 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX C – Composite of the Resolution" attached hereto for a description of events of default and remedies.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Series 2015 Bondholders to provide certain financial information and operating data relating to the City and the Series 2015 Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file itself or through its dissemination agent annual financial information and operating data and its audited financial statements with each entity authorized and approved by the Securities and Exchange Commission (the "SEC") to act as a repository (each a "Repository") for purposes of complying with Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934 (the "Rule"). Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board. The City has also agreed to file notices of certain enumerated material events, when and if they occur, with the Repository either itself or through its dissemination agent. Currently, the City's dissemination agent is Digital Assurance Certification, L.L.C. ("DAC"), who was engaged in August, 2011.

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 described in "APPENDIX E - Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the City prior to the issuance of the Series 2015 Bonds. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of the Rule.

With respect to the Series 2015 Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. The City did not, in accordance with its applicable continuing disclosure obligations, timely file its audited financial statements for its Fiscal Years 2009 and 2010 and failed to file for Fiscal Years 2010 and 2011 its audited financial statements in regard to its loan from the City of Gulf Breeze, Florida Local Government Loan Program Floating Rate Demand Revenue Bonds, Series 1985E

which loan has been retired. Otherwise, the City has complied in all material respects with its prior continuing disclosure undertakings.

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2015 Bonds, the security for the payment of the Series 2015 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument.

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 representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2015 Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

AUTHORIZATION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been duly authorized and approved by the City. At the time of delivery of the Series 2015 Bonds, the City will furnish a certificate substantially to the effect that nothing has come to their attention which would lead them to believe that the Official Statement (other than information herein related to DTC, the book-entry only system of registration and the information contained under the caption "TAX EXEMPTION" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2015 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

CITY OF VENICE, FLORIDA

By: /s/ John Holic
Mayor

By: /s/ Edward F. Lavallee
City Manager

By: /s/ Jeff Snyder
Director of Finance

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APPENDIX A

General Information Concerning the City

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APPENDIX A

GENERAL INFORMATION CONCERNING THE CITY

General

The City of Venice was incorporated during 1927. Venice is located in Sarasota County, in the southwestern part of the state, and is about an hour drive south of Tampa. Venice is one of four incorporated municipalities within Sarasota County. Venice, well known for its beaches, enjoys a semi-tropical climate with an average summer temperature of approximately 83.5 degrees, and an average winter temperature of approximately 63.6 degrees. The City currently occupies a land area of 16.73 square miles and serves a population of approximately 21,188, of which more than half are over the age of 65.

The economy of the City and Sarasota County is a blend of tourist and retirement industries, related service industries, light manufacturing and construction. The number of tourists visiting the County exceeds one million annually.

The combination of cultural and recreational facilities, together with the continuing expansion of programs and facilities, makes Venice and Sarasota County an ideal retirement area. Retirees contribute an important stabilizing effect on the City's economy since their incomes are affected very little by the cyclical nature of the economy and by unemployment levels.

The population of Venice has increased over the past ten years from 18,151 in 2002 to an estimated population of 21,188, as of April 1, 2014. The population increase is due primarily to net migration versus natural increases.

Government

The City

The City has operated under the council-manager form of government since 1927. Policy-making and legislative authority are vested in a City Council consisting of the mayor and six other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve three-year staggered terms, with two council members elected every year. The mayor is elected to serve a three-year term. The mayor and the council members are elected at large.

The City provides a full range of services that include public safety, the construction and maintenance of streets and other infrastructure, solid waste services, recreational activities, and cultural events. The City also provides utilities for water, wastewater, and stormwater.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City

Manager in April of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to July 31. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager may make transfers of appropriations within a fund. Transfers of appropriations between funds, however, require the approval of the City Council.

Air Transportation

Venice Municipal Airport ("VNC"), a general aviation airport owned by the City, is home to approximately 265 aircraft and had approximately 60,000 takeoffs and landings for the year ending September 30, 2014. The airport is its own enterprise fund, has a significant impact on the local economy, and provides convenient access to the community for residents, businesses and visitors. VNC has two 5,000-foot runways and traffic consists of almost equal amounts of general aviation and transit general aviation use.

VNC completed the Runway 4-22, Taxiway E and PSA/ROFA Improvements Project during fiscal year 2013. The project was awarded *2013 General Aviation Project of the Year* from the Florida Department of Transportation. In Fiscal Year 2014, the airport completed an \$8.3 million project to improve Runway 5-23. This significant undertaking included redefining the airport's fence-line and support modifications to the adjoining Lake Venice Golf Course.

The Sarasota-Bradenton International Airport is located about 40 minutes north of the City.

Education

The Sarasota County School System operates as a separate political entity with its own taxing authority. The Sarasota County School Board is an elected body of five members which establishes educational policy. An appointed superintendent reports to the Sarasota County School Board and is responsible for the administration of the system.

Three four-year colleges and universities serve Sarasota County: New College of Florida, University of South Florida Sarasota-Manatee, and Ringling College of Art and Design.

Cultural and Recreational Facilities

Venice has been listed in many publications as being the "Shark's Tooth Capital of the World." It hosts an annual festival, the Shark's Tooth Festival, to celebrate the abundance of fossilized shark's teeth that can be found on its coastal shores.

Venice has more than 30 parks ranging in size from tiny pocket parks to the beach along the Gulf of Mexico. Venetian Waterway Park, a linear park that parallels both sides of the Intracoastal Waterway, provides almost 10 miles of waterfront view for exercise and recreational use. The recently restored Venice Train Depot is at the northeast end of the park. More history

is available at the Historic Spanish Point in Osprey, an attraction that provides insight into the life and times of early pioneers.

Sarasota, about 30 minutes north of the City, is the home of the Sarasota Orchestra, the John and Mable Ringling Museum of Art, the Florida State University Center for the Performing Arts, the Sarasota French Film Festival, the Sarasota Ballet, Sarasota Opera, Asolo Repertory Theatre and the Mote Marine Laboratory, a marine rescue, research facility and aquarium.

Sport fishing attracts numerous enthusiasts to the area.

In 2012, the City earned the Silver Bicycle Friendly Community designation from the League of American Bicyclists.

Tax and Demographic Statistics

The following is information on the City's tax and demographic profile. The information appearing in the tables on pages A-4 through A-9 has been provided by the City.

City of Venice, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended 30-Sep	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2014	\$2,646,591,478	\$157,160,327	\$2,803,751,805	3.302	\$3,667,752,203	76.44%
2013	2,552,219,926	149,051,197	2,701,271,123	3.227	3,454,321,647	78.20%
2012	2,557,701,014	149,896,545	2,707,597,559	3.195	3,451,348,495	78.45%
2011	2,711,971,273	148,656,919	2,860,628,192	3.004	3,674,071,034	77.86%
2010	3,013,357,280	159,619,018	3,172,976,298	3.004	4,088,276,603	77.61%
2009	3,487,010,981	166,204,632	3,653,215,613	2.984	4,796,837,014	76.16%
2008	4,178,548,461	190,054,283	4,368,602,744	2.939	5,679,281,890	76.92%
2007	3,976,883,794	158,431,313	4,135,315,107	3.344	4,366,055,972	94.72%
2006	2,928,778,736	128,729,536	3,057,508,272	3.395	4,150,313,277	73.67%
2005	2,347,391,561	128,302,916	2,475,694,477	3.512	3,047,535,293	81.24%

City of Venice, Florida
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Venice			Overlapping Rates			
	Operating Millage	Debt Service Millage	Total City Millage	Sarasota County Total County Millage	School District Total School Millage	SWFWMD Total SWFWMD Millage	Total Direct & Overlapping Rates
2014	3.100	0.202	3.302	5.177	7.970	0.382	16.831
2013	2.965	0.262	3.227	5.177	7.816	0.393	16.613
2012	2.935	0.260	3.195	5.124	7.635	0.393	16.347
2011	2.779	0.225	3.004	5.273	7.901	0.377	16.555
2010	2.779	0.225	3.004	5.273	7.427	0.387	16.091
2009	2.779	0.205	2.984	5.127	7.045	0.387	15.543
2008	2.779	0.160	2.939	5.127	7.123	0.387	15.576
2007	3.129	0.215	3.344	5.554	7.210	0.422	16.530
2006	3.177	0.218	3.395	5.754	7.861	0.422	17.432
2005	3.225	0.287	3.512	5.750	7.860	0.420	17.542

City of Venice, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended 09/30	Total Tax Levy for Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage Of Levy
2014	\$9,257,988	\$8,934,711	96.5%	\$3,066	\$8,937,777	96.5%
2013	8,717,002	8,390,344	96.3%	23,551	8,413,895	96.5%
2012	8,650,774	8,333,155	96.3%	56,412	8,389,567	97.0%
2011	8,593,327	8,249,561	96.0%	25,903	8,275,464	96.3%
2010	9,531,621	9,190,963	96.4%	5,183	9,196,146	96.5%
2009	10,898,897	10,492,073	96.3%	3,872	10,495,945	96.3%
2008	12,839,323	12,338,368	96.1%	6,292	12,344,660	96.1%
2007	13,828,494	13,382,891	96.8%	3,069	13,385,960	96.8%
2006	10,648,965	10,021,025	94.1%	5,163	10,026,188	94.2%
2005	8,694,639	8,664,540	99.7%	(19,193)	8,645,347	99.4%

Property taxes are levied on November 1 of each year, and are due and payable upon receipt of the notice of the levy. A 4% discount is allowed if the taxes are paid in November, with the discount declining by 1% each month thereafter. Accordingly, taxes collected will not be 100% of the tax levy. Taxes become delinquent on April 1 of each year, and tax certificates for the full amount of any unpaid taxes are sold at public auction prior to June 1 each year, and the proceeds collected are remitted to the City.

City of Venice, Florida
Demographic and Economic Statistics
Last Ten Years

Fiscal Year	Population (a)		Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2014	21,188		\$795,863,656	\$37,562	6.0%
2013	21,117		761,310,084	36,052	6.8%
2012	20,918	*	747,295,550	35,725	8.9%
2011	20,752	*	725,884,208	34,979	11.0%
2010	22,176		749,526,624	33,799	12.5%
2009	22,146		1,068,655,230	48,255	11.6%
2008	22,149		1,029,618,414	46,486	4.3%
2007	21,584		897,397,968	41,577	3.0%
2006	20,800		839,404,800	40,356	2.6%
2005	20,035		743,558,955	37,113	3.2%

SOURCE: (a) Bureau of Economic and Business Research, University of Florida. Resident population used by the City's Planning and Zoning Department.
(b) Determined by multiplying population by per capita personal income.
(c) U.S. Census Bureau - American FactFinder
(d) U.S. Department of Labor, Bureau of Labor Statistics - Local Area Unemployment Statistics.

* Population revised based on revisions to the 2010 Census.

NOTES: Statistics for unemployment rate are not available for City of Venice. Therefore, figures from North Port-Bradenton-Sarasota, FL Metropolitan Statistical Area were used.

City of Venice, Florida
Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Venice HMA Inc. (Venice Regional Medical Center)	\$66,857,532	1	2.38%			
MHC Mobile Home Communities (Bay Indies LLC)	49,610,000	2	1.77%	\$47,563,900	1	1.92%
PGT Industries, Inc.	47,142,459	3	1.68%	14,592,900	4	0.59%
AG (Aston Gardens) Venice Senior Housing LLC	38,223,542	4	1.36%	21,416,800	2	0.87%
Florida Power & Light Co.	24,857,572	5	0.89%			
Publix Supermarkets Inc.	15,371,130	6	0.55%			
Tervis Tumbler Co.	15,016,805	7	0.54%			
Southwest Florida Retirement Center Inc.	13,787,373	8	0.49%			
CSH-ING Bella Vita LP	11,486,600	9	0.41%			
Verizon Florida LLC	10,952,534	10	0.39%			
WCI Communities, Inc.				19,371,200	3	0.78%
Sarasota County Health Facilities				10,712,823	5	0.43%
Aspen Billa Vita LP				9,545,700	6	0.39%
Healthcare Realty Trust, Inc.				9,474,000	7	0.38%
Marriott Retirement Venice Plaza Shopping Center, Ltd.				8,266,400	8	0.33%
Alliance BP Limited Partnership				7,784,000	9	0.31%
Totals	<u>\$293,305,547</u>		<u>10.46%</u>	<u>\$156,120,723</u>	10	<u>0.30%</u>

Source: Sarasota County Property Appraiser
Total taxable assessed value of Venice for 2014 \$ 2,803,751,805
Total taxable assessed value of Venice for 2005 \$ 2,475,694,477

City of Venice, Florida
Principal Employers
Current Year and Nine Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
School Board of Sarasota County	5,018	1	3.09%	5,745	1	3.54%
Sarasota County Government	3,343	2	2.06%	3,447	3	2.12%
Sarasota Memorial Hospital	3,099	3	1.91%	3,939	2	2.43%
PGT Industries	1,761	4	1.08%	1,462	5	0.90%
Publix Super Markets	1,429	5	0.88%	3,050	4	1.88%
Venice Regional Medical Center	1,200	6	0.74%	1,009	7	0.62%
Sun Hydraulics Corporation	704	7	0.43%	-	-	-
Sunset Automotive Group	670	8	0.41%	-	-	-
Tervis Tumbler	668	9	0.41%	-	-	-
Goodwill Industries	667	10	0.41%	-	-	-
Wal-Mart	-		-	1,207	6	0.74%
Charter One Hotels	-		-	700	8	0.43%
Nielsen Media Research	-		-	700	9	0.43%
Doctors Hospital of Sarasota	-		-	630	10	0.39%
	<u>18,559</u>		<u>11.42%</u>	<u>21,889</u>		<u>13.48%</u>
Total Sarasota						
County Employment:	<u>162,358</u>			<u>162,295</u>		

SOURCE: Sarasota County CAFR

NOTE: Statistics are for Sarasota County; not available for City of Venice

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APPENDIX B

Audited Basic Financial Statements of the City for the Fiscal Year Ended September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Venice, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Venice, Florida (the "City"), as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position, and cash flows, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Mayor and City Council
City of Venice, Florida

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 31, 2014

City of Venice, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2013
(unaudited)

As management of the City of Venice, Florida (City), we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013.

We encourage readers of these financial statements to consider the information included in the transmittal letter and in the other sections of the Comprehensive Annual Financial Report (CAFR) (e.g., combining statements and the statistical section) in conjunction with this discussion and analysis.

Financial Highlights

These financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements (BFS), as listed in the accompanying Table of Contents.

- At the close of fiscal year 2013, the City's assets and deferred outflows of resources exceeded liabilities by \$176.4 million (net position). Of this amount, \$33.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$8.3 million, or 5.0%, in comparison to the prior year. Net position of the business-type activities increased by \$9.9 million, and net position of the governmental activities decreased by \$1.6 million.
- All of the City's business-type activities reported combined ending net position of \$103.4 million. Of this amount \$18.3 million is available for spending at the City's discretion.
- The General Fund's fund balance decreased by \$50,707 for the year ended September 30, 2013.
- At the end of the current year, fund balance for the General Fund was \$14.2 million, or 67.3% of total general fund expenditures and transfers. Of this amount, \$4.2 million is for nonspendable inventories and prepayments, advances to other funds, and amounts committed or restricted for equipment and capital improvements. \$10.0 million is unassigned; of this amount \$5.3 million is for disaster reserve and \$4.7 million is available for any purpose.
- The City's total debt increased by \$18.6 million during the fiscal year.

Overview of the Financial Statements

Basic Financial Statements. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the City's BFS. The BFS are comprised of three components: 1) Government-Wide Financial Statements (GWFS), 2) Fund Financial Statements (FFS), and 3) Notes to Basic Financial Statements (Notes). This CAFR also contains other supplementary information in addition to the BFS.

City of Venice, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2013
(unaudited)

Government-Wide Financial Statements. The GWFS, shown on pages 19-21 of this report, contain the *statement of net position* and the *statement of activities*, described below:

The *statement of net position* presents information on all the City's assets (including capital assets), deferred outflows of resources, liabilities (including short and long-term liabilities, deferred inflows of resources, and net position. Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position using the accrual basis. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents a comparison between direct expenses and program revenues for each of the City's functions or programs (referred to as "activities"). Direct expenses are those that are specifically associated with an activity and are therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program, in addition to grants and contributions that are restricted to meeting the operational or capital requirements of a particular activity. Revenues that are not directly related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues. The governmental activities (activities that are principally supported by taxes and intergovernmental revenues) of the City include administration of general government, public safety, culture and recreation, physical environment, transportation, and economic environment. The business-type activities (activities intended to recover all of their costs through user fees and charges) of the City include water and sewer utilities, solid waste, storm water, and airport. All changes in net position are reported as soon as the underlying event giving rise to the change occurs (accrual basis), regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Fund Financial Statements. A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The principal role of funds in the new financial reporting model is to demonstrate fiscal accountability. The City, as with other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the FFS is on major funds. Major funds are those that meet minimum criteria (a percentage of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenue, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), or those that the City chooses to report as major funds

City of Venice, Florida
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given their qualitative significance. Nonmajor funds are aggregated and shown in a single column in the appropriate financial statements. Combining schedules of nonmajor funds are included in the CAFR following the BFS. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental FFS. Governmental funds are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, governmental FFS focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the City's fiscal year. Such information is useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, readers may better understand the long-term impact of the near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The General Fund and Streets Capital Projects Fund are considered major funds. Data from the other governmental funds are combined into a single aggregated presentation. Budgetary comparisons have been presented for the General Fund, Streets Capital Projects Fund, and each non-major governmental fund to demonstrate compliance with the budget. The General Fund comparison is presented in the FFS on page 26 of this report. The streets capital projects fund and nonmajor governmental fund comparisons can be found on pages 90-97 of this report.

Proprietary FFS. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the GWFS. Enterprise FFS provide the same type of information as the GWFS, only in more detail. The City uses enterprise funds to account for its Water and Sewer Utility, Solid Waste, Storm Water, and Airport activities, all of these activities are considered to be major funds by the City and are presented separately.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employees' group health and life insurance, workers' compensation self insurance, employee flexible spending, and property and liability insurance. The services provided by the internal service funds benefit both governmental and business-type activities, and accordingly, they have been included within governmental activities and

City of Venice, Florida
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business-type activities, as appropriate, in the GWFS. All internal service funds are combined into a single aggregated presentation in the proprietary FFS. Reconciliations are provided for both the proprietary fund statement of net position and the proprietary fund statement of revenues, expenses, and changes in net position to facilitate the comparison between enterprise funds and business-type activities. The proprietary FFS can be found on pages 28-39 of this report.

Fiduciary FFS. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the GWFS because the resources of those funds are not available to support the City's own programs. The City presents pension trust funds that represent the results of two defined benefit pension plans as fiduciary funds in the FFS. The fiduciary FFS can be found on pages 40-41 of this report.

Notes to Basic Financial Statements. The Notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The Notes can be found on pages 42-79 of this report.

Government-Wide Financial Analysis

As noted earlier, net position serves as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceeded liabilities by \$176.4 million (net position) at the close of the fiscal year.

By far the largest portion of the City's net position of \$112.1 million or 63.5%, reflects its net investment in capital assets, e.g., land, buildings, infrastructure, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding at the close of the fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Venice, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2013
(unaudited)

City of Venice Net Position
Summary of Net Position
(in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 33,349	\$ 36,222	\$ 51,007	\$ 27,514	\$ 84,356	\$ 63,736
Capital assets	60,168	58,369	92,777	87,037	152,945	145,406
Total assets	93,517	94,591	143,784	114,551	237,301	209,142
Deferred Outflows of Resources	-	-	143	-	143	-
Current liabilities	3,067	2,498	2,798	2,339	5,865	4,837
Noncurrent liabilities	17,411	17,485	37,730	18,709	55,141	36,194
Total liabilities	20,478	19,983	40,528	21,048	61,006	41,031
Net position:						
Net investment in capital assets	52,924	50,784	59,200	72,384	112,124	123,168
Restricted	4,753	4,162	25,895	6,045	30,648	10,207
Unrestricted	15,362	19,662	18,304	15,074	33,666	34,736
Total net position	\$ 73,039	\$ 74,608	\$ 103,399	\$ 93,503	\$ 176,438	\$ 168,111

An additional portion of the City's net position of \$30.6 million or 17.4%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$33.7 million or 19.1%, may be used to meet the City's ongoing obligations to citizens and creditors.

The City also reports positive balances in all three categories of net position for the City as a whole, as well as for its separate governmental activities and business-type activities.

The City's governmental activities net position of \$73.0 million decreased \$1.6 million, or 2.1%, in comparison to the prior year. This is primarily a result of funds received from Sarasota County in fiscal year 2012. \$5.7 million of impact fees was received to construct a North-South Connector East of I-75 and \$0.9 million was received for design and construction of Legacy Park. These capital improvement expenses occurred in fiscal year 2013 along with approximately \$0.4 million for construction of US-41 Intersection. There was also an increase in expenses for a one-time two percent payment for employees. Additionally, in previous years positions were frozen or eliminated, some of these positions were re-instated during fiscal year 2013 via budget amendments.

The City's business-type activities experienced an increase in net position of \$9.9 million, or 10.6%, in comparison to the prior year. This is primarily due to a 1.5% water and sewer utility rate increase that went into effect April 2012, refunding a utility debt issue (State Revolving Loan), and an increase of approximately \$4.9 million in capital grants.

City of Venice, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2013
(unaudited)

Changes in Net Position

Details of the following summarized information can be found on pages 20-21 of this report.

City of Venice Changes in Net Position
For the Year Ended September 30
(in 000's)

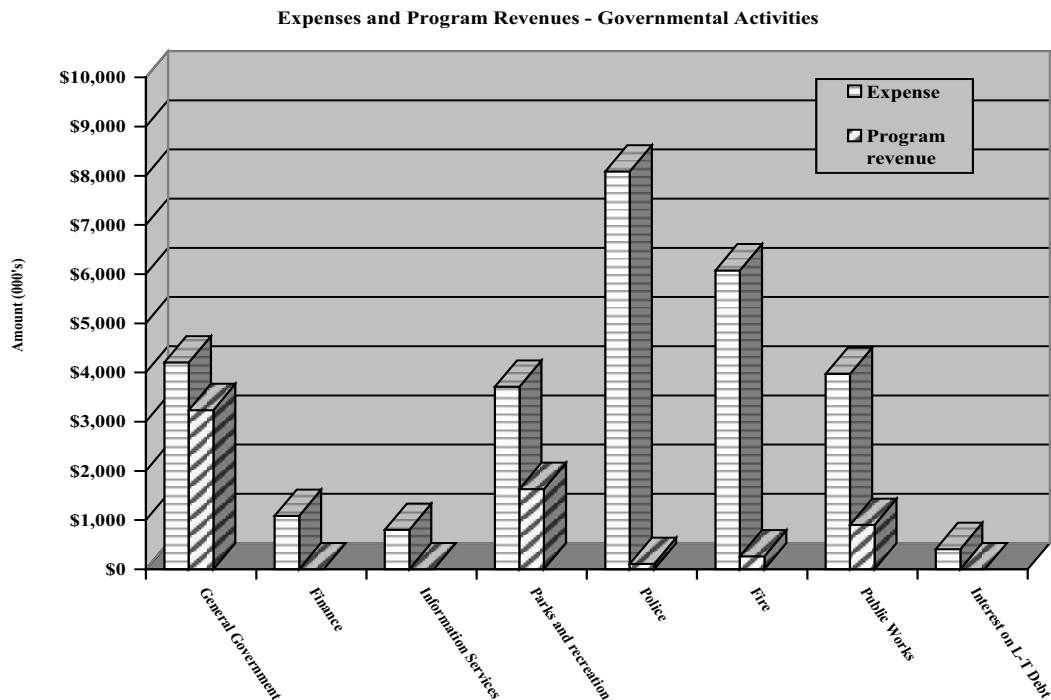
	Governmental Activities		Business- Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 2,590	\$ 2,154	\$ 28,888	\$ 27,081	\$ 31,478	\$ 29,235
Operating grants and contributions	639	842	34	48	673	890
Capital grants and contributions	1,282	6,662	6,588	1,729	7,870	8,391
General Revenues:						
Property taxes	8,428	8,401	-	-	8,428	8,401
Sales taxes	5,037	4,747	-	-	5,037	4,747
Excise taxes	2,170	1,979	-	-	2,170	1,979
Franchise fees	1,694	1,665	-	-	1,694	1,665
Intergovernmental	1,784	1,748	-	-	1,784	1,748
Interest earnings	143	352	(2)	168	141	520
Other	765	366	-	-	765	366
Total revenues	<u>24,532</u>	<u>28,916</u>	<u>35,508</u>	<u>29,026</u>	<u>60,040</u>	<u>57,942</u>
Expenses:						
General government	4,207	4,447	-	-	4,207	4,447
Finance	1,087	1,152	-	-	1,087	1,152
Information services	802	768	-	-	802	768
Parks and recreation	3,713	3,756	-	-	3,713	3,756
Police	8,087	7,816	-	-	8,087	7,816
Fire	6,077	6,008	-	-	6,077	6,008
Public works	3,970	3,451	-	-	3,970	3,451
Interest on long-term debt	411	349	-	-	411	349
Water and sewer utility	-	-	16,086	15,746	16,086	15,746
Solid waste	-	-	4,154	3,753	4,154	3,753
Airport	-	-	2,269	1,886	2,269	1,886
Storm water drainage	-	-	850	751	850	751
Total Expenses	<u>28,354</u>	<u>27,747</u>	<u>23,359</u>	<u>22,136</u>	<u>51,713</u>	<u>49,883</u>
Change in net position before special items and transfers	(3,822)	1,169	12,149	6,890	8,327	8,059
Transfers	<u>2,253</u>	<u>2,153</u>	<u>(2,253)</u>	<u>(2,153)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(1,569)</u>	<u>3,322</u>	<u>9,896</u>	<u>4,737</u>	<u>8,327</u>	<u>8,059</u>
Net position - beginning of year	<u>74,608</u>	<u>71,286</u>	<u>93,503</u>	<u>88,766</u>	<u>168,111</u>	<u>160,052</u>
Net position - end of year	<u><u>73,039</u></u>	<u><u>74,608</u></u>	<u><u>103,399</u></u>	<u><u>93,503</u></u>	<u><u>176,438</u></u>	<u><u>168,111</u></u>

City of Venice, Florida
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Governmental activities. The net position of the City's governmental activities decreased by \$1.6 million. Key elements of the operations follow:

- Total expenses increased by \$0.6 million, or 2.2% from the prior year. Approximately \$300,000 was for a one-time two percent payment for employees. For most employees, it was the first salary enhancement in more than four years. There was an additional increase of approximately \$400,000 as a result of adding a fire inspector, a school resource officer, and two part-time parking enforcement specialists and for the purchase of an emergency generator that was installed at the Venice Community Center. There was also an increase in police and fire pension contributions and costs to redesign and remodel the building department's office area and customer service counter. The increases were offset by cost cutting measures and evaluating services provided and streamlining operations.
- Revenues decreased by approximately \$4.4 million, or 15.2% in comparison to the prior year. The key factors impacting this decrease is a result of funds received in fiscal year 2012 that were not received in fiscal year 2013: including \$5.7 million of impact fees received from Sarasota County to construct a North-South Connector East of I-75, and \$880,000 received from Sarasota County for design and construction of Legacy Park. These decreases were offset by slight increases in property taxes, sales taxes, excise taxes, and franchise fees.

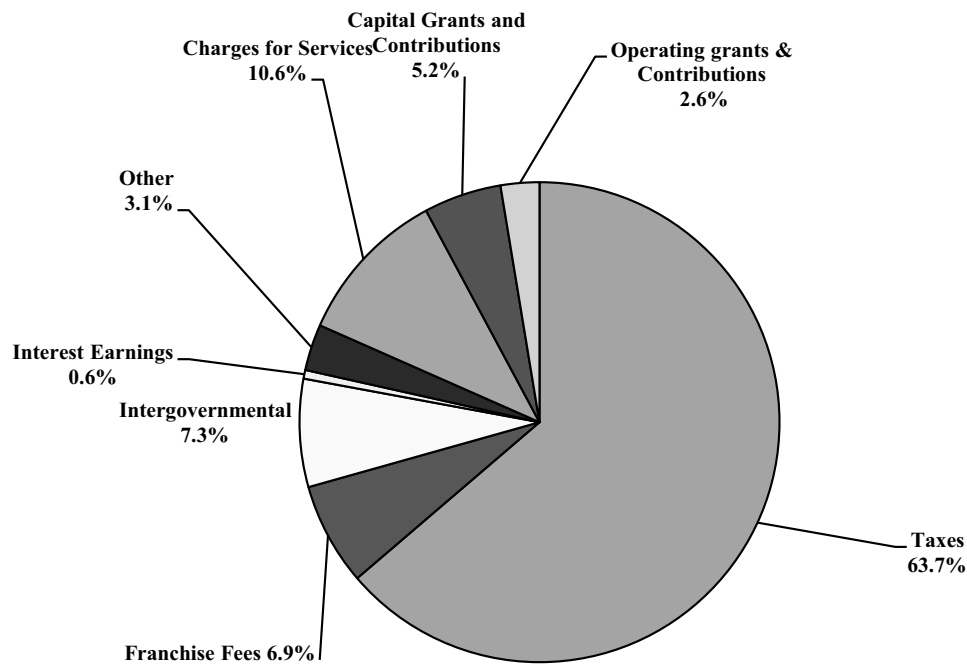
This graph depicts the expenses and program revenues generated through the City's various governmental activities.



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The following graph reflects the source of the revenue and the percentage each source represents of the total.

Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$9.9 million as a result of operations. Key elements of this increase follow:

- Charges for services reported in business-type activities increased by \$1.8 million, or 6.7%, in comparison to the prior year. A 1.5% water and sewer utility rate increase went into effect April 2012; there was an increase in water and sewer plant capacity fees; the airport designed several larger t-hangars and increased the rental rates; the effect of these increases is the primary reason for the increase in charges for services. There was also an increase of approximately \$4.9 million in capital grants and contributions related to the FAA Airport Improvement Program and State Aviation Development Grants.
- Expenses reported in business-type activities increased by \$1.2 million, or 5.5%, in comparison to the prior year. The increase was primarily due to an increase of approximately \$300,000 for maintenance of the utility system; an increase of approximately \$300,000 for maintenance at the airport; an increase of approximately \$132,000 for repairs and maintenance of solid waste division's fleet; an increase in promotional activities due to the utilities toilet

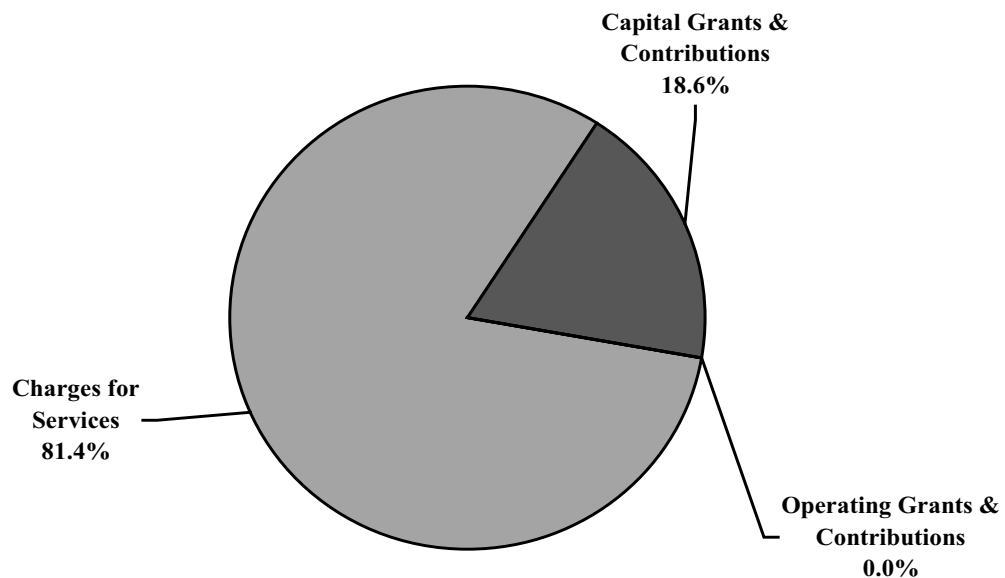
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rebate program; and increases in engineering services, and payments to Sarasota County Solid Waste to dump garbage and recycling items, and for tipping fees; and a one-time two percentage wage bonus for employees.

- Transfers out to the general fund increased by \$100,000, or 4.6%, due to an increase in the central services cost allocation resulting from the methodology and process established in the full cost allocation plan.

The following graph reflects the revenue sources generated by the business-type activities. As noted earlier, these activities include Water and Sewer, Solid Waste, Airport, and Storm Water Drainage.

Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of the City's resources available for any purpose that is not included in other spendable classifications at the end of the fiscal year.

City of Venice, Florida
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- At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$27.7 million. This compared to \$30.8 million at the end of the prior fiscal year. The decrease of \$3.1 million is primarily due to receiving \$5.7 million of impact fees from Sarasota County to construct a North-South Connector East of I-75, and \$880,000 from Sarasota County for design and construction of Legacy Park during fiscal year 2012. \$4.3 million of expenses occurred in fiscal year 2013 for the North-South Connector and \$0.7 million was spent for various other projects within the Streets Capital Projects Fund. There was an increase in expenses related to personnel costs: a one-time two percent payment for employees and adding additional personnel to police and fire. Of the ending governmental fund balance \$17.7 million are nonspendable inventories and prepayments, advances to other funds, and amounts committed or restricted for capital improvements and debt service. \$10.0 million is *unassigned*; of this amount \$5.3 million is for disaster reserve and \$4.7 million is available for any purpose.

The *General Fund* is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance in the General Fund was \$10.0 million which is the same amount reported in the previous fiscal year. The difference in activity from year to year is reflected as follows: transfers-in decreased in fiscal year 2013 due to a one-time transfer of \$1.0 million as a result of closing the fishing pier fund to the general fund and a decrease in transfers in from the one cent voted sales tax fund; expenses increased in fiscal year 2013 by approximately \$1.0 million related to personnel costs including pension contributions as discussed previously, purchases of computer hardware and peripherals, software and licenses, and an emergency generator. The City continues to evaluate services provided and streamline operations. The fund balance includes a reduction of \$0.4 million in advances to other funds as a result of a scheduled repayment of an interfund advance. Total fund balance approximated \$14.2 million at the end of the fiscal year compared to \$14.3 million at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance and total fund balance to total fund expenditures (including transfers out). Unassigned fund balance represented 47.2% of total General Fund expenditures (including transfers out) compared to 49.7% in the prior year. Total fund balance represented 67.3% of total General Fund expenditures (including transfers out) compared to 71.1% in the prior year.

The *Streets Capital Projects Fund* is used to account for the cost of major drainage and street improvement capital projects. The fund balance decreased \$3.8 million in comparison to the prior year due to receiving impact fee funds in fiscal year 2012 from Sarasota County to construct a North-South Connector East of I-75 whereas the majority of the expenses for this project occurred in fiscal year 2013.

Proprietary funds. The City's proprietary funds are comprised of the enterprise funds and internal service funds. An enterprise fund is used to account for activities for which a fee is charged to external users for goods and services. These funds provide essentially the same type of information found in the GWFS, but in more detail.

City of Venice, Florida
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Unrestricted net position of the major proprietary funds at the end of September 30 are shown next with amounts presented in 000s:

	2013	2012
Water and Sewer Utility Fund	\$ 8,577	\$ 5,153
Solid Waste Fund	3,857	3,863
Airport Fund	3,757	4,155
Storm Water Drainage Fund	2,079	1,604
	<u>\$ 18,270</u>	<u>\$ 14,775</u>

The Water and Sewer Utility Fund reflected a current year increase in unrestricted net position of nearly \$3.4 million compared to an increase of \$2.0 million during the prior year. The increase is due to a 1.5% water and sewer utility rate increase that went into effect April 2012 and an increase in expenses for maintenance of the utility system. There was also a reduction of \$0.4 million in advances from other funds as a result of a scheduled repayment of an interfund advance. City Management continues to monitor this fund.

The Solid Waste Fund remained constant in unrestricted net position of nearly \$3.9 million compared to the prior year. This is due to stable solid waste activities and administrative charges through the full cost allocation plan.

The Airport Fund decreased \$0.4 million compared to the prior year's unrestricted net position which decreased \$0.7 million. This is due to an increase of approximately \$300,000 for maintenance at the airport and an increase in the central services cost allocation resulting from the methodology and process established in the full cost allocation plan.

The Storm Water Drainage Fund reflected an increase in unrestricted net position of \$0.5 million during the current year compared to a \$0.4 million increase during the prior year. The increase was primarily due to a decrease in central services cost allocation resulting from the methodology and process established in the full cost allocation plan and an increase in miscellaneous revenues.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$4.0 million with an increase to expenditures. These changes can be briefly summarized as follows:

- \$178,817 increase due to "rolling over" encumbrances, \$31,197 of this amount was for capital outlay expenditures.
- \$203,606 increase for fire department personnel: hire a fire inspector, overtime and Local #2546 I.A.F.F. negotiation offer.
- \$25,991 increase for police department personnel: school resource officer and two part-time parking enforcement specialists.
- \$475,000 received from the State and deposited into the police officers and firefighters retirement trust funds.

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- \$29,872 of grant funds and donations used for public safety (police and fire).
- \$91,470 increase in general government: \$41,400 of this amount is legal services, \$10,000 for Bicycle Friendly Venice Project, and \$40,070 for improvements at the festival grounds.
- \$333,143 for Venice Community Center emergency generator.
- \$2,675,000 for purchase of federally-obligated land leased to the Venice Pier Group, Inc. (Sharkey's) and the Senior Friendship Center Site (land only). This land purchase did not occur in fiscal year 2013.

The General Fund ended the fiscal year with expenditures being \$3.5 million less than budgeted. This was because the federally-obligated land leased purchase did not occur and as a result of a concentrated effort by management to control costs during the year and curtailing spending.

Actual total revenues were less than budgeted revenues by \$287,886 for the fiscal year. This is largely due to intergovernmental revenue received from the State for police and fire pensions being less than budgeted funds, and the City received fewer funds than expected for electric franchise fees and sales taxes.

Capital Assets and Debt Administration

Capital assets. The City's net investment in capital assets for its governmental and business-type activities as of September 30, 2013 amounted to \$112.1 million (net of accumulated depreciation), or a 9.0% decrease, in comparison to the prior year. This decrease is due to the increase in debt (utility bond issue) related to capital assets. The net investment in capital assets includes land, construction in progress, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation, and the outstanding related debt used to acquire the assets.

Major capital asset events during the fiscal year included the following:

- Completed stormwater improvements along US-41 and at Ruscelletto Park.
- Completion of wastewater master plan.
- Reinforced t-hangars.
- Purchase and installation of Venice Community Center emergency generator.
- Purchased six police vehicles.
- Construction-in-Progress includes: utility projects funded via bond issue, North-South Connector East of I-75, and 04/22 runway rehabilitation.

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For the Year Ended September 30, 2013
(unaudited)

At the end of the fiscal year, the City has construction commitments of \$16.7 million.

City of Venice Capital Assets
(Net of Accumulated Depreciation)
September 30
(in 000's)

	Governmental Activities		Business- Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 11,038	\$ 11,038	\$ 1,838	\$ 1,838	\$ 12,876	\$ 12,876
Buildings	11,850	12,326	4,434	3,067	16,284	15,393
Improvements other than buildings	18,396	21,611	71,974	73,189	90,370	94,800
Machinery and equipment	1,610	1,332	757	2,983	2,367	4,315
Infrastructure	9,504	9,740	-	-	9,504	9,740
Construction in progress	7,770	2,322	13,774	5,960	21,544	8,282
Total	<u>\$ 60,168</u>	<u>\$ 58,369</u>	<u>\$ 92,777</u>	<u>\$ 87,037</u>	<u>\$ 152,945</u>	<u>\$ 145,406</u>

Additional information about the City's capital assets can be found on pages 57-59 of this report.

Long-term debt. A summary of the City's total outstanding debt follows:

City of Venice Outstanding Debt
General Obligation and Revenue Bonds
September 30
(in 000's)

	Governmental Activities		Business- Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 7,245	\$ 7,585	\$ -	\$ -	\$ 7,245	\$ 7,585
Notes	-	-	11,967	14,653	11,967	14,653
Revenue bonds	-	-	21,610	-	21,610	-
Total	<u>\$ 7,245</u>	<u>\$ 7,585</u>	<u>\$ 33,577</u>	<u>\$ 14,653</u>	<u>\$ 40,822</u>	<u>\$ 22,238</u>

There is no direct debt limitation in the City Charter or under State law. Article VII, Section 9 of the Constitution of the State of Florida provides that, exclusive of taxes levied for the payment of voter-approved general obligation bonds, cities may levy up to ten mills for municipal services. Pursuant to the Florida Constitution, there is no limit on the amount of ad valorem taxes a city may levy for the payment of debt service on voter-approved general obligation bonds. The current voter approved debt service millage tax rate per \$1,000 of assessed valuation is \$0.262.

As of September 30, 2013, the City's total outstanding debt has decreased by \$18.6 million or 83.6% over the prior fiscal year end. The increase in outstanding debt is due to a \$20.8 million Utility System Revenue Bond issue in December 2012. In addition, there were decreases attributed to a current year debt refunding (SRF loans) and payment of scheduled debt service.

City of Venice, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2013
(unaudited)

Three major rating institutions (Standard & Poor's, Moody's and Fitch) have evaluated the City's financial management, economic conditions and administrative practices. The bond ratings continue to reflect that the City's bonds have the characteristics of investment quality as shown below:

	<u>Standard & Poor's</u>	<u>Moody's Investors Service</u>	<u>Fitch Ratings</u>
General Obligation	AA-	Aa2	AA
Revenue Bonds	AA-	Aa3	AA

In December 2012 the City issued Utility System Revenue Bonds and received the revenue bond ratings noted above. These ratings reflect the general credit characteristics of the City, sound management, and moderate debt levels.

Additional information on the City's long-term debt can be found on pages 60-63 of this report.

Economic Factors and the Next Fiscal Year's Budget and Rates

- At the end of the City's fiscal year the unemployment rate for Sarasota County (Venice area) was 6.8%. This is a decrease from a rate of 8.9% one year earlier. This compares to the state's average unemployment rate of 6.8% and the national average of 7.2% at September 2013.
- The City's population is estimated to have slightly increased, 21,117 for 2013 and 20,918 just one year earlier.
- Building permits issued increased from 5,579 during 2012 to 6,555 in fiscal year 2013, or about a 17.5% increase. This compares to a 11.2% increase from fiscal year 2011 to 2012, and a 12.0% increase from fiscal year 2010 to 2011.
- The assessed valuation of commercial and residential property decreased to \$2,701 billion in 2013 from \$2,707 billion in 2012. This is a 0.23% decrease during 2013 compared to a 5.3% decrease during the prior year. In developing the fiscal year 2014 budget, the assessed values increased to \$2,804 billion from \$2,701 billion in 2013. This is a 3.8% increase for 2013. This is the first increase in assessed values since 2008.
- The General Fund property tax millage rate for fiscal year 2014 was slightly increased from \$2.9653 per thousand to \$3.100 per thousand. The voter approved debt service property tax millage rate was slightly decreased from \$0.2620 in fiscal year 2013 to \$0.2020 for fiscal year 2014.

City of Venice, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2013
(unaudited)

- Over the past ten years extreme fluctuation in the general economy, building industry, and real estate market has directly affected the revenues that support the local government.

All of these factors were considered in preparing the City of Venice's budget for the 2013-2014 fiscal year.

At the end of the fiscal year, the unassigned fund balance in the General Fund was \$10.0 million, this is consistent with the \$10.0 million in the previous fiscal year. It is intended that the unassigned fund balance be equal to 25% of annual General Fund expenditures, which equates to approximately \$5.3 million. The City Council authorized an increase in the millage rate, from 2.9653 to 3.1000, and a limited use of reserve funds to support specific nonrecurring expenditures and ensure the same level of delivery of city services. This action does not compromise the City's protected emergency fund balance to provide three months of operating costs. We anticipate fiscal year 2015 will find the city still operating with restricted revenue streams and have identified some future programs and activities that will provide operational efficiencies and financial advantage to the City. It is imperative that the budget process continues to weigh long term alternatives for meeting the city's obligations within the constraints of projected revenue streams.

City Council approved and implemented a 1.5% utility rate increase that went into effect April 2012. The City did an additional rate study that resulted in a 10% increase for the single-family residential classification and a 15% decrease for the condominiums, manufactured homes, and mobile homes that went into effect October 1, 2013. All residential classifications will then have an increase of 3% every first of October for the next four years. This enables the Utility Enterprise Fund to support improvements to the infrastructure, while providing regular operations and repaying loans from the General Fund.

The fiscal year 2014 Utility Fund budget includes \$20.5 million for capital projects, including improvements to the Eastside WRF aeration system, replacement of grit removal system, replacement of degasifier, adding a reclaimed water filtration system, installation of WTP dual stage air scrubber, and replacement of various sewer lines. Some of the planned funding will come from revenue bonds issued in December 2012.

The fiscal year 2014 airport budget includes funds for capital items, including Runway 13-31 safety improvements with funding from FAA, an environmental assessment to identify and mitigate any environmental impacts of the proposed improvements to Runway 13-31, installation of an aircraft wash rack, t-hangar hurricane improvements, landscaping, and airport security improvements.

The Storm Water utility rates increased by 1.1%, the CPI for all urban consumers southern region, effective October 1, 2010, this rate along with the Solid Waste rates remained unchanged for the 2013-2014 fiscal year. In addition, for solid waste the City evaluated the pros and cons of changing from our twice a week pickup to a once a week pickup and decided to stay at our twice a week pickup during the 2013-2014 fiscal year.

City of Venice, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2013
(unaudited)

Requests for Information

This financial report is designed to provide a general overview of the City of Venice's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Finance Director, 401 West Venice Avenue, Venice, Florida, 34285.

City of Venice, Florida
Statement of Net Position
September 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,200,491	\$ 13,782,787	\$ 26,983,278
Investments	9,971,362	10,981,958	20,953,320
Accounts receivables (net of allowance for uncollectibles)	583,583	3,054,436	3,638,019
Internal balances	3,494,069	(3,494,069)	-
Due from other governments	873,124	346,817	1,219,941
Inventories	55,729	438,749	494,478
Prepaid expenses	31,764	758	32,522
Net pension asset	385,481	-	385,481
Restricted assets:			
Cash and cash equivalents	2,529,438	15,093,395	17,622,833
Investments	1,895,075	10,801,828	12,696,903
Due from other governments	328,451	-	328,451
Capital assets (net of accumulated depreciation):			
Non-depreciable	18,807,795	15,611,755	34,419,550
Depreciable	41,360,707	77,165,064	118,525,771
Total assets	<u>93,517,069</u>	<u>143,783,478</u>	<u>237,300,547</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	143,173	143,173
LIABILITIES			
Accounts payable	1,953,274	1,279,036	3,232,310
Accrued liabilities	1,053,335	327,405	1,380,740
Due to other governments	6,698	16,405	23,103
Accrued interest payable	54,201	302,799	357,000
Customer deposits	-	871,873	871,873
Noncurrent liabilities:			
Due within one year:			
Bonds payable	350,000	403,713	753,713
Notes payable	-	3,009,000	3,009,000
Compensated absences	688,462	232,711	921,173
Due in more than one year:			
Bonds payable	6,895,000	21,206,134	28,101,134
Notes payable	-	8,958,000	8,958,000
Compensated absences	688,461	232,712	921,173
OPEB payable	8,788,863	3,688,008	12,476,871
Total liabilities	<u>20,478,294</u>	<u>40,527,796</u>	<u>61,006,090</u>
NET POSITION			
Net investment in capital assets	52,923,502	59,199,972	112,123,474
Restricted for:			
Public safety	29,023	-	29,023
Capital improvements	3,484,136	23,735,173	27,219,309
Debt service	1,239,805	1,160,050	2,399,855
Renewal and replacement	-	1,000,000	1,000,000
Unrestricted	15,362,309	18,303,660	33,665,969
Total net position	<u>\$ 73,038,775</u>	<u>\$ 103,398,855</u>	<u>\$ 176,437,630</u>

City of Venice, Florida
Statement of Activities
For the Year Ended September 30, 2013

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 4,206,832	\$ 2,590,060	\$ 454,694
Finance	1,087,557	-	-
Information services	802,515	-	-
Parks and recreation	3,712,915	-	-
Police	8,086,812	-	109,075
Fire	6,077,107	-	-
Public works	3,970,036	-	75,654
Interest on long-term debt	411,059	-	-
Total governmental activities	<u>28,354,833</u>	<u>2,590,060</u>	<u>639,423</u>
Business-type activities:			
Water and sewer utilities	16,086,267	20,256,649	33,934
Solid waste	4,153,871	4,946,247	-
Airport	2,269,392	2,231,127	-
Storm water drainage	849,906	1,454,101	-
Total business-type activities	<u>23,359,436</u>	<u>28,888,124</u>	<u>33,934</u>
Total primary government	<u>\$ 51,714,269</u>	<u>\$ 31,478,184</u>	<u>\$ 673,357</u>
General revenues:			
Property taxes			
Sales taxes			
Excise taxes			
Franchise fees			
Intergovernmental - unrestricted			
Investment earnings			
Miscellaneous			
Transfers, net			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Net position - ending			

See accompanying Notes to Basic Financial Statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position		
	Primary Government		Total
	Governmental Activities	Business-type Activities	
\$ 191,060	\$ (971,018)	\$ -	\$ (971,018)
-	(1,087,557)	-	(1,087,557)
-	(802,515)	-	(802,515)
1,631	(3,711,284)	-	(3,711,284)
-	(7,977,737)	-	(7,977,737)
263,941	(5,813,166)	-	(5,813,166)
825,716	(3,068,666)	-	(3,068,666)
-	(411,059)	-	(411,059)
1,282,348	(23,843,002)	-	(23,843,002)
7,518	-	4,211,834	4,211,834
-	-	792,376	792,376
6,533,447	-	6,495,182	6,495,182
47,423	-	651,618	651,618
6,588,388	-	12,151,010	12,151,010
\$ 7,870,736	\$ (23,843,002)	\$ 12,151,010	\$ (11,691,993)
	8,428,377	-	8,428,377
	5,037,404	-	5,037,404
	2,169,465	-	2,169,465
	1,694,100	-	1,694,100
	1,783,665	-	1,783,665
	143,453	(2,867)	140,586
	765,062	-	765,062
	2,252,633	(2,252,633)	-
	22,274,159	(2,255,500)	20,018,659
	(1,568,843)	9,895,510	8,326,667
	74,607,618	93,503,345	168,110,963
	\$ 73,038,775	\$ 103,398,855	\$ 176,437,630

City of Venice, Florida
Balance Sheet
Governmental Funds
September 30, 2013

	General Fund	Streets Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,023,331	\$ 2,327,379	\$ 5,598,831	\$ 13,949,541
Investments	4,543,917	1,755,742	4,223,679	10,523,338
Accounts receivable	581,734	-	1,446	583,180
Due from other governments	379,619	486,855	335,101	1,201,575
Prepaid assets	12,633	-	202	12,835
Inventory	55,729	-	-	55,729
Advances to other funds	3,528,094	-	-	3,528,094
Total assets	<u>\$ 15,125,057</u>	<u>\$ 4,569,976</u>	<u>\$ 10,159,259</u>	<u>\$ 29,854,292</u>
LIABILITIES				
Accounts payable	\$ 383,233	\$ 1,194,010	\$ 105,419	\$ 1,682,662
Accrued payroll payable	417,566	522	11,060	429,148
Due to other funds	-	-	931	931
Due to other governments	6,695	-	3	6,698
Deposits and other liabilities	78,775	-	6,440	85,215
Total liabilities	<u>886,269</u>	<u>1,194,532</u>	<u>123,853</u>	<u>2,204,654</u>
FUND BALANCE				
Nonspendable:				
Inventory, Prepayments and Advances to Other Funds	3,596,456	-	-	3,596,456
Restricted for:				
Public safety	-	-	29,023	29,023
Boating and waterway improvements	-	-	37,212	37,212
Street improvements	-	3,375,444	107,784	3,483,228
Capital improvements	225,100	-	3,030,403	3,255,503
Debt Service	-	-	1,239,805	1,239,805
Beach Renourishment	-	-	250,000	250,000
Committed to:				
Public safety	201,693	-	-	201,693
Equipment - public safety	51,598	-	-	51,598
Training and education	-	-	66,160	66,160
Capital improvements	-	-	2,426,441	2,426,441
Beach renourishment	-	-	1,864,091	1,864,091
Economic development	-	-	8,612	8,612
Florida building code	-	-	912,325	912,325
Historic preservation	-	-	63,550	63,550
Equipment - general government	125,162	-	-	125,162
General Government	47,715	-	-	47,715
Unassigned:				
General fund	9,991,064	-	-	9,991,064
Total fund balances	<u>14,238,788</u>	<u>3,375,444</u>	<u>10,035,406</u>	<u>27,649,638</u>
Total liabilities and fund balances	<u>\$ 15,125,057</u>	<u>\$ 4,569,976</u>	<u>\$ 10,159,259</u>	<u>\$ 29,854,292</u>

See accompanying Notes to Basic Financial Statements

City of Venice, Florida
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2013

Total fund balance - governmental funds	\$	27,649,638
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		60,168,502
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Internal service funds (ISF's) are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The portion of the assets and liabilities of the ISF's primarily serving governmental funds are included in governmental activities in the statement of net position as follows:

Net position	2,334,166
Amounts due from business-type ISFs for amounts overcharged	(34,025)

Net pension asset resulting from the effect of contributing more than the annual required contribution	385,481
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities are as follows:

Bonds payable	(7,245,000)
Compensated absences	(1,376,923)
OPEB Payable	(8,788,863)
Accrued interest on general obligation bonds	(54,201)

Net position of governmental activities	\$	<u><u>73,038,775</u></u>
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See accompanying Notes to Basic Financial Statements.

City of Venice, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	<u>General Fund</u>	<u>Streets Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property tax	\$ 7,742,568	\$ -	\$ 685,809	\$ 8,428,377
Sales taxes	1,545,414	-	3,491,990	5,037,404
Other taxes	2,169,465	-	-	2,169,465
Franchise fees	1,694,100	-	-	1,694,100
Fees and fines	23,294	-	11,762	35,056
Licenses and permits	470,683	-	1,898,662	2,369,345
Intergovernmental	2,677,451	825,716	202,269	3,705,436
Charges for services	171,962	-	-	171,962
Interest	138,393	7,421	10,300	156,114
Miscellaneous	744,812	-	20,250	765,062
Total revenues	<u>17,378,142</u>	<u>833,137</u>	<u>6,321,042</u>	<u>24,532,321</u>
EXPENDITURES				
Current:				
General government	3,174,453	-	705,828	3,880,281
Finance	1,055,971	-	-	1,055,971
Information services	746,656	-	-	746,656
Parks and recreation	1,063,715	-	3,427	1,067,142
Police	7,638,148	-	24,617	7,662,765
Fire	5,586,395	-	-	5,586,395
Public works	1,114,009	-	1,822,500	2,936,509
Debt service:				
Principal	-	-	340,000	340,000
Interest and fiscal charges	-	-	331,732	331,732
Capital outlay	784,996	5,011,603	516,642	6,313,241
Total expenditures	<u>21,164,343</u>	<u>5,011,603</u>	<u>3,744,746</u>	<u>29,920,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,786,201)</u>	<u>(4,178,466)</u>	<u>2,576,296</u>	<u>(5,388,371)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,735,494	331,507	-	4,067,001
Transfers out	-	-	(1,814,368)	(1,814,368)
Net other financing sources (uses)	<u>3,735,494</u>	<u>331,507</u>	<u>(1,814,368)</u>	<u>2,252,633</u>
Net change in fund balances	(50,707)	(3,846,959)	761,928	(3,135,738)
Fund balances at beginning of year	<u>14,289,495</u>	<u>7,222,403</u>	<u>9,273,478</u>	<u>30,785,376</u>
Fund balances at end of year	<u>\$ 14,238,788</u>	<u>\$ 3,375,444</u>	<u>\$ 10,035,406</u>	<u>\$ 27,649,638</u>

See accompanying Notes to Basic Financial Statements.

City of Venice
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2013

Net change in fund balances - total governmental funds	\$	(3,135,738)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$6,313,241 exceeded depreciation of \$4,523,753 in the current period.	1,789,488
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments and debt defeasance of \$340,000 exceeded proceeds of \$-0-.	340,000
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Previously, bond issuance costs were recognized as an other financing source in the governmental funds, but were considered deferred assets (unamortized bond issue costs) on the Statement of Net Position and amortized over the life of the bonds. This is the amount from prior years that was expensed as debt issuance costs in fiscal year 2013 with the implementation of GASB Statement No. 65; <i>Items Previously Reported as Assets and Liabilities</i> .	(81,169)
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Estimated long-term liabilities for compensated absences are recognized as expenses in the Statement of Activities as earned, but are recognized when current financial resources are used in the governmental funds. This amount is the net change in the estimated long-term liability for compensated absences during the year.	36,162
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Other post employment benefits are recognized as expense in the Statement of Activities as earned, but are recognized when current financial resources are used in the governmental funds. This amount is the net change in the estimated long-term liability for OPEB payables during the year.	(301,913)
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Pension contributions more than the annual pension cost increases the net pension asset on the statement of net position.	33,155
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and worker's compensation, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(260,920)
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Accrued interest is recognized as expenses in the Statement of Activities as incurred, but is recognized when current financial resources are used in the governmental funds. This amount is the net change in the accrued interest this year.	1,842
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The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position.	10,250
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Change in net position of governmental activities	<u>\$</u>	<u>(1,568,843)</u>
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See accompanying Notes to Basic Financial Statements.

City of Venice, Florida
Budget Comparison Statement
General Fund
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 7,658,550	\$ 7,658,550	\$ 7,742,568	\$ 84,018
Sales taxes	1,674,026	1,674,026	1,545,414	(128,612)
Other taxes	1,872,006	1,872,006	2,169,465	297,459
Franchise fees	1,924,557	1,924,557	1,694,100	(230,457)
Fees and fines	34,259	34,259	23,294	(10,965)
Licenses and permits	290,469	290,469	470,683	180,214
Intergovernmental	2,355,235	3,046,850	2,677,451	(369,399)
Charges for services	216,359	216,359	171,962	(44,397)
Interest	258,584	258,584	138,393	(120,191)
Miscellaneous	668,368	690,368	744,812	54,444
Total revenues	<u>16,952,413</u>	<u>17,666,028</u>	<u>17,378,142</u>	<u>(287,886)</u>
EXPENDITURES				
Current:				
General government	3,332,144	3,433,864	3,174,453	259,411
Finance	1,122,709	1,122,709	1,055,971	66,738
Information services	811,820	835,750	746,656	89,094
Parks and recreation	1,142,308	1,148,733	1,063,715	85,018
Police	7,543,469	7,783,330	7,638,148	145,182
Fire	5,166,885	5,680,254	5,586,395	93,859
Public works	1,193,113	1,206,113	1,114,009	92,104
Capital outlay	368,500	3,483,094	784,996	2,698,098
Total expenditures	<u>20,680,948</u>	<u>24,693,847</u>	<u>21,164,343</u>	<u>3,529,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,728,535)</u>	<u>(7,027,819)</u>	<u>(3,786,201)</u>	<u>3,241,618</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>3,655,551</u>	<u>3,788,694</u>	<u>3,735,494</u>	<u>(53,200)</u>
Net other financing sources (uses)	<u>3,655,551</u>	<u>3,788,694</u>	<u>3,735,494</u>	<u>(53,200)</u>
Net change in fund balances	<u>(72,984)</u>	<u>(3,239,125)</u>	<u>(50,707)</u>	<u>3,188,418</u>
Fund balances at beginning of year	<u>14,289,495</u>	<u>14,289,495</u>	<u>14,289,495</u>	<u>-</u>
Fund balances at end of year	<u>\$ 14,216,511</u>	<u>\$ 11,050,370</u>	<u>\$ 14,238,788</u>	<u>\$ 3,188,418</u>

See accompanying Notes to Basic Financial Statements.



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City of Venice, Florida
Statement of Net Position
Proprietary Funds
September 30, 2013

	Business-Type Activities		
	Water and Sewer Utility	Solid Waste	Airport
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,911,037	\$ 2,489,345	\$ 2,189,125
Investments	5,967,975	1,877,927	2,235,863
Accounts receivable	2,353,918	633,403	1,901
Interest receivable	-	-	-
Due from other governments	14,585	-	290,489
Prepaid assets	758	-	-
Inventories	438,749	-	-
Total current assets	<u>16,687,022</u>	<u>5,000,675</u>	<u>4,717,378</u>
Noncurrent assets:			
Restricted cash and cash equivalents	14,318,703	-	774,693
Restricted investments	10,801,828	-	-
Capital assets:			
Land	165,783	220,000	-
Construction in progress	5,343,546	-	7,920,597
Buildings	3,949,334	12,500	5,700,172
Improvements other than buildings	105,905,518	6,802	8,697,828
Machinery and equipment	6,330,374	5,081,167	645,577
Less accumulated depreciation	(51,707,253)	(3,296,854)	(8,294,410)
Total capital assets	<u>69,987,302</u>	<u>2,023,615</u>	<u>14,669,764</u>
Total noncurrent assets	<u>95,107,833</u>	<u>2,023,615</u>	<u>15,444,457</u>
Total Assets	<u>111,794,855</u>	<u>7,024,290</u>	<u>20,161,835</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	<u>143,173</u>	<u>-</u>	<u>-</u>

See accompanying Notes to Basic Financial Statements

Business-Type Activities		Governmental
Storm Water Drainage	Total Enterprise Funds	Activities Internal Service Funds
\$ 1,193,279	\$ 13,782,786	\$ 1,780,388
900,193	10,981,958	1,343,099
65,214	3,054,436	403
-	-	-
41,743	346,817	-
-	758	18,929
-	438,749	-
<u>2,200,429</u>	<u>28,605,504</u>	<u>3,142,819</u>
-	15,093,396	-
-	10,801,828	-
1,451,835	1,837,618	-
509,994	13,774,137	-
-	9,662,006	-
6,043,577	120,653,725	-
871,363	12,928,481	-
(2,780,631)	(66,079,148)	-
<u>6,096,138</u>	<u>92,776,819</u>	<u>-</u>
<u>6,096,138</u>	<u>118,672,043</u>	<u>-</u>
<u>8,296,567</u>	<u>147,277,547</u>	<u>3,142,819</u>
-	143,173	-

Continued

City of Venice, Florida
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2013

	Business-Type Activities		
	Water and Sewer Utility	Solid Waste	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 750,656	\$ 9,481	\$ 513,346
Accrued liabilities	150,798	27,873	142,488
Accrued interest payable	298,466	-	-
Accrued insurance claims	-	-	-
Due to other governments	10,646	-	5,759
Customer deposits	758,958	112,915	-
Compensated Absences	159,089	70,589	3,033
Notes payable	2,847,000	-	-
Bonds payable	403,713	-	-
Total current liabilities	<u>5,379,326</u>	<u>220,858</u>	<u>664,626</u>
Noncurrent liabilities:			
Compensated absences	159,090	70,589	3,033
OPEB Payable	2,437,755	852,702	292,449
Advances from other funds	3,528,094	-	-
Notes payable	8,629,000	-	-
Bonds payable	21,206,134	-	-
Total noncurrent liabilities	<u>35,960,073</u>	<u>923,291</u>	<u>295,482</u>
Total Liabilities	<u>41,339,399</u>	<u>1,144,149</u>	<u>960,108</u>
NET POSITION			
Net investment in capital assets	36,901,455	2,023,615	14,669,764
Restricted for:			
Capital projects	22,960,480	-	774,693
Debt service	1,160,050	-	-
Renewal and replacement	1,000,000	-	-
Unrestricted	<u>8,576,644</u>	<u>3,856,526</u>	<u>3,757,270</u>
Total Net Position	<u>\$ 70,598,629</u>	<u>\$ 5,880,141</u>	<u>\$ 19,201,727</u>

See accompanying Notes to Basic Financial Statements

Business-Type Activities		Governmental
Storm Water Drainage	Total Enterprise Funds	Activities Internal Service Funds
\$ 5,553	\$ 1,279,036	\$ 270,612
6,246	327,405	5,294
4,333	302,799	-
-	-	532,747
-	16,405	-
-	871,873	-
-	232,711	-
162,000	3,009,000	-
-	403,713	-
178,132	6,442,942	808,653
-	232,712	-
105,102	3,688,008	-
-	3,528,094	-
329,000	8,958,000	-
-	21,206,134	-
434,102	37,612,948	-
612,234	44,055,890	808,653
5,605,138	59,199,972	-
-	23,735,173	-
-	1,160,050	-
-	1,000,000	-
2,079,195	18,269,635	2,334,166
\$ 7,684,333	\$ 103,364,830	\$ 2,334,166

City of Venice, Florida
Reconciliation of the Statement of Net Position - Proprietary Funds
To the Statement of Net Position
September 30, 2013

Total net position - proprietary funds	\$ 103,364,830
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Amounts reported for business-type activities in the Statement of Net Position are different because:

Internal service funds (ISFs) are used by management to charge the costs of certain activities, such as insurance and employee flexible spending, to individual funds. The portion of assets and liabilities of the ISFs primarily serving enterprise funds are included in business-type activities in the Statement of Net Position as follows:

Amounts due from governmental ISFs for amounts overcharged	34,025
Net position of business-type activities	<u><u>\$ 103,398,855</u></u>



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City of Venice, Florida
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For Fiscal Year Ended September 30, 2013

	Business Type Activities		
	Water and Sewer Utilities	Solid Waste	Airport
OPERATING REVENUES			
Charges for services (net)	\$ 19,658,637	\$ 4,854,369	\$ -
Rentals	-	-	1,957,171
Miscellaneous	598,012	91,878	273,956
Total operating revenues	<u>20,256,649</u>	<u>4,946,247</u>	<u>2,231,127</u>
OPERATING EXPENSES			
Personal services	3,851,823	1,354,722	419,260
Insurance	392,844	231,432	89,484
Supplies and materials	-	1,416,307	-
Professional services	907,485	46,251	224,674
Maintenance	1,817,890	619,996	389,773
Utilities	911,531	7,589	80,389
Other services and charges	1,085,652	13,850	120,555
Depreciation and amortization	5,643,581	413,754	917,935
Total operating expenses	<u>14,610,806</u>	<u>4,103,901</u>	<u>2,242,070</u>
Operating income (loss)	<u>5,645,843</u>	<u>842,346</u>	<u>(10,943)</u>
NON OPERATING REVENUES (EXPENSES)			
Interest earnings	(20,078)	8,084	4,303
Federal and state grants	33,934	-	-
Disposition of assets	(248,593)	-	-
Interest expense	(1,048,917)	-	-
Net non-operating revenues (expenses)	<u>(1,283,654)</u>	<u>8,084</u>	<u>4,303</u>
Income (loss) before contributions and transfers	4,362,189	850,430	(6,640)
Capital contributions: capital grants	7,518	-	6,533,447
Transfers out	(986,608)	(845,663)	(276,082)
Change in net position	<u>3,383,099</u>	<u>4,767</u>	<u>6,250,725</u>
Total net position - beginning	<u>67,215,530</u>	<u>5,875,374</u>	<u>12,951,002</u>
Total net position - ending	<u>\$ 70,598,629</u>	<u>\$ 5,880,141</u>	<u>\$ 19,201,727</u>

See accompanying Notes to Basic Financial Statements.

Business Type Activities		Governmental
Storm Water Drainage	Total Enterprise Funds	Activities Internal Service Funds
\$ 1,395,074	\$ 25,908,080	5,274,848
-	1,957,171	-
59,027	1,022,873	258,273
1,454,101	28,888,124	5,533,121
283,935	5,909,740	148,675
11,880	725,640	5,264,198
-	1,416,307	-
61,523	1,239,933	508,960
169,838	2,997,497	-
91	999,600	-
83,516	1,303,573	124,856
216,770	7,192,040	-
827,553	21,784,330	6,046,689
626,548	7,103,794	(513,568)
4,824	(2,867)	(12,661)
-	33,934	-
-	(248,593)	-
(12,287)	(1,061,204)	-
(7,463)	(1,278,730)	(12,661)
619,085	5,825,064	(526,229)
47,423	6,588,388	-
(144,280)	(2,252,633)	-
522,228	10,160,819	(526,229)
7,162,105	93,204,011	2,860,395
\$ 7,684,333	\$ 103,364,830	\$ 2,334,166

City of Venice, Florida
Reconciliation of the Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Funds
To the Statement of Activities
For the Year Ended September 30, 2013

Net change in fund net position - total enterprise funds	\$ 10,160,819
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds (ISFs) are used by management to charge the costs of certain activities such as employees' health and life insurance, workers' compensation self insurance, employee flexible spending, etc. to individual funds. The net revenue (expense) of certain ISFs is reported with business-type activities.	(265,309)
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Change in net position of business-type activities	<u><u>\$ 9,895,510</u></u>
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See accompanying Notes to Basic Financial Statements.



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City of Venice, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer		
	Utility	Solid Waste	Airport
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 20,029,586	\$ 5,030,025	\$ 2,259,640
Payments to suppliers	(4,679,704)	(2,470,202)	(138,932)
Payments to employees	(3,851,823)	(1,346,171)	(417,015)
Net cash provided (used) by operating activities	<u>11,498,059</u>	<u>1,213,652</u>	<u>1,703,693</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Operating grants	33,934	-	-
Transfers out to other funds	(986,608)	(845,663)	(276,082)
Payments received/(made) on advances (to)/from other funds	(385,201)	-	-
Net cash provided (used) by noncapital and related financing activities	<u>(1,337,875)</u>	<u>(845,663)</u>	<u>(276,082)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(5,085,854)	(425,392)	(7,566,511)
Sale of capital assets	1,305	-	-
Receipts/payments on leases and notes	(2,383,440)	-	-
Interest paid on revenue bonds, leases and notes	(1,048,917)	-	-
Issuance of revenue, G.O. bonds, and capital leases	21,323,501	-	-
Contributed capital: capital grants	7,518	-	6,533,447
Net cash provided (used) by capital and related financing activities	<u>12,814,113</u>	<u>(425,392)</u>	<u>(1,033,064)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	675,770	990,779	1,021,499
Purchase of investments	(11,836,800)	(1,324,800)	(1,579,200)
Interest earnings on cash and investments	180	13,514	10,386
Net cash provided by (used by) investing activities	<u>(11,160,850)</u>	<u>(320,507)</u>	<u>(547,315)</u>
Net increase (decrease) in cash and cash equivalents	11,813,447	(377,910)	(152,768)
Cash and cash equivalents - beginning of year	10,416,293	2,867,255	3,116,586
Cash and cash equivalents - end of year	<u>\$ 22,229,740</u>	<u>\$ 2,489,345</u>	<u>\$ 2,963,818</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 5,645,843	\$ 842,346	\$ (10,943)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	5,643,581	413,754	917,935
Change in assets and liabilities:			
Accounts receivable	(223,328)	84,841	28,513
Inventory	53,765	-	-
Prepaid expenses	(730)	-	-
Deferred charges	71,689	-	-
Accounts payable	26,560	(156,685)	462,379
Due from others	-	7,481	-
Other accrued liabilities	250,662	-	382
Compensated absences	41,009	9,040	(7,061)
Due to/from other governments	(2,207)	-	310,243
Customer deposits	(50,577)	4,324	-
OPEB payable	41,792	8,551	2,245
Net cash provided (used) by operating activities	<u>\$ 11,498,059</u>	<u>\$ 1,213,652</u>	<u>\$ 1,703,693</u>

See accompanying Notes to Basic Financial Statements.

Business-type Activities		Governmental
Storm Water		Activities
Drainage	Totals	Internal Service
		Funds
\$ 1,458,900	\$ 28,778,151	\$ 5,769,212
(188,858)	(7,477,696)	(6,184,324)
(282,154)	(5,897,163)	(148,675)
987,888	15,403,292	(563,787)
-	33,934	-
(144,280)	(2,252,633)	-
-	(385,201)	-
(144,280)	(2,603,900)	-
(104,238)	(13,181,995)	-
-	1,305	-
(159,000)	(2,542,440)	-
(12,287)	(1,061,204)	-
-	21,323,501	-
47,423	6,588,388	-
(228,102)	11,127,555	-
250,755	2,938,803	898,305
(636,000)	(15,376,800)	(948,071)
6,686	30,766	(7,966)
(378,559)	(12,407,231)	(57,732)
236,947	11,519,716	(621,519)
956,332	17,356,466	2,401,907
\$ 1,193,279	\$ 28,876,182	\$ 1,780,388
\$ 626,548	\$ 7,103,794	\$ (513,568)
216,770	7,192,040	-
4,900	(105,074)	245,409
-	53,765	-
-	(730)	(18,929)
-	71,689	-
(82,948)	249,306	(305,751)
-	7,481	-
(455)	250,589	29,052
-	42,988	-
221,292	529,328	-
-	(46,253)	-
1,781	54,369	-
\$ 987,888	\$ 15,403,292	\$ (563,787)

City of Venice, Florida
Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2013

	Total Pension Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 3,074,541
Contributions receivable	162,675
Interest and dividends receivable	92,873
Investments, at fair value:	
U.S. Government securities	1,600,789
U.S. Government agency securities	1,545,304
Mortgage-backed obligations	1,694,351
Domestic equities	27,225,974
Foreign equities	1,854,754
Domestic corporate obligations	5,033,699
Foreign corporate obligations	588,593
Fixed income mutual funds	734,613
Foreign equity mutual funds	1,141,249
Real estate investment fund	1,061,024
Total investments	<hr/> 42,480,350 <hr/>
Total Assets	<hr/> 45,810,439 <hr/>
 LIABILITIES	
Accounts payable	<hr/> 30,527 <hr/>
 NET POSITION	
Restricted for pension benefits	<hr/> \$ 45,779,912 <hr/>

See accompanying Notes to Basic Financial Statements.

City of Venice, Florida
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended September 30, 2013

	Total Pension Funds
<hr/>	
ADDITIONS	
Contributions:	
Employer	\$ 3,209,991
Plan members	500,187
State of Florida (passed through general fund)	445,388
Total contributions	<hr/> 4,155,566 <hr/>
Investment income:	
Net appreciation (depreciation) in fair value of investments	3,903,309
Interest	418,408
Dividends	603,879
Investment income (loss)	<hr/> 4,925,596
Less investment expenses	<hr/> (238,777) <hr/>
Net investment income	<hr/> 4,686,819 <hr/>
Total additions	<hr/> 8,842,385 <hr/>
DEDUCTIONS	
Benefits	4,202,178
Administrative expense	101,076
Total deductions	<hr/> 4,303,254 <hr/>
Change in net position	4,539,131
Net position restricted for pension benefits - beginning of year	<hr/> 41,240,781 <hr/>
Net position restricted for pension benefits - end of year	<hr/> \$ 45,779,912 <hr/>

See accompanying Notes to Basic Financial Statements.

City of Venice, Florida Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Venice, Florida, (City) have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. The financial reporting entity

The City of Venice, Florida, was established in 1927 as a municipality in the County of Sarasota, Florida, by Chapter 11776, Special Acts of 1925, Extraordinary Session, as amended. The City is functionally organized under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, water and sewer utilities, solid waste collection, public improvements, municipal airport administration, culture-recreation, building and zoning, storm water drainage, and general administrative services.

As required by GAAP, these financial statements present the activities of the City of Venice, Florida. No component units are included in these financial statements, as no entity meets the criteria for inclusion as a component unit.

The Mayor and/or City Council are responsible for appointing members of the Venice Housing Authority. However, the City's accountability for this organization does not extend beyond these appointments.

2. Government-wide and fund financial statements

The City's financial statements are prepared using the reporting model specified by GASB. As specified, the Basic Financial Statements (BFS) include both Government-Wide and Fund Financial Statements.

The Government-Wide Financial Statements (GWFS) (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. The effect of interfund activity has been removed from these statements by allocation of the activities of the various internal service funds to the governmental and business-type activities on a fund basis based on the predominant users of the services. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the GWFS using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The GWFS focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Government-Wide Statement of Net Position reports all financial and capital resources of the City, excluding those reported in the fiduciary funds. It is displayed in the format of assets, plus

City of Venice, Florida

Notes to Financial Statements

deferred outflows of resources, less liabilities, less deferred inflows of resources equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to these assets or related debt also are included in this component of net position. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are those with constraints placed on their use that are either: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The Government-Wide Statement of Activities demonstrates the degree to which the direct expenses for a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the BFS are Fund Financial Statements (FFS) for governmental funds, proprietary funds, and the fiduciary pension funds, even though the latter is excluded from the GWFS. The focus of the FFS is on major funds. Although GASB sets forth minimum criteria for determination of major funds, i.e., a percentage of assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of a fund category and of the governmental and enterprise funds combined, it also gives governments the option of displaying other funds as major funds. The City can elect to add some funds as major funds because of outstanding debt or community focus. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the FFS. Other non-major funds are combined in a single column in the appropriate FFS.

3. Measurement focus, basis of accounting, and financial statement presentation

Fund Financial Statements

The GWFS are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary FFS. The City's fiduciary FFS includes two pension trust funds that use the accrual basis of accounting. Revenues are recorded when earned and expenses are

City of Venice, Florida Notes to Financial Statements

recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Because the enterprise funds are combined into a single business-type activities column on the GWFS, certain interfund activities between these funds are eliminated in the consolidation for the GWFS, but are included in the fund columns in the proprietary FFS. The effect of inter-fund activity has been eliminated from the GWFS. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental FFS are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is necessary: (1) to demonstrate legal and covenant compliance, (2) to demonstrate the sources and uses of liquid resources, and (3) to demonstrate how the City's actual revenues and expenditures conform to the annual budget. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available, generally, if they are collected within 45 days of the end of the current fiscal period, with the exception of sales taxes which are considered to be available if they are collected within 60 days of year end. The City considers the grant availability period to be 60 days for revenue recognition. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when the liability is due. Because the governmental FFS are presented on a different basis of accounting than the GWFS, a reconciliation is provided immediately following each fund statement. These reconciliations explain the adjustments necessary to convert the FFS into the governmental activities column of the GWFS.

Property taxes, sales taxes, utility excise taxes, franchise fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

Fund Accounting

The City uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues and expenditures/expenses.

Governmental funds are those through which most of the governmental functions of the City are financed. The City reports two major governmental funds:

City of Venice, Florida

Notes to Financial Statements

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **streets capital projects fund** is used to account for the cost of major drainage and street improvement capital projects. The projects are generally financed by a combination of several revenue sources, including designated property taxes, road and bridge taxes, interest revenues, and contributions from other funds.

Enterprise funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City reports the following major enterprise funds:

The water and sewer utility fund accounts for the activities associated with providing water and sewer services to the residents of the City. The City operates a sewage treatment plant, sewage pumping stations and collection systems, and a water distribution system.

The solid waste fund accounts for the activities associated with providing waste removal services to the residents of the City.

The airport fund accounts for the activities associated with the operations of the City's municipal airport.

The storm water drainage fund accounts for the activities of the storm water utility, which provides storm water drainage for the City. While this fund does not meet the threshold to require inclusion as a major fund, the City believes that the information presented is of significant importance to the public to report as a major fund.

Additionally, the government reports the following non-major and other fund types:

The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

City of Venice, Florida

Notes to Financial Statements

The internal service funds account for group health and life, workers' compensation, property and liability self-insurance, and employee flexible spending accounts. These funds provide insurance and other services to other departments on a cost reimbursement basis.

The pension trust funds account for the activities of the City's fire and police employees' pension trust funds, which accumulate resources for pension benefit payments to qualified pension employees.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund, storm water drainage, the solid waste enterprise fund, and the government's internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources, as they are needed.

4. Assets, deferred outflows or inflows of resources, liabilities, and net position

a) Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and transaction basis. The balance of the pooled cash is reflected in the balance sheets or statements of net position, and each fund's portion of the pooled investments is reflected in the balance sheets or statements of net position as "cash and cash equivalents." Interest is distributed monthly based upon an average monthly balance. The investments of the pension trust funds are held by an investment banker selected by the respective individual pension board's investment committee.

City of Venice, Florida

Notes to Financial Statements

State statutes and local ordinances authorize the government to invest its surplus public funds in the Local Government Investment Pools (LGIP): Florida PRIME administered by the Florida State Board of Administration (SBA) and Florida Surplus Asset Fund Trust (FLSAFE), obligations of the U. S. Treasury, agencies and instrumentalities of the U. S. Government, and interest-bearing time deposits with banks and/or savings and loans who qualify as "authorized depositories" under Florida law. The pension trust funds are also authorized to invest in corporate stocks, bonds, commercial paper, and other investments subject to certain restrictions.

Investments for the government are reported at fair value. The LGIPs operate in accordance with appropriate state laws and regulations. Securities traded on a national or international exchange are valued at the last reported sales quote at current exchange rates. Investments that do not have an established market are reported at estimated fair value based on market indicators regarded as measures of equity or fixed income performance results. The City does not have a significant amount of investments valued at other than quoted market prices. Amortization of premium and accretion of discount on investments purchased are not recorded over the term of the investment. The effect of this policy on the financial statements of the various funds is not significant. The reported value of the pool is the same as the fair value of the pool shares.

b) Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

c) Inventories, prepaid expenses, and deferred outflows

All inventories are valued at cost (using average cost) in governmental type funds and the lower of cost (average cost) or market in business-type funds. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid expenses or deferred outflows in both government-wide and fund financial statements.

City of Venice, Florida
Notes to Financial Statements

d) Restricted assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

e) Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Building improvements	10-20
Water and sewer systems	10-50
Public domain infrastructure	50
Equipment	3-10

f) Compensated absences and other post-employment benefits (OPEB)

It is the government's policy to permit employees to accumulate earned but unused vacation, sick pay, and other employee benefit amounts. These amounts are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

OPEB refers to postemployment benefits other than pension benefits and includes postemployment healthcare benefits and life insurance. Like pensions, OPEB arises from an exchange of salaries and benefits for employee services rendered and constitute part of

City of Venice, Florida Notes to Financial Statements

compensation for those services. These amounts are accrued when incurred in the government-wide and proprietary fund financial statements.

g) Long-term obligations

In the government-wide financial statements and propriety fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Beginning fiscal year 2013 with the implementation of GASB Statement No. 65; *Items Previously Reported as Assets and Liabilities*, debt issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

h) Nature and Purpose of Classification of Fund Equity and Net Position

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following classifications describe the relative strength of the spending constraints.

- **Nonspendable fund balance** – amounts that cannot be spent either because they are not in spendable form (such as inventory and deferred outflows) or because they are legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, City Code, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action through an ordinance to remove or change the constraint. This classification includes City ordinances and resolutions.
- **Assigned fund balance** – amounts the City intends to use for a specific purpose but are neither restricted nor committed. Intent can be expressed by the City Council, or by an official (city manager or financial services director) or body to which the City Council delegates the authority.

City of Venice, Florida

Notes to Financial Statements

- **Unassigned fund balance** – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. \$5.3 million of the unassigned fund balance is for disaster reserve and \$4.7 million is available for any purpose.

In the general fund, the City strives to maintain an unassigned fund balance of three months operating expenditures (25%) of the general fund. This is the target that the unassigned fund balance should not fall below without establishing a replenishment plan.

Net position of the government-wide and proprietary funds are categorized as net investment in capital assets, reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct or improve these assets excluding unexpended bond proceeds, restricted or unrestricted. The first category represents net position related to property, machinery and equipment, and infrastructure. The restricted category represents the balance of assets and deferred outflows restricted by requirements of revenue bonds and other externally imposed constraints or by legislation in excess of the related liabilities payable and deferred inflows from restricted assets. Unrestricted net position is the net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that do not meet the definition of either of the other two components.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned and finally unassigned funds as needed, unless the City Council has provided otherwise in its commitments or assignments options.

i) **New Accounting Standards**

Beginning with fiscal year 2013, the City implemented GASB Statement No. 63; *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements. This statement requires a Statement of Net Position (rather than net assets) format which segregates deferred inflows and deferred outflows from assets and liabilities respectively. The City also implemented GASB Statement No. 65; *Items Previously Reported as Assets and Liabilities*. This statement is a companion to GASB Statement No. 63 and establishes accounts to be reclassified as deferred outflows and inflows of resources for certain items that were previously reported as assets and liabilities. Prior year amount was immaterial and was not restated. GASB Statement No. 64; *Derivative Instruments: Application of Hedge Accounting Termination Provisions* is not applicable to the City of Venice.

City of Venice, Florida Notes to Financial Statements

5. Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Not later than two months prior to the end of the fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them, by fund. The Council holds public hearings to obtain taxpayer comments and a final budget must be prepared and adopted by October 1, thru the passage of an ordinance.

The appropriated budget is prepared by fund, function, and department. The City Manager has the authority to make line item transfers within fund budgets. Transfers of appropriations between funds require the approval of Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The City Council can amend the budget as necessary throughout the year by adopting an amending ordinance in the same manner as the original budget adoption. The Council made three supplementary budgetary appropriations throughout the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year end are included in committed fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE C – DEPOSITS AND INVESTMENTS

The City's investment policies are governed by state statute and City ordinances. State law requires collateralization of all deposits with federal depository insurance, eligible securities, or a surety bond having an aggregate value at least equal to the amount of the deposits. The City's Investment Policy requires the minimum collateral level to be 102% of market value of principal and accrued interest.

City of Venice, Florida Notes to Financial Statements

The City historically had invested surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund/Florida PRIME (State Pool). The State Pool is administered by the Florida State Board of Administration (SBA), who provided (questionable) regulatory oversight. The SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools (LGIP and Fund B).

The Fund B is reported at fluctuating net asset value. The book value at September 30, 2013 was \$121,129.

Credit risk - This risk results from potential default of investments that are not financially sound. The City (excluding the pension trust funds and Fund B) invests funds throughout the year with several area banks, money market funds, local government investment pools, and government-sponsored agencies. There is risk of loss of interest on the investments if there are changes in the underlying indexed base. It is the City's policy to invest in securities with the highest credit ratings. The Fund B is not rated by a nationally recognized statistical rating agency.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments to those that can be held to maturity and by limiting final maturity to no more than five (5) years. The money market mutual funds and investment pools are presented as an investment with a maturity of less than one year. As noted above the City was forced to become a participant in the SBA's Fund B. The weighted average life (WAL) of Fund B at September 30, 2013, is estimated at 4.04 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investments are held in the city's name at the City's depository institution as evidenced by safekeeping receipts.

Concentration of Credit Risk - The City places limits on the amount that may be invested in any one issuer with the exception of United States Treasury obligations.

Foreign Currency Risk - This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The City has no foreign currency risk.

The City's policy allows investment in direct obligations of and other obligations guaranteed as to principal of the U.S. Treasury and U.S. agencies and instrumentalities with the exception of mortgage-backed securities. It may also invest in bank repurchase agreements, investment pools, and to a limited extent in certificates of deposit, commercial paper and bank acceptances.

City of Venice, Florida
Notes to Financial Statements

All of the City's pooled investments (excluding the pension trust funds) were allocated as detailed below as of September 30, 2013. The City does have a formal comprehensive investment policy for the investment of surplus funds which guides the investment type, length of term, the investment goals, etc.

Investment Type	Fair Market	Less than 1	
		year	Years 1-5
Cash and cash equivalents	\$60,324,730	\$60,324,730	\$ -
U.S. Government Securities	17,794,410	-	17,794,410
Florida PRIME (SBA Fund "B")	137,194	-	137,194
Total fair value	<u>\$78,256,334</u>	<u>\$60,324,730</u>	<u>\$17,931,604</u>

Police Pension Trust Fund

The Plan has established an investment policy where the general investment objective is to obtain a reasonable total rate of return. In order to obtain this objective, the Plan is authorized to invest the funds in certain types of investments. Authorization for investment type is determined by Ordinance 2000-27 and Florida Statutes Chapter 185.06.

The Police Pension Plan held the following investments as of September 30, 2013:

Investment Type	Fair Market	Less than 1			Greater than 10 years
		year	Years 1-5	Years 6-10	
U.S. Government & Agency Obligations	2,079,977	354,145	830,694	645,374	249,764
Equities	20,194,883	20,194,883	-	-	-
Corporate obligations	4,240,803	366,978	3,084,390	513,295	276,140
Total fair value	<u>\$26,515,663</u>	<u>\$20,916,006</u>	<u>\$ 3,915,084</u>	<u>\$ 1,158,669</u>	<u>\$ 525,904</u>

Risk and Uncertainties. The Plan invests in a variety of investment instruments. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

City of Venice, Florida

Notes to Financial Statements

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies, the Plan manages its exposure to fair value losses arising from increasing interest rates. The plan limits the effective duration of its fixed investment portfolio through the adoption of nationally accepted risk measure benchmarks.

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Consistent with State law, the investment policy of the Plan requires the investments in fixed income securities be limited to a rating of A or better, as rated by one or more recognized bond rating services at time of purchase. Of the investments the Plan holds, \$756,853 of U.S. Government and agency securities are rated Aaa by Moody's and AAA by Standard and Poor with the balance of U.S. Government and agency securities unrated; \$4,240,803 of corporate bonds are rated Aaa to B2 by Moody's and AAA to BB- by Standard and Poor's.

Custodial credit risk is the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third-party custodian in the name of the Plan. The Plan's investments are held in the name of Salem Trust Company as Custodian for the City of Venice Police Officers' Pension Plan.

Foreign Currency Risk. Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized and unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

Concentration of Credit Risk. The Plan limits investments as follows: No more than 5% of the Plan's assets can be invested in common or capital stock of any single corporation nor should it exceed 5% of the outstanding common or capital stock of that company. The aggregate of its investments in common stock, capital stock, and convertible bonds cannot exceed 65% of the cost of the assets of the Plan. No more than 10% of the Plan's assets valued at cost may be invested in foreign securities. The Plan has complied with these limitations for the year ended September 30, 2013.

Fire Pension Trust Fund

The Fire Pension Board recognizes that the obligations of the Plan are long-term and that investment policy should be made with a view toward performance and return over a number of years. The general objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the Prudent Investor Rule and Chapter 175 of the Florida Statutes.

City of Venice, Florida

Notes to Financial Statements

Permissible investments include obligations of the U. S. Treasury and U. S. agencies, annuities and life insurance contracts, time deposits insured by the FDIC, bonds issued by the State of Israel, real estate (limited to ten percent of Plan assets), common or preferred stocks, and high quality corporate bonds or notes. The Board may invest up to ten percent of the Plan's assets, at cost, in foreign securities.

The Fire Pension Plan held the following fixed income investments as of September 30, 2013:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U. S. Government & agency obligations	\$ 1,066,116	6.97
Mortgage-backed obligations	1,694,351	11.99
Corporate obligations	1,381,489	7.69
Fixed income mutual funds	734,613	3.21
Total fair value	<u>4,876,569</u>	
Investments not subject to risk disclosures:		
Equity securities	8,885,845	
Real estate investment fund	1,061,024	
Foreign equity mutual fund	1,141,249	
Total investments	<u><u>\$ 15,964,687</u></u>	

Risk and Uncertainties. The Plan invests in a variety of investment instruments. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies, the Plan manages its exposure to fair value losses arising from increasing interest rates. The plan limits the effective duration of its fixed investment portfolio through the adoption of nationally accepted risk measure benchmarks.

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Consistent with State law, the investment policy of the Plan requires the investments in fixed income securities be limited to a rating of A or better, as rated by one or more recognized bond rating services at time of purchase. The corporate bonds were rated BAA3 or better by Moody's Investor Services. The U.S. Agencies were rated Aaa by Moody's Investor Services.

Custodial credit risk is the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third-party custodian in the name of the Plan. The Plan's investments are held in the name of Salem Trust

City of Venice, Florida Notes to Financial Statements

Company as Custodian for the City of Venice Firefighters' Pension Plan. The investments in mutual funds and investment partnerships are considered unclassified pursuant to the custodial credit risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

Foreign Currency Risk. Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized and unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

Concentration of Credit Risk. Authorized plan investments include obligations of the U.S. Treasury and U.S. Agencies, annuities and life insurance contracts, time deposits insured by the FDIC, bonds issued by the State of Israel, real estate (limited to ten percent of Plan assets), and common or preferred stocks, and high-quality corporate bonds or notes. The Board may invest up to ten percent of the Plan's assets, at cost, in foreign securities.

In addition, the Plan limits investments in common stock (equity investments) to no more than five percent in any single corporation. The Plan's investment in the common stock of any single corporation shall not exceed five percent of such corporation's outstanding common or capital stock and no more than sixty percent of the Plan's assets (at cost) are to be invested in common or capital stock, or convertible stock.

Mortgage-backed Securities. The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies, such as: Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation.

NOTE D – PROPERTY TAX

Property taxes are levied on November 1 of each year and are due and payable upon receipt of the notice of levy. The Sarasota County, Florida, Tax Collector's office bills and collects property taxes on behalf of the City. The tax rate to finance general governmental services and general obligation debt service for the fiscal year ended September 30, 2013, was \$3.2273 per \$1,000 of assessed taxable property value. Property tax revenues are recognized currently in the fiscal year for which the taxes are levied. On May 1 of each year, unpaid taxes become a lien on the property. The past-due tax certificates are sold at public auction and the proceeds thus collected are remitted to the City.

No accrual for the property tax levy becoming due in November 2013 is included in the accompanying financial statements since such taxes do not meet the necessary criteria.

City of Venice, Florida
Notes to Financial Statements

The property tax calendar is as follows:

July 1	Assessment roll validated.
September 30	Millage resolution approved.
October 1	Beginning of fiscal year for which tax is to be levied.
November 1	Tax bills rendered and due.
November 1 – March 31	Property taxes due with various discount rates.
April 1	Taxes delinquent.
May 31	Tax certificates sold by County.

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

Primary Government:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 11,037,811	\$ -	\$ -	\$ 11,037,811
Construction in progress	2,322,193	5,450,701	2,910	7,769,984
Total capital assets not being depreciated	13,360,004	5,450,701	2,910	18,807,795
Other capital assets:				
Buildings	17,920,985	586	-	17,921,571
Other improvements	40,554,495	72,208	-	40,626,703
Machinery and equipment	9,137,725	789,746	239,313	9,688,158
Infrastructure	21,848,701	-	-	21,848,701
Total other capital assets at historical cost	89,461,906	862,540	239,313	90,085,133
Less accumulated depreciation for:				
Buildings	5,595,457	475,529	-	6,070,986
Other improvements	18,943,747	3,287,099	-	22,230,846
Machinery and equipment	7,805,180	524,855	252,473	8,077,562
Infrastructure	12,108,762	236,270	-	12,345,032
Total accumulated depreciation	44,453,146	4,523,753	252,473	48,724,426
Governmental activities capital assets, net	\$ 58,368,764	\$ 1,789,488	\$ (10,250)	\$ 60,168,502

City of Venice, Florida
Notes to Financial Statements

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
General government	\$ 239,727
Information services	38,875
Parks and recreation	2,622,999
Police	230,674
Fire	384,481
Public works	1,006,997
Total governmental activities depreciation expense	<u>\$ 4,523,753</u>

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,837,618	\$ -	-	\$ 1,837,618
Construction in progress	5,959,584	11,614,078	3,799,525	13,774,137
Total capital assets not being depreciated	<u>7,797,202</u>	<u>11,614,078</u>	<u>3,799,525</u>	<u>15,611,755</u>
Other capital assets:				
Buildings	8,304,841	1,518,818	161,653	9,662,006
Other improvements	119,890,348	2,887,312	2,123,935	120,653,725
Machinery & equipment	13,157,900	924,175	1,153,594	12,928,481
Total other capital assets at historical cost	<u>141,353,089</u>	<u>5,330,305</u>	<u>3,439,182</u>	<u>143,244,212</u>
Less accumulated depreciation for:				
Buildings	5,237,362	150,777	159,904	5,228,235
Other improvements	46,700,888	3,552,358	1,574,027	48,679,219
Machinery & equipment	10,175,279	3,137,449	1,141,034	12,171,694
Total accumulated depreciation	<u>62,113,529</u>	<u>6,840,584</u>	<u>2,874,965</u>	<u>66,079,148</u>
Business-type activities capital assets, net	<u>\$ 87,036,762</u>	<u>\$ 10,103,799</u>	<u>\$ 4,363,742</u>	<u>\$ 92,776,819</u>

City of Venice, Florida
Notes to Financial Statements

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:

Water and sewer utility	\$ 5,292,125
Solid waste	413,754
Airport	917,935
Storm water drainage	216,770
Total business-type activities depreciation expense	<u>\$ 6,840,584</u>

Commitments

Commitments for uncompleted construction projects at September 30, 2013 consist of the following:

	Amounts Authorized	Expended to Date	Remaining Commitment
General capital projects	\$ 7,880,087	\$ 6,000,424	\$ 1,879,663
Airport	7,861,964	7,639,204	222,760
Utilities	18,089,104	4,095,641	13,993,463
Stormwater Utility	755,659	112,290	643,369
Total	<u>\$ 34,586,814</u>	<u>\$ 17,847,559</u>	<u>\$ 16,739,255</u>

City of Venice, Florida
Notes to Financial Statements

NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2013, is as follows:

Advances from/to other funds:

Advances to other funds:			
	General		Totals
	Fund		
Advances from other funds:			
Water & Sewer Utility Fund	\$ 3,528,094	\$ 3,528,094	
Totals	\$ 3,528,094	\$ 3,528,094	

Interfund balances, specifically advances to and from other funds, are longer-term loans to cover City Council-directed internal financing of certain projects. At September 30, 2013 the City has approximately \$3.5 million of this type of internal financing. These balances are assessed an interest charge and repaid over time through operations and transfers.

Interfund transfers:

Transfers - In:			
	General		Totals
	Fund	Streets Capital Projects Fund	
Transfers - Out:			
Non-major Governmental Funds	\$ 1,482,861	\$ 331,507	\$ 1,814,368
Airport Fund	276,082	-	276,082
Water & Sewer Utility Fund	986,608	-	986,608
Solid Waste Fund	845,663	-	845,663
Storm Water Drainage Fund	144,280	-	144,280
Totals	\$ 3,735,494	\$ 331,507	\$ 4,067,001

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move indirect costs from the user departments to the general fund, and (4) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Venice, Florida
Notes to Financial Statements

NOTE G – LONG-TERM LIABILITIES

Long-Term Liability Activity

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
Governmental activities:					One Year
General obligation bonds	\$ 7,585,000	\$ -	\$ 340,000	\$ 7,245,000	\$ 350,000
Compensated absences	1,413,085	1,009,504	1,045,666	1,376,923	688,462
OPEB payable	8,486,950	301,913	-	8,788,863	-
Totals	<u>\$ 17,485,035</u>	<u>\$ 1,311,417</u>	<u>\$ 1,385,666</u>	<u>\$ 17,410,786</u>	<u>\$ 1,038,462</u>
Business-type activities:					
Revenue bonds	\$ -	\$20,770,000	\$ -	\$ 20,770,000	\$ 375,000
Notes payable	14,867,373	4,157,000	7,057,373	11,967,000	3,009,000
Compensated absences	422,435	423,150	380,162	465,423	232,712
OPEB payable	3,633,639	54,369	-	3,688,008	-
Unamortized Bond	-	861,381	21,534	839,847	28,713
Totals	<u>\$ 18,923,447</u>	<u>\$26,265,900</u>	<u>\$ 7,459,069</u>	<u>\$ 37,730,278</u>	<u>\$ 3,645,425</u>

Payments on bonds that pertain to the City's governmental activities are made by the debt service fund. The compensated absence liability and net other postemployment benefit obligation attributed to the governmental activities will be liquidated by the general fund.

Current Year Refunding

In May 2013, the City issued \$4,157,000 in Utility System Refunding Revenue Note, Series 2013 for the purpose of refunding the principal amount remaining outstanding of the loans issued pursuant to the Clean Water State Revolving Fund Loan Agreement WWG12066115L and Agreement CS12066115P, each between the City of Venice and the Florida Water Pollution Control Financing Corporation. The purpose of Loan Agreement WWG12066115L was to fund Project A Wastewater Re-use and the purpose of Loan Agreement CS12066115P was to fund utility upgrades and improvements. As a result, the liability for the redeemed loan agreements was removed from the Statement of Net Position. The transaction resulted in an economic gain (at present value) of \$258,129 and a reduction in future debt service of \$280,826.

City of Venice, Florida
Notes to Financial Statements

Description of Debt

	Governmental	Business-Type
\$10,000,000 2004 General Obligation Bonds, due in annual installments of \$280,000 - \$655,000 beginning February 1, 2005 through February 1, 2028; interest at 2.00% - 4.60%; payable from the full faith, credit and taxing authority of the City. Purpose: construct a park, beach renourishment, community center improvements, and fishing pier.	\$ 7,245,000	\$ -
\$20,770,000 Utility System Revenue Bonds, Series 2012, due in annual installments of \$375,000 - \$1,135,000 beginning December 1, 2013 through December 1, 2042; interest at 2.00% - 5.00%; secured by water and sewer revenues. The Series 2012 Bonds are issued in parity with the City's Utility System Refunding Note, Series 2012. Purpose: finance cost of design, permitting, acquisition, construction and reconstruction of water and sewer capital projects, fund reserve account, and pay costs of issuance of the Series 2012 bonds.	-	20,770,000
\$4,157,000 Utility System Refunding Revenue Note, Series 2013, due in semi-annual installments of \$183,000 - \$214,000 through August 15, 2023; interest at 1.65%; secured by future water and sewer revenues. Purpose: Project A wastewater re-use, utility upgrades and improvements.	-	3,956,000
\$9,980,000 Utility System Refunding Revenue Note, Series 2012, due in installments of \$2,460,000 - \$2,530,000 through December 1, 2015; interest at 1.130%; secured by future water and sewer revenues. Purpose: Relocation of waste water plant.	-	7,520,000
\$944,000 Storm Water and Drainage promissory note, due in annual installments of \$138,000 - \$165,000 beginning May 1, 2011 through May 1, 2016; interest at 2.15%; payable solely from and secured by future revenues of the City's storm water management utility system. Purpose: Refund Storm Water and Drainage Revenue Bonds (originally issued for various drainage projects) to take advantage of favorable interest rates.	-	491,000
Total bonds and notes	\$ 7,245,000	\$ 32,737,000

City of Venice, Florida
Notes to Financial Statements

Debt Maturity

Debt service requirements at September 30, 2013 were as follows:

Year Ended September 30,	Governmental Activities	
	GO Bonds	
	Principal	Interest
2014	\$ 350,000	\$ 319,301
2015	365,000	307,008
2016	375,000	293,683
2017	390,000	279,335
2018	405,000	263,825
2019-23	2,360,000	995,375
2024-28	3,000,000	351,013
Totals	<u>\$ 7,245,000</u>	<u>\$ 2,809,540</u>

Year Ended September 30,	Business-type Activities			
	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2014	\$ 375,000	\$ 781,650	\$ 3,009,000	\$ 145,128
2015	385,000	772,125	3,047,000	107,423
2016	400,000	758,350	3,074,000	69,294
2017	415,000	742,050	386,000	45,227
2018	435,000	725,050	392,000	38,833
2019-23	2,455,000	3,331,825	2,059,000	94,601
2024-28	3,055,000	3,031,125	-	-
2029-33	3,605,000	2,178,663	-	-
2034-38	4,355,000	1,438,731	-	-
2039-43	5,290,000	493,000	-	-
	<u>\$ 20,770,000</u>	<u>\$ 14,252,569</u>	<u>\$ 11,967,000</u>	<u>\$ 500,506</u>

City of Venice, Florida
Notes to Financial Statements

Other Information - Conduit Debt

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

No Industrial Revenue Bonds have been issued during this fiscal year.

As of September 30, 2013, there are two series of Industrial Revenue Bonds outstanding with principal amounts payable of \$4.25 million (hospital bonds) and \$2.6 million (charter school bonds).

NOTE H – EMPLOYEE RETIREMENT SYSTEMS

The City maintains two single-employer, public employee retirement systems. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans. Each plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee contributions are due and a formal commitment has been made by the employer. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Firefighters' and Police Officers' Pension Plans issue financial reports that include financial statements and required supplementary information. The reports may be obtained from the City of Venice Finance Director.

The plans have adopted Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*, Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*. In addition to other disclosures, the GASB requires for the current year and each of the two preceding years, annual pension cost, percentage of annual pension cost contributed, and the net pension obligation at the end of the year. This information is presented later in this note.

1. Plan description

FIREFIGHTERS' PENSION PLAN

The City of Venice Firefighters' Pension Plan, a defined benefit single-employer public employee retirement plan, is administered in accordance with the City Charter and Florida Statute 175. The City's total current year payroll for fire personnel for the year ended September 30, 2013, was

City of Venice, Florida
Notes to Financial Statements

\$2,877,391 compared to total actual payroll for the entire City of \$15,081,804. At September 30, 2013, membership consisted of:

Retirees, disabled participants, and beneficiaries:	
Currently receiving benefits.	43
Terminated employees entitled to benefits but not yet receiving them.	1
Current employees:	
Vested	25
Nonvested	12
Total	<u>81</u>

The Plan covers permanent City of Venice firefighters. Any participant who has credited service of 10 years and has attained age 55, or 25 years of credited service is eligible to receive benefits. Such a retiree would receive a normal retirement benefit of 3.50% of average final compensation for each year of credited service, plus \$175 per month, provided however, in no event shall the monthly benefit exceed one hundred percent of the average final compensation. Average final compensation is one-twelfth (1/12) of the average salary of the five best years of the last ten years of credited service prior to retirement, termination, or death. A participant's monthly retirement benefits ceases upon the later of death or one hundred twenty months from the date of commencement. The Plan provides for early retirement upon obtaining age of 50 and 10 years of credited service, or the completion of 20 years of credited service regardless of age. Early retirement members are assumed to retire with an immediate subsidized benefit at the rate of 15% per year.

The Plan provides disability benefits for both duty related and off-duty related disabilities. The benefit for line of duty disabilities is computed at 50% of the average final salary at the time of disability. The benefit for off-duty disabilities is computed at 50% of the average final salary at the time of disability, provided there are five or more years of credited service. The Plan also provides death benefits for both duty related and off-duty related deaths. For non-service incurred deaths with less than five years of credited service, the benefit is equal to 100% of the participant's contributions. If the participant has five or more years of service, the benefit is computed at 50% of average final compensation.

Participants are required to contribute 9.75% of their annual salary to the Plan. If an employee separates service from the City before achieving ten years of credited service, the employee will receive 100% of their contributions. Other contributions are received from the State of Florida and the City of Venice. The State of Florida contribution results from the City's share of insurance tax. The City contributes an amount equal to the difference between the total aggregate employee and state contributions for the year and the total cost for the year as shown by the most recent actuarial valuation.

City of Venice, Florida
Notes to Financial Statements

POLICE OFFICERS' PENSION PLAN

The City of Venice Police Officers' Pension Plan, a defined benefit single-employer public employee retirement plan, is administered in accordance with the City Charter and Florida Statute 185. The City's total current year payroll for police personnel for the year ended September 30, 2013 was \$3,177,273 compared to \$15,081,804 for the entire City's payroll. At September 30, 2013 membership consisted of:

Retirees, disabled participants, and beneficiaries:	
Currently receiving benefits.	48
Terminated employees entitled to benefits but not yet receiving them.	5
Members in DROP	3
Current employees:	
Vested	18
Nonvested	20
Total	<u>94</u>

The Plan covers permanent City of Venice police officers. Normal eligibility for retirement benefits is based on 10 years of credited service if the participant has attained age 50, or 25 years of credited service. Such a retiree would receive a normal retirement benefit of 3.50% of average monthly earnings times credited service, plus \$175 per month. Average (monthly) final compensation is one-twelfth (1/12) of the average salary of the highest five years of service during the last ten years of credited service prior to retirement, termination, or death, or the career average as a full-time police officer, whichever is greater.

The Plan provides disability benefits for both duty related and non-duty related disabilities. The benefit is computed at 62.5% (service incurred) or 50% (nonservice incurred) of salary at time of disability, plus \$175 per month, only after five years of credited service for a non-service incurred disability. The Plan also provides for early retirement upon obtaining the age of 50 and having 10 years of credited service or having 20 years of credited service with deferred benefits payable at the normal retirement date or an actuarially reduced benefit payable immediately. Death benefits are similar to disability benefits, with payments being made to the surviving spouse or dependent children.

Participants are required to contribute 7.25% of their annual salary to the Plan. If an employee separates service from the City before achieving ten years of credited service, the employee will receive 100% of their contributions. Other contributions are received from the State of Florida and the City of Venice. The State of Florida contribution results from the City's share of insurance tax. The City of Venice is required to fund any deficiencies between the total actuarial contribution requirement and the State Casualty Insurance premium tax and the employee contributions.

A deferred retirement option plan (DROP) is provided to members who are age 50 and have 10 years of credited service, or who have 25 years of credited service. To electing participants, the

City of Venice, Florida
Notes to Financial Statements

receipt of their service pension, calculated as of the DROP date, is deferred for up to 60 months. A cash lump sum payment (options available) is made at termination of employment.

2. Funding status and progress

The amount shown below as the actuarial accrued liability is a measure intended to help users assess (a) a pension fund's funded status on a going concern basis and (b) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the individual entry age normal actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the fund's level percent of payroll annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

FIREFIGHTERS' PENSION PLAN

As of October 1, 2013, the actuarial accrued liability in excess of assets was \$21,501,177 determined as follows:

Total Actuarial Accrued Liability	\$ 37,495,162
Actuarial Value of Assets (market value was \$16,397,020)	<u>15,993,985</u>
Actuarial Accrued Liability in Excess of Assets	<u><u>\$ 21,501,177</u></u>

For the Firefighters' actuarial report dated October 1, 2013, the Plan experienced a net change of \$1,990,204 in the unfunded actuarial accrued liability. There were no changes in benefits, methods or assumptions since the prior valuation.

POLICE OFFICERS' PENSION PLAN

As of October 1, 2013, the actuarial accrued liability in excess of assets was \$9,463,149 determined as follows:

Total Actuarial Accrued Liability	\$ 37,505,661
Actuarial Value of Assets (market value was \$29,113,419)	<u>28,042,512</u>
Actuarial Accrued Liability in Excess of Assets	<u><u>\$ 9,463,149</u></u>

For the Police Officers' actuarial report dated October 1, 2013, the Plan experienced a net change of \$1,239,989 in the actuarial accrued liability. There was one plan change: the definition of salary has been amended to limit the payment of overtime and unused sick and vacation time in accordance with the regulations set forth in Senate Bill 1128. The effect of this change is

City of Venice, Florida
Notes to Financial Statements

represented in the Actuary's September 16, 2013 Actuarial Impact Statement. There were no changes in benefit provisions since the prior evaluation. A few changes were made to the actuarial assumptions/method as follows:

- 1) In conjunction with the October 1, 2013 actuarial valuation, and as approved by the Board of Trustees, funding requirements are based on a dollar funding methodology, applicable to the fiscal year ending September 30, 2015. Plan funding remains on a percentage of payroll methodology for the fiscal year ending September 30, 2014.
- 2) For compliance with Chapter 112, Part VII, F.S., the payroll growth assumption cannot exceed the ten-year average as of the valuation date. Accordingly, this assumption has been reduced from 2.0% to 0.2% in conjunction with the 2013 valuation.

FIREFIGHTERS' PENSION PLAN

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

The annual required contribution for the current year was determined as part of the October 1, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases based on years of service as follows:

<u>Years of Service</u>	<u>% Increase in Salary</u>
Less than 10	10.0%
10-15	6.5%
15-20	5.5%
20 and higher	5.0%

Both (a) and (b) included an inflation component of 3%. The assumptions included a cost-of-living adjustment of 3% per year from retirement through age 65. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at October 1, 2013, was 30 years.

During the year ended September 30, 2013, contributions totaling \$1,991,843 were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of October 1, 2012. The City contributed \$1,451,786, members contributed \$269,835, and the State contributed \$270,222. Payments of fringe benefits and salaries on-behalf of the City's employees are recognized as revenues and expenditures/expenses during the period.

City of Venice, Florida
Notes to Financial Statements

**Firefighters' Pension Plan
Schedule of Funding Progress
Current and Two Preceding Actuarial Valuations**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2013	\$ 15,993,985	\$ 37,495,162	\$ 21,501,177	42.66%	\$ 2,887,391	744.66%
October 1, 2012	14,604,878	34,115,851	19,510,973	42.81%	2,663,341	732.58%
October 1, 2011	14,653,366	32,532,658	17,879,292	45.04%	2,948,616	606.36%

Schedule of Contributions

Fiscal Year Ended September 30,	Annual Required Contribution	City Contribution	State Contribution	Members Contribution	Percent Contribution
2013	\$ 1,692,902	\$ 1,451,786	\$ 270,222	\$ 269,835	101.72%
2012	1,550,520	1,312,403	272,498	276,474	102.22%
2011	1,617,566	1,366,349	251,217	315,925	100.00%

Three Year Trend Information

Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2013	\$ 1,687,089	102%	\$ 357,082
2012	1,545,420	103%	322,163
2011	1,633,263	99%	282,682

**Firefighters' Pension Plan
Recent development of the Net Pension Asset**

	9/30/2013	9/30/2012	9/30/2011
Actuarially Determined Contribution (A)	\$ 1,692,902	\$ 1,550,520	\$ 1,617,566
Interest on NPA	(24,968)	(21,908)	(23,124)
Adjustment to (A)	19,155	16,808	38,821
Annual Pension Cost	1,687,089	1,545,420	1,633,263
Contributions Made	1,722,008	1,584,901	1,617,566
Increase (decrease) in NPA	34,919	39,481	(15,697)
NPA Beginning of Year	322,163	282,682	298,379
NPA End of Year	<u>\$ 357,082</u>	<u>\$ 322,163</u>	<u>\$ 282,682</u>

City of Venice, Florida
Notes to Financial Statements

POLICE OFFICERS' PENSION PLAN

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

The annual required contribution for the current year was determined as part of the October 1, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.9% investment rate of return (net of administrative expenses) and (b) projected salary increases based on years of service as follows:

<u>Years of Service</u>	<u>% Increase in Salary</u>
Less than 10	10.0%
10 and higher	5.5%

Additionally, projected salary at retirement is increased as follows for non-regular payments:

<u>Years of Service</u>	<u>% Increase in Salary</u>
Less than 10	10.0%
10 and higher	5.5%

Beginning 10/1/2011, all future bases will be amortized using no payroll growth assumption. The assumptions did not include postretirement benefit increases, which are funded by State appropriation when granted. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at October 1, 2011, was 25 years.

During the year ended September 30, 2013, contributions totaling \$2,163,723 were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of October 1, 2012. The City's actual contribution was \$1,758,205, the State's was \$175,166, and members contributed \$230,352. Payments of fringe benefits and salaries on-behalf of the City's employees are recognized as revenues and expenditures/expenses during the period.

City of Venice, Florida
Notes to Financial Statements

Police Officers' Retirement Trust Fund
Schedule of Funding Progress
Current and Two Preceding Actuarial Valuations

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2013	\$ 28,042,512	\$ 37,505,661	9,463,149	74.77%	\$ 3,177,273	297.84%
October 1, 2012	25,631,802	36,334,940	10,703,138	70.54%	3,276,770	326.64%
October 1, 2011	23,836,025	35,058,254	11,222,229	67.99%	3,208,345	349.78%

Schedule of Employer Contributions

Fiscal Year Ended September 30	Annual Required Contributions	City Contribution	State Contribution	Members Contributions	Percent Contribution
2013	\$ 1,933,371	\$ 1,758,205	\$ 175,166	\$ 230,352	100.00%
2012	1,672,201	1,496,443	175,758	217,227	100.00%
2011	1,444,492	1,259,171	185,321	230,877	100.00%

Three-Year Trend Information

Fiscal Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2013	\$ 1,935,135	100%	\$ 28,399
2012	1,673,577	100%	30,163
2011	1,445,748	100%	31,539

Police Officers' Retirement Trust Fund
Recent Development of the Net Pension Asset (NPA)

	9/30/2013	9/30/2012	9/30/2011
Actuarially Determined Contribution (A)	\$ 1,933,371	\$ 1,672,201	\$ 1,444,492
Interest on NPA	(2,383)	(2,523)	(2,624)
Adjustment to (A)	4,147	3,899	3,880
Annual Pension Cost	1,935,135	1,673,577	1,445,748
Contributions Made	1,933,371	1,672,201	1,444,492
Increase (decrease) in NPA	(1,764)	(1,376)	(1,256)
NPA Beginning of Year	30,163	31,539	32,795
NPA End of Year	<u>\$ 28,399</u>	<u>\$ 30,163</u>	<u>\$ 31,539</u>

City of Venice, Florida
Notes to Financial Statements

3. Investments

Investments are reported at fair value in accordance with GASB Statement No. 25. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. Investment transactions are recognized on the trade date.

The fair value of the investments of each of the pension plans at September 30, 2013 is as follows. Investments that represent five percent or more of the Plan's net assets are separately identified.

	<u>Fair Value</u>
Firefighters' Pension Plan:	
U.S. Government and agency obligations	\$ 1,066,116
Mortgage-backed obligations	1,694,351
Corporate obligations	1,381,489
Fixed income mutual funds	734,613
Equity securities	8,885,845
Real estate investment fund	1,061,024
Foreign equity mutual funds	1,141,249
Totals	<u>\$ 15,964,687</u>
Police Officers' Pension Plan:	
U.S. Government securities	\$ 1,600,789
U.S. Government agency securities	479,188
Domestic equities	18,340,129
Foreign equities	1,854,754
Domestic corporate obligations	3,652,210
Foreign corporate obligations	588,593
Totals	<u>\$ 26,515,663</u>

Other Employees' Pension Plans

FLORIDA RETIREMENT SYSTEM

All full-time City employees, with the exception of our public safety officers, are participants in the Florida Retirement System, "The System," a multiple-employer, cost-sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement, covers approximately 650,000 full-time employees of various governmental units within the State of Florida.

The System provides for vesting of benefits after six years of creditable service. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Normal retirement

City of Venice, Florida Notes to Financial Statements

benefits for members initially enrolled before July 1, 2011 are available to employees who retire at or after age 62 with six or more years of service. Normal Retirement benefits for members initially enrolled on or after July 1, 2011 are available to employees who retire at or after age 65 with eight or more years of service. Early retirement or reduced retirement may be taken after a member is vested and is within 20 years of his/her normal retirement age; however, there is a 5 percent benefit reduction for each year remaining from a member's retirement age to his/her normal retirement age.

Service retirement benefits are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

There is a deferred retirement option program (DROP) available to members when the member first reaches eligibility for normal retirement. The Deferred Retirement Option Program allows a member to retire while continuing employment for up to 60 months. While in the Deferred Retirement Option Program, the member's retirement benefits accumulate in the Florida Retirement *System Trust Fund* (increased by a cost-of-living adjustment each July) and earn monthly interest equivalent to an annual rate of 1.30 percent. Deferred Retirement Option Program participants with an effective Deferred Retirement Option Program begin date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50 percent.

Participating employer and employee contributions are based upon state-wide rates established by the State of Florida. Effective July 1, 2011, both employees and employers of the Florida Retirement System are required to make contributions to establish service credit for work performed in a regularly established position. The employer's contribution rate was 4.91% and the employee contribution rate was 3.0% for a total contribution rate of 7.91%. Effective July 1, 2012, the employer's contribution rate was 5.18% and the employee contribution rate was 3.0% for a total contribution rate of 8.18%. Effective July 1, 2013, the employer's contribution rate was 6.95% and the employee contribution rate was 3.0% for a total contribution rate of 9.95%. During the year ended September 30, 2013, employer contributions totaling \$528,070 and employee contributions totaling \$247,595 for a total contribution amount of \$775,665 were made in accordance with contribution requirements determined by the Florida Retirement System which is 100% of the required contribution. The prior two years' contributions equaled \$698,677 for the year ended September 30, 2012, and \$919,958 for the year ended September 30, 2011.

The City has no responsibility to The System other than to make the periodic payments required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for The System. The report may be obtained by writing to Florida Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, FL 32399-1560.

City of Venice, Florida
Notes to Financial Statements

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB)

1. Plan Description- The City administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The plan provides health insurance and prescription drug coverage for eligible retirees and their eligible dependents through the City’s health insurance program, which covers both active and retired employees. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. In addition, the City’s program has elected to provide a subsidy to its retirees to offset the cost of such health insurance. Substantial changes to the terms of the Post Retirement Health Plan were adopted in July of 2011 with an effective date of January 1, 2012. This included increasing healthcare contribution rates for retirees effective January 1, 2012 with the objective of a 50/50 contribution split between the City and retiree in the retiree health insurance rates within a five (5) year period. The City does not issue a stand alone financial report on the OPEB Plan.

2. Funding Policy - The contribution requirements of plan members and the City are established and may be amended by the City Council. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits. As previously indicated, the State of Florida prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended premium. Although both groups are charged the same blended rate, GAAP requires the actuarial figures presented to be calculated using age-adjusted premiums approximating claim costs for retirees’ separate from active employees. The use of age-adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. The City has elected to contribute to the OPEB Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the OPEB Plan.

Effective January 1, 2012, the terms of the Post Retirement Health Plan were substantially changed. Effective January 1, 2012, Medicare eligible retirees had the option of switching to a Medicare Advantage plan with 70% paid by the City and 30% paid by the retiree. This cost sharing will be changed annually by increasing 20.5% per year through January 1, 2016 to attain a 50/50 split between the City and retiree. The monthly contributions rates effective January 1, 2013 are \$240 for individual coverage, \$480 for individual plus one, and \$745 for family coverage. Following January 1, 2016, all new retirees will be required to pay 100% of the health plan premium.

As these plan changes were communicated to plan members during the period December, 2010 through July, 2011, and the plan changes were adopted in July of 2011, they were considered in the OPEB actuarial valuation with an effective date of July 1, 2011. As a result of these changes, the actuary lowered the election rate to 20%, from 95%, and the family coverage election rate to 50%, from 90%. They also considered an increased retirement rate in 2015.

The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. (As an unfunded plan, there are no plan assets to report).

City of Venice, Florida

Notes to Financial Statements

Schedule of Funding Progress

Actuarial *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Valuation Date	(a)					
October 1, 2013	\$ -	\$ 22,807,200	\$ 22,807,200	0.00%	\$ 14,453,477	157.80%
October 1, 2012	-	23,052,600	23,052,600	0.00%	13,690,287	168.39%
October 1, 2011	-	22,615,300	22,615,300	0.00%	14,913,794	151.64%

* As stated in GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, OPEB plans with a total membership of 200 or more must have actuarial valuations at least biennially. The figures at October 1, 2011 and 2013 are based on the actuary's "roll-forward" calculations.

Schedule of Employer Contributions

Year Ended September 30	Annual Required Contribution	Amounts Contributed	Implicit Rate Subsidy	Percentage Contributed
2013	\$ 1,567,504	\$ 655,088	\$ 366,982	65.20%
2012	1,668,676	917,961	91,125	60.47%
2011	3,049,645	666,510	91,125	24.84%

3. Annual OPEB Cost And Net OPEB Obligation - The contribution required to support the OPEB Plan is calculated based on the annual required contribution (ARC), an amount determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, calculated using the pay-related, entry-age normal cost method, and to amortize the unfunded actuarial liability over a period not to exceed thirty years. Fiscal Year 2013 includes the determination of the implicit rate subsidy, as required by GASB 45. This subsidy exists as the same premium rates are paid for retired employees as active employees, yet their expected claims cost is higher due to their age.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed, and the change in the City's net OPEB obligation:

City of Venice, Florida
Notes to Financial Statements

	Fiscal Year Ending 2013	Fiscal Year Ending 2012	Fiscal Year Ending 2011
Annual Required Contribution (ARC)	\$ 1,567,504	\$ 1,668,676	\$ 3,049,645
Interest on Net OPEB Obligation	484,824	465,708	379,957
Adjustments to ARC	<u>(673,976)</u>	<u>(647,402)</u>	<u>(404,682)</u>
Annual OPEB Cost (Expense)	1,378,352	1,486,982	3,024,920
Employer Contributions	(655,088)	(917,961)	(666,510)
Implicit Rate Subsidy	<u>(366,982)</u>	<u>(91,125)</u>	<u>(91,125)</u>
Increase in Net OPEB Obligation	356,282	477,896	2,267,285
Net OPEB Obligation - Beginning of Year	<u>12,120,589</u>	<u>11,642,693</u>	<u>9,375,408</u>
Net OPEB Obligation - End of Year	<u><u>\$ 12,476,871</u></u>	<u><u>\$ 12,120,589</u></u>	<u><u>\$ 11,642,693</u></u>
Percentage of OPEB Cost Contributed	74.15%	67.86%	25.05%

4. Funded Status And Funding Progress - As of October 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$22.8 million, at September 30, 2013 and the actuarial value of assets was \$0 resulting in an unfunded accrued liability (UAAL) of \$22.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.5 million, and the ratio of the UAAL to the covered payroll was 157.80%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates about the future.

5. Actuarial Methods And Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to the point. The actuarial methods and assumptions used are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2012 actuarial valuation, the pay-related entry-age normal actuarial cost method was used. The actuarial assumptions included (a) projected salary increase of 2.50% per year, (b) a 4.00% per annum investment rate of return and (3) a general inflation assumption of 2.50% per year for medical claims and premium rates. Following the January 1, 2012 plan changes, it is assumed that the election rate for retiree medical coverage decreases annually and is 20% following 2015. Election of family coverage is assumed to decrease annually to 50% by 2016. Following January 1, 2012, two thirds of Medicare eligible retirees are assumed to elect the Medicare advantage plan in lieu of the current plan.

City of Venice, Florida Notes to Financial Statements

Special Retirement Assumption - It is assumed that the plan changes which take effect January 1, 2016 will result in a higher rate of retirement for general employees in 2015 for those who are age 60 or older in 2015. It is further assumed that the 2016 changes will result in a higher rate of retirement for police and fire employees in 2015 for those who are age 50 or older with at least 10 years of service.

The UAAL is funded over a thirty year period which was restarted October 1, 2010 (30-year closed). Plan amendments are amortized over 30 years. Subsequent gains and losses are amortized over a fifteen year period. Amortization payments are level dollar amounts, rather than level percentage of salaries.

NOTE J – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Plan amendments have been made so that the plan is in compliance with IRC Section 457, as amended by the 1996 changes to the tax code. The assets are now held in various custodial accounts. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the various participants of the plan.

NOTE K – SELF-INSURANCE INTERNAL SERVICE FUNDS

The City maintains a self-insurance program with regard to medical benefits for employees and dependents. The City pays a portion of the cost of the program for active employees. The employee's contribution is a three-tier rate structure based on the employee's base salary. Dependent and retiree coverage is optional. The dependent cost is paid by employee contributions. Contribution rates for retirees will increase annually until a 50/50 cost share is reached between the city and retirees, projected to occur by January 1, 2016. Risks in excess of fixed individual limits of \$85,000 annually are coinsured with an outside insurance carrier. The carrier is also responsible for excess costs over an aggregate limit.

The plan is accounted for through a separate internal service fund. Revenues for this fund consist of amounts contributed by employees and by other City funds. Both revenues and the related charges are recorded as interfund services provided and used. Accordingly, the related charges are reflected as expenditure, or expense items, in the appropriate General Fund department, or in the enterprise funds.

The plan is reviewed annually by an actuarial firm and the actuary's report is used to determine both the basis for premiums charged to other departments and for determining the liability for claims incurred but not reported.

City of Venice, Florida
Notes to Financial Statements

The City also maintains self-insurance programs with regard to workers' compensation and property and general liability risks. The City carries stop loss coverage for workers' compensation, general liability, and insurance policies for property. These plans are also accounted for as separate internal service funds.

The plans are reviewed annually by management to determine the basis for premiums charged to all departments. There have been no significant reductions in insurance coverage for the current fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The self-insurance funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the City from September 30, 2010, to September 30, 2013:

	<u>Life Insurance Program</u>	<u>Self Insurance Program</u>
Liability balance, September 30, 2010	\$ 285,000	\$ 192,355
Claims and changes in estimates	3,931,936	352,861
Claims payments	<u>(3,991,936)</u>	<u>(295,778)</u>
Liability balance, September 30, 2011	225,000	249,438
Claims and changes in estimates	4,201,408	352,861
Claims payments	<u>(4,179,408)</u>	<u>(344,875)</u>
Liability balance, September 30, 2012	247,000	257,424
Claims and changes in estimates	3,942,356	417,817
Claims payments	<u>(3,967,356)</u>	<u>(364,494)</u>
Liability balance, September 30, 2013	<u><u>\$ 222,000</u></u>	<u><u>\$ 310,747</u></u>
Assets available to pay claims at September	<u><u>\$ 1,201,659</u></u>	<u><u>\$ 1,163,576</u></u>

NOTE L – CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

City of Venice, Florida
Notes to Financial Statements

NOTE M – SUBSEQUENT EVENTS

In January 2014, the City issued \$6,458,000 of Florida Recreation Capital Improvement General Obligation Refunding Bond, Series 2014 to refund all of its outstanding City of Venice, Florida Recreation Capital Improvement General Obligation Bonds, Series 2004 (the “Refunded Bonds”). All of the Refunded Bonds were defeased as of January 8, 2014. The Refunded Bonds maturing on February 1, 2015 and thereafter are being redeemed on February 1, 2014 and the February 1, 2014 maturity of the Refunded Bonds will be paid on their scheduled maturity date.

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APPENDIX C

Composite of the Resolution

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RESOLUTION NO. 2012-05*

Adopted May 22, 2012

CITY OF VENICE, FLORIDA (the "Issuer")

RELATING TO:

NOT EXCEEDING

\$9,980,000

CITY OF VENICE, FLORIDA

UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2012

*As amended by Resolution No. 2012-17 adopted on December 11, 2012, and by Resolution No. 2015-01 adopted on February 10, 2015

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A RESOLUTION OF THE CITY OF VENICE, FLORIDA, PROVIDING FOR THE ISSUANCE FROM TIME TO TIME OF UTILITY SYSTEM REVENUE OBLIGATIONS TO PAY THE COST OF FINANCING AND REFINANCING CAPITAL IMPROVEMENTS TO THE UTILITY SYSTEM OF THE ISSUER; AUTHORIZING THE ISSUANCE OF A NOT EXCEEDING \$9,980,000 UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2012, FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING DEBT OF THE CITY; PLEDGING THE NET REVENUES OF THE UTILITY SYSTEM TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE OBLIGATIONS; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF OBLIGATIONS; AWARDING THE 2012 NOTE; FIXING THE DATE, DENOMINATION, MATURITY, INTEREST RATE, INTEREST PAYMENT DATES AND REDEMPTION PROVISIONS WITH RESPECT TO THE 2012 NOTE; AUTHORIZING OTHER ACTION IN CONNECTION WITH THE DELIVERY OF THE 2012 NOTE; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VENICE, FLORIDA:

SECTION 1. AUTHORITY FOR THIS RESOLUTION.

This Resolution is adopted pursuant to the provisions of the Act (herein defined).

SECTION 2. DEFINITIONS.

The following terms in this Resolution shall have the following meanings unless the text otherwise expressly requires. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"1985 Ordinance" shall mean Ordinance 1 1 81-85 duly enacted by the Issuer on November 12, 1985, as heretofore amended and supplemented.

"2001 Loan Agreement" means the Loan Agreement dated as of June 1, 2001, among the Issuer, Gulf Breeze and the Program Trustee.

"2012 Note" shall mean the Issuer's Utility System Refunding Revenue Note, Series 2012, authorized to be issued in the maximum principal amount set forth in Section 6 hereof.

"2012 Note Interest Rate" shall mean a rate of interest per annum equal to the Fixed Interest Rate, as such interest rate may be adjusted as provided on Schedule "II" to the form of 2012 Note attached hereto as Exhibit "A".

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

"Act" shall mean Chapter 166, Part II, Florida Statutes, and other applicable provisions of law.

"Additional Parity Obligations" shall mean any additional obligations hereafter issued in compliance with the terms, conditions and limitations contained herein and which shall have an equal lien upon the Pledged Revenues and rank equally in all respects with the 2012 Note.

"Amortization Installments" (i) with respect to the 2012 Note, shall mean the amounts specified in Schedule "I" to the 2012 Note, and (ii) with respect to any other Term Bonds of a series, shall mean an amount or amounts so designated which is or are established for the Term Bonds of such series, provided that (a) each such installment shall be deemed to be due on such interest or principal maturity date of each applicable year as fixed by resolution of the Issuer and shall be a multiple of \$5,000 principal amount (or \$5,000 Maturity Amount in the case of Capital Appreciation Term Bonds), and (b) the aggregate of such installments for such series shall equal the aggregate principal amount (or Maturity Amount, in the case of Capital Appreciation Term Bonds) of Term Bonds of such series authenticated and delivered on original Issuance.

"Authorized Investments" shall mean, unless otherwise expressly provided by resolution authorizing investments to secure a particular series of Bonds, those obligations in which surplus Issuer funds may be invested under the Issuer's investment policy and the laws of the State of Florida, including without limitation, Section 218.415, Florida Statutes.

"Average Bond Service Requirement" shall mean for any series of Bonds the sum of the Bond Service Requirements in each year in which such series of Bonds is Outstanding divided by the number of years such series of Bonds is scheduled to remain Outstanding.

"Bond Counsel" means Richard I. Lott, McGuireWoods LLP, or any subsequent nationally recognized bond counsel acceptable to the Issuer.

"Bond Service Requirement" for any Fiscal Year, as applied to the Bonds of any series, shall mean the sum of:

(1) the amount required to pay the interest becoming due on the Bonds of such series during the Fiscal Year, except to the extent that such interest shall have been provided by payments on deposit in the Sinking Fund for a specific period of time. In computing the amount of interest becoming due on any series of Bonds which bear interest at a variable rate, the amount of interest to become due on such series of Bonds at such variable rate shall be assumed to be the rate of interest per annum equal to the highest of: (A) the actual rate borne by the indebtedness on the date of calculation, or, if a qualified fixed-rate hedge has been identified in connection with the indebtedness, the rate borne by the qualified hedge; (B) if the indebtedness has been outstanding for at least twelve months, the average rate borne over the twelve months immediately preceding the date of calculation; and (C) (i) if interest is excludable from gross income or tax-exempt under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index, or (2) if interest is not so excludable or tax-exempt, the interest rate on direct United States Treasury obligations with comparable maturities plus two hundred (200) basis points; or such other rate as the applicable Municipal Insurers, if any, of the then Outstanding Bonds shall approve;

(2) the amount required to pay the principal of Serial Bonds of such series maturing in such Fiscal Year; and

(3) the Amortization Installments for the Term Bonds of such series for such Fiscal Year. In computing the Bond Service Requirement for any Fiscal Year for Bonds of any series, the Issuer shall assume that an amount of the Term Bonds of such series equal to the Amortization Installment for the Term Bonds of such series for such Fiscal Year will be retired by purchase or redemption in such Fiscal Year or that payment of such amount of Term Bonds at maturity will be fully provided for in such Fiscal Year. When determining the amount of principal and interest on the Bonds which mature in any year, for purposes of this Resolution or the issuance of any Additional Parity Obligations, the stated maturity date of Term Bonds shall be disregarded, and the Amortization Installment, if any, applicable to Term Bonds in such year shall be deemed to mature in such year.

The Bond Service Requirement for any Fiscal Year shall be adjusted to reflect (i) any amounts on deposit in the Sinking Fund in excess of current requirements (including deficiencies in prior requirements) and (ii) the principal and interest from Federal Securities irrevocably deposited with the Paying Agent, each to the extent available for payment of the Bond Service Requirement during such Fiscal Year.

"Bond Year" shall mean the annual period ending on a principal maturity date, or, with respect to the Rebate Fund, the period defined by the Code.

"Bonds" shall mean the 2012 Note and all Additional Parity Obligations payable from the Pledged Revenues hereafter issued under the terms, conditions, and limitations contained herein.

"Capital Appreciation Bonds" shall mean Bonds of any series so designated, the interest on which is payable only at maturity or earlier redemption, as determined by subsequent resolution of the Issuer duly adopted prior to the issuance of such series.

"Capital Appreciation Term Bonds" shall mean Capital Appreciation Bonds of a series all of which shall be stated to mature on one date, which shall be subject to retirement by operation of the Bond Amortization Account, and the interest on which is payable only at maturity or redemption.

"Capital Charges" shall mean amounts other than Gross Revenues or Special Connection Charges, derived by the Issuer on or after the date of issuance of any Bonds and derived from impact fees or other fees or charges, including fees and charges received pursuant to Ordinance No. 981-83 duly enacted by the Issuer on January 11, 1983, or any amendments or replacements thereof, for capital facilities constituting any portion of a Project and provided to satisfy Increased Capacity Requirements.

"Code" shall mean the Internal Revenue Code of 1986, as amended and the United States Treasury regulations promulgated thereunder.

"Consulting Engineer" shall mean such qualified and recognized independent consulting engineer, having favorable repute or skill and experience, with respect to the acts and duties to be provided to the Issuer, as employed or retained by the Issuer to perform the acts and carry out the duties herein provided.

"Cost of Operation and Maintenance" of the System shall mean all current expenses, paid or accrued, for the operation, maintenance and repair of all facilities of the System, as calculated in accordance with sound accounting practice, and shall include, without limiting the generality of the foregoing, insurance premiums, administrative expenses of the Issuer related solely to the System, labor, cost of materials and supplies used for current operation, and charges for the accumulation of appropriate reserves for current expenses not annually recurrent but which are such as may reasonably be

expected to be incurred in accordance with sound accounting practice, but excluding (i) any reserve for renewals or replacements, (ii) any extraordinary repairs, (iii) any allowance for depreciation or (iv) any costs of issuance incurred in connection with the issuance of Bonds hereunder or incurred in connection with the issuance of Subordinated Indebtedness as more fully described herein.

"Default Rate" shall mean with respect to the 2012 Note, a rate of interest per annum equal to the 2012 Note Interest Rate plus four percent (4%).

"Defeasance Obligations" shall mean (i) cash, (ii) Federal Securities or (iii) any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect a legal defeasance of the Bonds; provided, however, so long as the Lender is a Holder, Defeasance Obligations shall only include cash or Federal Securities.

"Depreciation Allowance" shall mean the allocation of net asset costs (original cost less estimated salvage value) or assigned value of the assets of the System, over the estimated life of the asset.

"Event of Default" shall have the meaning set forth in Section 18 hereof.

"Federal Securities" shall mean direct obligations of the United States of America and obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor.

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing to and including the succeeding September 30, or such other annual period as may be established by law as the Issuer's fiscal year.

"Fitch" shall mean Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

"Fixed Interest Rate" shall mean, with respect to the 2012 Note, an interest rate per annum of 1.13%.

"Governmental Unit Note" means the Governmental Unit Note of the Issuer dated as of June 1, 2001, issued pursuant to the 1985 Ordinance and the 2001 Loan Agreement, issued in the aggregate principal amount of \$19,355,000 and currently Outstanding in the aggregate principal amount of \$9,980,000.

"Gross Revenues" or "Revenues" shall mean all moneys, received or receivable by the Issuer or accruing to it in the operation of the System, from rates, fees, rentals or other charges for the services or facilities of the System, including periodic use or consumption charges, tapping charges and service connection charges, such sums as the Issuer shall pay each year for each fire hydrant of the Issuer using the services and facilities of the System and income derived from the investment of funds held hereunder (other than amounts on deposit in the Rebate Fund), all calculated in accordance with sound accounting practice. Gross Revenues shall not be deemed to include Special Connection Charges, Capital Charges or any amounts received by the Issuer from state and Federal grants and grants in aid of construction, unless otherwise provided herein.

"Gulf Breeze" shall mean the City of Gulf Breeze, Florida, as the issuer of the Program Bonds and the Sponsor under the 2001 Loan Agreement.

"Holder," "Registered Owner" or "Owner" or any similar term shall mean the owner of any registered Bond, as shown on the Bond register maintained by the Registrar and shall mean initially with respect to the 2012 Note, the Lender.

"Increased Capacity Requirements" means any increased demand upon or usage of the capital facilities of the System resulting from additional connections thereto, or from substantial changes to or in the use of properties connected thereto.

"Issuer" shall mean the City of Venice, Florida.

"Lender" shall mean TD Bank, N.A., a national association organized under the laws of the United States of America, the initial Holder of the 2012 Note.

"Maturity Amount" means the amount payable upon the stated maturity of a Capital Appreciation Bond equal to the principal amount thereof plus all accrued interest thereon from the date of issue to the date of maturity. References herein to "denominations", shall, with respect to Capital Appreciation Bonds, be deemed to refer to Maturity Amount.

"Maximum Bond Service Requirement" for any and all series of Bonds shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirements for the then current or any future Fiscal Year.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

"Municipal Bond Insurance Policy" shall mean a bond purchase agreement, letter or line of credit, surety bond, insurance policy or guaranty issued by a Municipal Insurer insuring the scheduled payment of principal of and interest on a series of Bonds.

"Municipal Insurer" shall mean any nationally recognized financial institution or insurer of principal and interest on a series of the Bonds whose bond purchase agreement, letter or line of credit, surety bond, insurance policy or guaranty results, at the date of issuance thereof, in such Bonds being rated in one of the highest two categories (without regard to gradients within a category) by S&P or Moody's.

"Net Revenues" shall mean Gross Revenues less (i) cost of Cost of Operation and Maintenance and (ii) amounts required to be deposited in the Rebate Fund as provided herein.

"Outstanding" when used with reference to any Bonds, shall mean, at any date as of which the amount of Outstanding Bonds is to be determined, the aggregate of all Bonds authorized, issued, authenticated and delivered under this Resolution, except:

(1) Bonds paid, cancelled or surrendered to the Registrar for cancellation on or prior to such date;

(2) Bonds for the payment of which cash shall have been theretofore deposited with the Paying Agent in an amount equal to the principal amount thereof and interest thereon to maturity;

(3) Bonds for the redemption of which cash shall have been theretofore deposited with the Paying Agent in an amount equal to the principal amount thereof, and premium, if any, thereon, and interest thereon to the date of such redemption; provided that notice of such redemption shall have been given as provided herein or provision satisfactory to the Registrar shall have been made therefore;

(4) Bonds otherwise deemed to be paid as provided in Section 19 hereof;

(5) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Sections 9 and 10 hereof; and

(6) Bonds for which Federal Securities shall be on deposit as provided herein.

"Outstanding Subordinated Indebtedness" shall mean the Clean Water State Revolving Fund Loan Agreement WWG12066115L dated July 26 2002, and Clean Water State Revolving Fund Loan Agreement CS12066115P dated September 12, 2001, each between the Issuer and the Florida Water Pollution Control Financing Corporation, as amended as of the date hereof.

"Paying Agent" shall mean an officer of the Issuer or the bank or trust company which the Issuer may from time to time designate to serve as Paying Agent.

"Permitted Lender" shall mean any bank, trust company, savings institution, insurance company, dealer, investment company or qualified institutional buyer as contemplated by Section 517.061(7), Florida Statutes, that is engaged as a regular part of its business in making loans and is authorized to do business in the State.

"Pledged Revenues" shall mean the Net Revenues and until otherwise applied as provided herein, the moneys held in the funds and accounts hereunder (except the Rebate Fund) and the income on investment thereof.

"Policy Costs" shall mean the amounts, if any, required to be paid to Municipal Insurers for reimbursement of draws (including any required interest thereon and expenses of the Municipal Insurer) on any Reserve Account Insurance Policy used to pay such Bonds.

"Program Bonds" shall mean the Floating Rate Demand Revenue Bonds Local Government Loan Program, Series 1985E, remarketed by Gulf Breeze in connection with the funding of the loan to the Issuer pursuant to the 2001 Loan Agreement.

"Program Bonds Mandatory Purchase Date" shall mean, with respect to the Program Bonds, July 2, 2012, being the first date upon which the Program Bonds may be tendered for purchase at the option of Gulf Breeze after giving required notice.

"Program Trustee" shall mean U.S. Bank National Association, as successor trustee, under a Trust Indenture dated as of December 1, 1985, as amended and supplemented, by and between Gulf Breeze and the Program Trustee, as amended and restated as of July 1, 1986.

"Project" shall mean the construction, acquisition or equipping of additions, extensions or improvements to the System as shall from time to time be authorized pursuant to subsequent resolution duly adopted by the Issuer prior to the issuance of the applicable series of the Bonds.

"Rating Agency" shall mean Fitch, Moody's or S&P.

"Rebate Fund" shall mean the fund as designated and created pursuant to Section 16S hereof.

"Refunded Obligation" shall mean all of the remaining principal amount Outstanding of the Governmental Unit Note, together with the redemption premium on the Program Bonds and interest accrued thereon to the Program Bonds Mandatory Purchase Date.

"Registrar" shall mean an officer of the governing body of the Issuer or an officer of the bank or trust company which the Issuer may from time to time designate to perform the duties herein set forth for the Registrar of the Bonds.

"Reserve Account Insurance Policy" shall mean, with respect to any series of Bonds, a policy of insurance, surety bond, line of credit or letter of credit issued by a Municipal Insurer providing for the payment of amounts in respect of the Reserve Requirement to the Paying Agent in lieu of payment from the Reserve Account (defined herein).

"Reserve Requirement" shall mean an amount, if any, established for a series of Bonds by resolution duly adopted by the Issuer prior to the issuance of such series of Bonds; provided, however, that such Reserve Requirement shall not exceed as to any series of Bonds the lesser of (i) the Maximum Bond Service Requirement on all Bonds with respect to which such Maximum Bond Service Requirement is computed in the current or any subsequent Fiscal Year, (ii) one hundred twenty-five percent (125%) of the Average Bond Service Requirement on such series of Bonds, or (iii) ten percent (10%) of the proceeds of such series of Bonds, all within the meaning of Section 147 of the Code. The Reserve Requirement with respect to the 2012 Note shall mean Zero Dollars (\$0.00).

"Revenue Fund" shall mean the fund as designated and created pursuant to Section 16A hereof.

"Serial Bonds" shall mean the Bonds of a series which shall be stated to mature in annual installments.

"Sinking Fund" shall mean the fund so designated, created pursuant to Section 16B hereof.

"Special Connection Charges" shall mean amounts derived by the Issuer from special connection charges, main extension fees or other charges, imposed to recover all or a portion of the cost of adding or extending water and sewer lines.

"S&P" means Standard & Poor's Ratings Services, a business of Standard & Poor's Financial Services LLC, a limited liability company organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

"State" shall mean the State of Florida.

"State Revolving Fund" shall mean the state revolving loan fund established by the State under the Federal Clean Water Act.

"State Revolving Fund Indebtedness" shall mean a loan of moneys from the State Revolving Fund to the Issuer for the purpose of paying all or any part of the cost of constructing or acquiring improvements permitted to be financed with State Revolving Fund moneys under the Federal Clean Water Act.

"Subordinated Indebtedness" shall mean bonds, notes or other forms of indebtedness, the payment of the principal, premium and interest on which are payable solely from moneys which may from time to time be on deposit in the Subordinated Indebtedness Fund under this Resolution and which is designated as Subordinated Indebtedness by the Issuer in the resolution authorizing the issuance thereof.

"System" or "Utility System" shall mean the complete and combined water and sewer system now owned, operated and maintained by the Issuer, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired by the Issuer, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, and including any undivided or partial ownership interests therein.

"Term Bonds" shall mean the Bonds of a series all of which shall be stated to mature on one date and which shall be subject to retirement by operation of the Bond Amortization Account (as defined herein).

SECTION 3. FINDINGS.

It is hereby ascertained, determined and declared that:

A. The Issuer now owns, operates and maintains the System and is empowered to maintain, operate, improve and extend such System and derives revenues from rates, fees, rentals and other charges made and collected for the services of the System.

B. The Pledged Revenues are not now pledged or encumbered in any manner, except (i) to the payment of the Refunded Obligation, as to which the Issuer has made or will make "provision for payment" (within the meaning of Section 21 of the 1985 Ordinance) as of the date of issuance of the 2012 Note, and (ii) to the payment of the Outstanding Subordinated Indebtedness, provided, that the lien upon the Pledged Revenues securing such Subordinated Indebtedness is and shall be in all respects junior and subordinate to the lien and pledge of the Pledged Revenues securing the Bonds.

C. It is necessary and desirable to refund the Refunded Obligation in order to (i) realize the advantages of current interest rates, (ii) achieve a reduction in annual Bond Service Requirements to repay such obligations, (iii) take advantage of historically low fixed interest rates available in the bond market, and (iv) permit revisions more favorable to the Issuer in covenants made to Holders regarding the System.

Amounts sufficient to effect the refunding of the Refunded Obligation will be irrevocably deposited with the Program Trustee in an account established for such purpose and held for the benefit of the owner of the Refunded Obligation, in accordance with Section 21 of the 1985 Ordinance. Such amounts will be sufficient to make timely payments of all principal of, premium and interest on the Refunded Obligation to the Program Bonds Mandatory Purchase Date and to prepay and retire such Refunded Obligation on the date of delivery of the 2012 Note.

D. The principal of and interest on the Bonds and all required Sinking Fund, Reserve Account, if any, and other payments shall be limited obligations of the Issuer, payable solely from and secured by an irrevocable lien upon and pledge of the Pledged Revenues, as provided herein. The Bonds shall not constitute an indebtedness, liability, general or moral obligation, or a pledge of the faith, credit or taxing power of the Issuer or the State or any political subdivision thereof, within the meaning of any constitutional or statutory provisions. Neither the State nor any political subdivision thereof nor the Issuer shall be obligated (1) to levy ad valorem taxes on any property to pay the principal of the Bonds, the interest thereon, the reserves therefore, if any, or other costs incidental thereto or (2) to pay the same from any other funds of the Issuer except from the Pledged Revenues, in the manner provided herein.

The Bonds shall not constitute a lien upon the System or any part thereof, or on any other property of the Issuer, but shall constitute a lien only on the Pledged Revenues in the manner provided herein.

E. The estimated Pledged Revenues to be derived by the Issuer will be sufficient to pay all principal of and interest on the 2012 Note to be issued hereunder, as the same become due, and to make all required Sinking Fund and other payments required by this Resolution.

SECTION 4. REFUNDING AUTHORIZED.

The Issuer deems it necessary and in its best interest to provide for the refunding of the Refunded Obligation. There is hereby authorized the refunding of the Refunded Obligation in the manner provided herein. The proper officers of the Issuer are hereby directed to take all action and steps deemed necessary to refund the Refunded Obligation, which are not inconsistent with the terms and provisions of this Resolution.

SECTION 5. RESOLUTION TO CONSTITUTE CONTRACT.

In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall own the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Registered Owners thereof and the Municipal Insurer, if any. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the

Owners of any and all of the Bonds, all of which shall be of equal rank and without preference, priority or distinction or any of the Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 6. AUTHORIZATION OF 2012 NOTE.

Subject and pursuant to the provisions hereof, an obligation of the Issuer to be known as the "Utility System Refunding Revenue Note, Series 2012," herein defined as the "2012 Note," is authorized to be issued in the aggregate principal amount not exceeding the amount set forth in the title of this Resolution.

SECTION 7. DESCRIPTION OF 2012 NOTE.

The 2012 Note shall be dated as of its date of initial issuance and delivery and issued in a single denomination in an amount not exceeding the principal amount authorized herein and shall have such other terms as are set forth in the form of 2012 Note described and referred to in Section 12 hereof. The 2012 Note shall bear interest at the 2012 Note Interest Rate, payable semi-annually on each June 1 and December 1, commencing December 1, 2012, with interest calculated on the Outstanding balance of the 2012 Note on the basis of a 360 day year of twelve 30-day months, subject to adjustment as provided on Schedule "II" to the form of 2012 Note. The 2012 Note shall evidence a loan from the Lender but will be treated in the same manner as a Term Bond with Amortization Installments required over the life of the 2012 Note, on the dates and in the amounts set forth on Schedule "I" attached to the 2012 Note.

A late charge shall be due and payable on any scheduled payment of principal of and, to the extent legally enforceable, interest on, the 2012 Note that shall not have been paid by the fifteen (15th) day following the date such scheduled payment is due and payable, in an amount equal to six percent (6%) of such scheduled payment. The foregoing right to a late charge is in addition to, and not in limitation of, any other rights which the Lender may have upon the Issuer's failure to make timely payment of such principal and/or interest.

Any payment required to be made with respect to the 2012 Note which is not paid on its due date shall bear interest from such due date at a rate equal to the Default Rate.

If the date for payment of the principal of, premium, if any, or interest on the 2012 Note shall be a Saturday, Sunday, legal holiday or a day on which the banking institutions in the city where the Lender is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday or legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

SECTION 8. EXECUTION OF 2012 NOTE.

The 2012 Note shall be executed in the name of the Issuer by the manual signature of the Mayor or Vice-Mayor and attested by the manual signature of the City Clerk or Deputy Clerk, and the official seal of the Issuer shall be affixed thereto. In case any officer whose signature shall appear on the 2012 Note shall cease to be such officer before the delivery of such 2012 Note, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery. The 2012 Note may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such 2012 Note shall hold the proper office with the Issuer, although at the date of adoption of this Resolution such person may not have held such office or may not have been so authorized.

SECTION 9. REGISTRATION, EXCHANGE AND TRANSFER.

The transfer and exchange of the 2012 Note shall be registered in the registration books of the Issuer. The City Clerk of the Issuer is hereby designated as Registrar for the 2012 Note.

The 2012 Note may not be transferred except in whole. In the event the remaining principal amount Outstanding of the 2012 Note is less than \$100,000, no transfer is permitted. Further, the transfer of any 2012 Note shall be restricted to Permitted Lenders. The 2012 Note shall contain a legend that provides that the Registered Owner thereof shall not transfer or authenticate the 2012 Note except to Permitted Lenders.

Upon surrender for transfer or exchange of the 2012 Note, the Issuer shall execute and the Registrar shall authenticate and deliver in the name of the Registered Owner or the transferee or transferees, as the case may be, a new fully registered 2012 Note of authorized denomination of the same maturity and interest rate for the aggregate principal amount which the Registered Owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Resolution.

Notwithstanding the above, the 2012 Note shall not be transferred unless the transferee shall execute and deliver to the Registrar and to the Issuer a purchaser's letter in substantially the form set forth in Schedule III to the 2012 Note hereinafter set forth or a sophisticated investor letter in form satisfactory to the Issuer and providing evidence to the Issuer that such purchase is a Permitted Lender; provided, however, the Lender shall provide a purchaser's letter in substantially the form set forth in Exhibit "B" hereof.

SECTION 10. 2012 NOTE MUTILATED, DESTROYED, STOLEN OR LOST.

In case any 2012 Note shall become mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new 2012 Note of like tenor and effect as

the 2012 Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated 2012 Note upon surrender and cancellation of such mutilated 2012 Note or in lieu of and substitution for the 2012 Note destroyed, stolen or lost, and upon the Holder furnishing the Issuer proof of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur.

SECTION 11. PROVISIONS FOR REDEMPTION.

The 2012 Note shall be subject to redemption prior to maturity at the option of the Issuer, in whole or in part, on any date at a price equal to the principal amount redeemed plus accrued interest to the date of redemption. Upon any sale or disposition of substantially all of the assets of the System as permitted in the first paragraph of Section 16J hereof, the Bonds shall be subject to extraordinary redemption on the interest payment date next succeeding such sale of the assets of the System at one hundred percent (100%) of the principal amount then Outstanding plus accrued interest to date of redemption; provided, however, that if payment of all Bonds then Outstanding shall have been provided for as permitted herein, nothing in this Section 11 shall be deemed to require the Issuer to redeem the Bonds prior to their scheduled maturity or redemption date.

Any partial redemption shall be applied to the last maturing principal or Amortization Installment, unless otherwise specified by the Issuer in its notice of redemption.

SECTION 12. FORM OF 2012 NOTE.

The text of the 2012 Note shall be substantially in the form attached hereto as Exhibit "A" with such changes, omissions, insertions and variations as may be necessary and desirable and authorized and permitted by this Resolution. Execution and delivery of the 2012 Note and any other document in connection with the issuance of the 2012 Note shall be conclusive evidence of the approval of any changes, insertions, omissions or variations.

SECTION 13. DETAILS OF ADDITIONAL PARITY OBLIGATIONS.

The Issuer may provide by subsequent resolution adopted prior to the issuance of any Additional Parity Obligations the details of such Additional Parity Obligations, including but not limited to, the maturity, payment, registrar and registration, execution and other provisions set forth in Sections 7 through 12 of this Resolution, which provisions may differ from the provisions of such Sections as herein provided and be as provided in such subsequent resolution.

SECTION 14. APPLICATION OF 2012 NOTE PROCEEDS; AUTHORIZATION AS TO APPLICATION OF OTHER LEGALLY AVAILABLE MONIES OF ISSUER.

A. All moneys received from the sale of the 2012 Note shall be deposited in a special account in a bank or trust company and shall be applied by the Issuer simultaneously with the delivery of such 2012 Note to the purchaser thereof, as follows:

(1) Simultaneously with the delivery of the 2012 Note to the original purchaser thereof, the Issuer shall deposit with the Program Trustee an amount which, together with other available monies of the Issuer, is sufficient to pay as of the Program Bonds Mandatory Purchase Date the outstanding principal of, premium and accrued interest on the Refunded Obligation and other costs due in respect of the Refunded Obligation, which amount shall be used by the Program Trustee to prepay and retire the Refunded Obligation on the date of delivery of the 2012 Note.

(2) The balance of the proceeds of the 2012 Note, if any, shall be deposited into a separate fund hereby created and established to be known as the "Utility System Refunding Revenue Note, 2012 Project Fund" and shall be used to pay costs of capital improvements to the System.

B. To the extent not reimbursed or paid by the original purchaser of the 2012 Note, the Issuer shall pay all costs and expenses in connection with the preparation, issuance and sale of such 2012 Note from other monies of the Issuer legally available for such purpose.

The Issuer shall further deposit with the Program Trustee other legally available monies sufficient to pay as of the Program Bonds Mandatory Purchase Date, together with the deposit described in Section 14A above from proceeds of the 2012 Note, the outstanding principal and premium of, and accrued interest on the Refunded Obligation and other costs due in respect of the Refunded Obligation.

SECTION 15. SPECIAL OBLIGATIONS OF THE ISSUER; SECURITY FOR THE BONDS.

A. SPECIAL OBLIGATIONS OF THE ISSUER. The Bonds shall be special obligations of the Issuer, payable solely from the Pledged Revenues as herein provided. The Bonds do not constitute an indebtedness, liability, general or moral obligation or a pledge of the faith, credit or taxing power of the Issuer or of the State or any political subdivision thereof, within the meaning of any constitutional or statutory provisions. Neither the State nor any political subdivision thereof nor the Issuer shall be obligated (i) to levy ad valorem taxes on any property to pay the principal of the Bonds, the interest thereon, the reserves therefore or other costs incident thereto, or (ii) to pay the same from any other funds of the Issuer except from the Pledged Revenues, in the manner provided

herein. The acceptance of the Bonds by the Owners from time to time thereof shall be deemed an agreement between the Issuer and such Owners that the Bonds and the indebtedness evidenced thereby shall not constitute a lien upon the System, or any part thereof, or any other property of the Issuer, but shall constitute a lien only on the Pledged Revenues, in the manner and to the extent hereinafter provided.

B. SECURITY FOR THE BONDS. The payment of the principal of and the interest on the Bonds shall be secured forthwith equally and ratably by an irrevocable lien on the Pledged Revenues. The Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of and the interest on the Bonds, for the reserves therefore, if any (including Policy Costs, if any), and for all other required payments; provided, however, that the lien upon and pledge of the Pledged Revenues to pay Policy Costs shall, however, be subordinate to the payments from Pledged Revenues to the Holders, as provided herein.

SECTION 16. COVENANTS OF THE ISSUER.

For as long as any of the principal of and interest on any of the Bonds shall be Outstanding and unpaid, or until payment has been provided for as herein permitted, or until there shall have been set apart in the Sinking Fund, herein established, including the Reserve Account therein, a sum sufficient to pay when due the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon and all amounts due to the Municipal Insurers have been paid, the Issuer covenants with the Holders of any and all Bonds and the Municipal Insurers as follows:

A. REVENUE FUND. The entire Gross Revenues, except the income from investments (hereinafter provided for), shall upon receipt thereof be deposited in the "City of Venice, Florida, Utility System Revenue Bonds Revenue Fund" (hereinafter called the "**Revenue Fund**"), hereby created and established. Such Revenue Fund shall constitute a trust fund for the purposes herein provided and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner herein provided.

B. SINKING FUND. There is hereby created and established a separate fund to be designated "City of Venice, Florida, Utility System Revenue Bonds Sinking Fund" (hereinafter called "**Sinking Fund**"). There are also hereby created and established in the Sinking Fund four accounts to be known as the "**Interest Account**," "**Principal Account**," "**Reserve Account**," and "**Bond Amortization Account**."

C. DISPOSITION OF REVENUES. All funds at any time remaining on deposit in the Revenue Fund shall be disposed of on or before the fifteenth (15th) day of each month, commencing in the month immediately following the delivery of the Bonds, first to deposit to the Rebate Fund established under Section 16S of this Resolution an

amount estimated to be sufficient to timely provide for any rebate amount required thereunder, and then only in the following manner and in the following order of priority:

(1) Revenues shall first be used to deposit in the "City of Venice, Florida, Utility System Revenue Bonds Operation and Maintenance Fund" (hereinafter called the "**Operation and Maintenance Fund**") which fund is hereby created and established, such sums as, together with the money then on deposit therein, will be sufficient for the Cost of Operation and Maintenance, as hereinabove defined, for the next ensuing month.

(2) Revenues shall next be used for deposit into the Interest Account, such sums as will be sufficient to pay one-sixth ($1/6$) of all interest becoming due on each series of the Bonds on the next applicable semiannual interest payment date; provided, however, deposits into the Interest Account for the purpose of meeting interest payments for any series of Bonds shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such series.

(3) Revenues shall next be used for deposit into the Principal Account, in any Bond Year in which a Serial Bond matures, such sums as will be sufficient to pay one-twelfth ($1/12$) of the principal maturing on Serial Bonds in such Bond Year; provided, however, deposits into the Principal Account for the purpose of meeting principal payments for any series of Bonds shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such series.

(4) On a parity basis with the deposits under paragraph (3), above, Revenues shall next be used for deposit into the Bond Amortization Account, in any Bond Year in which an Amortization Installment is due, such sums as will be sufficient to pay one-twelfth ($1/12$) of the Amortization Installment required to be made in such Bond Year. Such payments shall be credited to a separate special account for each series of Term Bonds Outstanding, and if there shall be more than one stated maturity for Term Bonds of a series, then into a separate special account in the Bond Amortization Account for each such separate maturity of Term Bonds. The funds and investments in each such separate account shall be pledged solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any other series or within a series, or for transfer to any other account in the Sinking Fund to make up any deficiencies in required payments therein. Upon the sale of any series of Term Bonds, the Issuer shall by resolution, establish the amounts and maturities of such Amortization Installments for each series, and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested, in the manner provided below, then the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative

amounts of the principal amount of investments required to have been purchased by, the payment date of such Amortization Installment.

Moneys on deposit in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence.

The required deposits to the Principal Account, Interest Account and Bond Amortization Account shall be adjusted in order to take into account the amount of money currently on deposit therein.

(5) (a) Revenues shall next be applied by the Issuer to maintain in the Reserve Account a sum equal to the Reserve Requirement established for any series of Bonds, which sum shall initially be deposited therein from the proceeds of the sale of each series of the Bonds unless a Reserve Account Insurance Policy has been established therefore as provided herein, or unless a different method of initial funding is specified for a particular series. The amount required to be on deposit in the Reserve Account shall be recomputed not less than annually, and any surplus may be transferred to the Revenue Fund. In the event any separate subaccounts have been created in the Reserve Account as provided in paragraph (d) below, the Revenues shall be applied *pro rata* to the Reserve Account and the subaccounts therein in proportion to the deficiencies (including outstanding Policy Costs) therein.

(b) Notwithstanding the foregoing, the Issuer may, at any time, deposit a Reserve Account Insurance Policy with the Paying Agent. The amount available under such Reserve Account Insurance Policy shall be treated as a credit toward the amount required to be held on deposit in the Reserve Account pursuant to the terms hereof. If the terms of any Reserve Account Insurance Policy provide that the moneys available thereunder for payment of principal and interest on the Bonds may only be applied to the particular series of Bonds for which such Reserve Account Insurance Policy was established, the Issuer shall maintain a separate subaccount within the Reserve Account for such series of Bonds.

(c) Any withdrawals from the Reserve Account and the subaccounts, if any, therein which reduce the balance below the then applicable Reserve Requirement (including payment of Policy Costs in respect of any Reserve Account Insurance Policies) shall be subsequently restored within the next ensuing twelve months following such withdrawal from the first moneys available in the Revenue Fund after all required current payments for the Operation and Maintenance Fund and Sinking Fund

(other than the Reserve Account) (including all deficiencies in prior payments to such funds) have been made in full.

(d) Moneys in the Reserve Account and any subaccounts, if any, therein shall be used only for the purpose of the payment of maturing principal of or interest on the applicable Bonds, or maturing Amortization Installments, if any, when the other moneys in the Sinking Fund are insufficient therefore, and for no other purpose except set forth herein. Payment of Policy Costs and reimbursement of amounts with respect to other credit facilities shall be made on a *pro rata* basis prior to replenishment of any cash drawn from the Reserve Account.

(e) The Issuer may establish within the Reserve Account separate subaccounts for any series of Bonds for which a Reserve Requirement is established. The moneys and/or Reserve Account Insurance Policies on deposit in each subaccount shall be held and applied in the manner determined by the Issuer but solely for the payment of the principal or redemption of, or interest on such series of Bonds for which it is established and such series of Bonds shall have no claim upon or lien for payment from the other moneys and/or Reserve Account Insurance Policies in the Reserve Account. If a Reserve Account has been established for one or more separate series of Bonds, and such series of Bonds is redeemed in whole and no Bonds of such series remain Outstanding, the amounts in such Reserve Account shall be applied in accordance with clause (a) of this subsection (5).

(f) The Issuer may, at its option, provide upon issuance of any series of Additional Parity Obligations that such Bonds shall not be secured by a Reserve Account. In this event such Bonds shall not be entitled to share in the Reserve Account for other series of Bonds, and the deposits into any separate subaccount in the Reserve Account which the Issuer may elect to establish for such series of Additional Parity Obligations shall be made on the same basis as deposits would be made to other subaccounts of the Reserve Account.

(6) Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as are herein provided, the payments into the several accounts in the Sinking Fund shall be increased in such amounts as shall be necessary to make the payments for the principal of, interest on and reserves for such Additional Parity Obligations and, if Term Bonds are issued, the Amortization Installments, on the same basis as hereinabove provided with respect to the 2012 Note.

The Issuer shall not be required to make any further payments into the Sinking Fund when the aggregate amount of money in the Sinking Fund is at least equal to the total Bond Service Requirement of the Bonds then Outstanding, plus the amount of redemption premium, if any, then due and thereafter to become due on such Bonds then Outstanding by operation of the Bond Amortization Account.

(7) The Issuer shall next apply and deposit the moneys in the Revenue Fund into a special account to be known as the "City of Venice, Florida Utility System Renewal and Replacement Fund" (hereinafter called the "**Renewal and Replacement Fund**"), which fund is hereby created and established. The Issuer shall deposit into such Renewal and Replacement Fund an amount equal to one-twelfth (1/12) of five percent (5%) of the Gross Revenues for the immediately preceding Fiscal Year or such greater amount as may be determined and approved by the governing body of the Issuer, provided that no deposit shall be required to be made so long as there is an amount in the Renewal and Replacement Fund equal to \$1,000,000. The moneys in the Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to or the replacement of capital assets of the System and emergency repairs thereto. Such moneys on deposit in such fund shall also be used to supplement the Reserve Account if necessary in order to prevent a default in the payment of the principal or Amortization Installments of and interest on the Bonds.

(8) The Issuer shall next apply the moneys in the Revenue Fund to pay any amount owed to the Municipal Insurers if not paid above.

(9) The Issuer shall next apply and deposit the moneys in the Revenue Fund into a special fund to be known as the "City of Venice, Florida, Utility System Subordinated Indebtedness Fund" (hereinafter called the "**Subordinated Indebtedness Fund**"), which fund is hereby created and established. The Issuer shall deposit into the Subordinated Indebtedness Fund a monthly installment amount sufficient to accumulate adequate moneys to pay, when due, the payments in respect of Subordinated Indebtedness, including in particular the Issuer's State Revolving Fund Indebtedness. The insufficiency of Net Revenues to make any required payments under this paragraph (9) shall not constitute a default hereunder.

(10) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may be used by the Issuer for any lawful purpose.

(11) The Operation and Maintenance Fund, the Sinking Fund, the Renewal and Replacement Fund, and the Revenue Fund and all accounts therein and any other special funds herein established and created shall constitute trust funds for the purposes provided herein for such funds. All such funds shall be continuously secured in the same manner as deposits of governmental funds are authorized to be secured by the laws of the State.

The cash required to be accounted for in each of the foregoing funds established herein may be deposited in a single bank account and funds allocated to the various accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the

restricted allocation of the cash on deposit therein for the various purposes of such funds as herein provided.

The designation and establishment of the various funds in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

(12) Moneys on deposit in the Revenue Fund and the Sinking Fund (except the Reserve Account therein) may be invested and reinvested in the manner provided by law provided such investments either mature or are redeemable at not less than par at the option of the Issuer not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. The moneys in the Reserve Account in the Sinking Fund and in the Renewal and Replacement Fund may be invested and reinvested only in Authorized Investments, in the manner provided by law; provided that investments purchased with moneys in the Reserve Account shall have a term to maturity of not greater than seven (7) years. All income on such investments shall be deposited into the Revenue Fund, except however that investment income earned in the Bond Amortization Account shall remain therein or be transferred to the Principal Account or the Interest Account and used to pay maturing principal, Amortization Installments and interest on the Bonds.

If any investment held in any fund or account hereunder shall cease to meet the criteria set forth in the definition of Authorized Investments hereunder and such investment, together with all other non-conforming investments hereunder exceeds ten percent (10%) of the aggregate funds invested hereunder, such investment shall be sold or liquidated unless otherwise approved in writing by each applicable Municipal Insurer, if any.

Authorized Investments (except investment agreements and United States Treasury Obligations, State and Local Government Series) in the funds and accounts under this Resolution shall be valued at the market value thereof, exclusive of accrued interest, by the Issuer (1) as frequently as reasonably deemed necessary by the applicable Municipal Insurer, if any, but not less often than annually nor more often than monthly and (2) upon any draw upon the Reserve Account. Deficiencies in the amount on deposit in any fund or account hereunder resulting from a decline in market value shall be restored within one year of the valuation date.

The Issuer shall terminate any repurchase agreement investment hereunder upon a failure of the counterparty thereto to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in Federal funds against transfer of the repurchase securities, liquidate the collateral. The Issuer shall give notice

to any provider of a repurchase or investment agreement in accordance with the terms thereof so as to receive funds thereunder with no penalty or premium paid.

The Issuer shall, upon actual knowledge of a default under a repurchase or investment agreement or the withdrawal or suspension of either of the ratings of a repurchase or investment agreement provider or a drop in the ratings thereon below "A" by any Rating Agency, so notify each applicable Municipal Insurer, if any, and, if so directed by such Municipal Insurer, shall demand further collateralization of the agreement or termination thereof and liquidation of the collateral.

(13) The gross amount required to pay principal or interest and Amortization Installments on the Bonds on any payment date shall be deposited in trust for such purposes and held and invested in Authorized Investments by the Paying Agent at least five (5) business days prior to such payment date.

(14) Nothing herein shall be deemed to create a lien upon, or pledge of, receipts by the Issuer from Capital Charges or Special Connection Charges levied with respect to the System.

D. OPERATION OF BOND AMORTIZATION ACCOUNT. Moneys held for the credit of the Bond Amortization Account shall be applied to the retirement of Term Bonds as follows:

(1) Subject to the provisions of subparagraph (2) below, the Issuer may purchase Term Bonds then Outstanding, at the most advantageous price obtainable with reasonable diligence, such price not to exceed the principal of such Term Bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the Holders of such Term Bonds if such Term Bonds should be called for redemption on such date from moneys in the Bond Amortization Account plus the accrued interest to the date of delivery thereof. The Issuer shall pay the interest accrued on such Term Bonds to the date of delivery thereof from the Sinking Fund and the purchase price from the Bond Amortization Account, but no such purchase shall be made by the Issuer within the period of forty-five (45) days immediately preceding any interest payment date on which such Term Bonds are subject to call for redemption except from moneys in excess of the amounts set aside or deposited for the redemption of Term Bonds.

(2) Moneys in the Bond Amortization Account shall be applied by the Issuer in each Bond Year to the purchase or retirement of the Term Bonds of each lot, installment or series to the extent of the Amortization Installment, if any, for such Bond Year for the Term Bonds of each such lot, installment or series then Outstanding, plus the applicable premium, if any, and, if the amount available in such Bond Year shall not be sufficient therefor, then in proportion to the Amortization Installment, if any, for such Bond Year for the Term Bonds of each such lot, installment or series then Outstanding, plus the applicable premium, if any; provided, however, that if the Term Bonds of any lot,

installment or series shall not then be subject to redemption from moneys in the Bond Amortization Account and if the Issuer shall at any time be unable to exhaust the moneys applicable to the Term Bonds of such lot, installment or series under the provisions of this clause in the purchase of such Term Bonds under the provisions of subparagraph (a) above, such moneys or the balance of such moneys, as the case may be, shall be retained in the Bond Amortization Account and, as soon as it is feasible, applied to the retirement of Term Bonds of such lot, installment or series.

(3) The Issuer shall deposit into the Bond Amortization Account Amortization Installments for the amortization of the principal of the Term Bonds, together with any deficiencies for prior required deposits, such Amortization Installments to be in such amounts and to be due in such years as provided in the 2012 Note with respect thereto and shall be determined by resolution of the governing body of the Issuer prior to the delivery of any Additional Parity Obligations issued hereunder.

The Issuer shall pay from the Sinking Fund all expenses in connection with any such purchase or redemption.

E. OPERATION AND MAINTENANCE. The Issuer will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

F. RATE COVENANT. The Issuer has enacted or will enact a rate ordinance and thereby will fix, establish and maintain such rates and will collect such fees, rentals and other charges for the services and facilities of the System and revise the same from time to time whenever necessary, as will always provide Gross Revenues in each Fiscal Year sufficient to pay the Cost of Operation and Maintenance of the System in such Fiscal Year and all reserve and other payments required to be made pursuant to this Resolution, and will further be sufficient to provide an amount equal to one hundred and fifteen percent (115%) of the Bond Service Requirement becoming due in such year on all Outstanding Bonds.

The Issuer further covenants and agrees that the Issuer, within ninety (90) days after adoption of the Annual Budget described in Section 16I, will annually revise such fees, rates, rentals and other charges for the use of the product, services and facilities of the System to the extent necessary for the estimated Gross Revenues to be derived from the operation of the System during the next succeeding Fiscal Year to increase so as to be sufficient to pay the estimated expenditures for operation and maintenance of the System during such next succeeding Fiscal Year and otherwise comply with all covenants in this Resolution.

If such annual review of the adequacy of the fees, rates, rentals and other charges as set forth above indicates that the fees, rates, rentals and other charges are, or will be, insufficient to meet the requirements of this Section 16F, the Issuer shall (i) promptly take the necessary action to cure or avoid any such projected deficiency, (ii) diligently pursue the actions necessary to cure or avoid any such deficiency, (iii) not permit any expenditure for the operation and maintenance of the System in any Fiscal Year to be made in excess of the amount provided therefore in the applicable Annual Budget without a finding and recommendation by the duly authorized officer in charge thereof, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and the Governing Body of the Issuer shall have approved such finding and recommendation or until the Issuer has met the rate requirements of this Section 16F, and (iv) retain a Consulting Engineer to promptly prepare a report or survey of the System, with respect to the management of the properties thereof, the sufficiency of the rates and charges for services, the proper maintenance of the properties of the System, and the necessity for capital improvements and recommendations therefore. Such a report or survey shall also show any failure of the Issuer to perform or comply with the covenants herein contained.

The Issuer covenants that the Consulting Engineer shall at all times have free access to all properties of the System and every part thereof for purposes of inspection and examination, and their books, records and accounts may be examined by the Consulting Engineer at all reasonable times. Copies of each report or survey shall be mailed to any Rating Agency then rating any series of the Bonds and the Municipal Insurers, if any, and shall be placed on file with the Issuer and shall be open to the inspection of any Holder or other interested parties.

The Issuer shall immediately take such reasonable steps as are necessary to comply with such requirements and recommendations.

So long as the Lender is a Holder, within ninety (90) days after the end of each Fiscal Year, the Issuer shall provide to the Lender a certificate of compliance with the provisions of this Section 16F.

G. BOOKS AND RECORDS. The Issuer shall keep books and records of the Pledged Revenues of the System which shall be kept separate and apart from all other books, records and accounts of the Issuer, and the Holders of not less than ten percent (10%) of the Bonds and the Lender, so long as the Lender is a Holder, shall have the right, upon written request with reasonable prior notice to the Issuer, to inspect all records, accounts and data of the Issuer relating thereto during normal business hours.

H. ANNUAL AUDIT.

(1) The Issuer shall also, at least once a year, within 180 days after the close of its Fiscal Year, cause the books, records and accounts relating to the System to be

properly audited by a recognized independent firm of certified public accountants and shall make available the report of such audits to any Holder. The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *General Auditing Standards* issued by the Comptroller General of the United States. In addition the auditor shall evaluate the Issuer's internal control structure over financial reporting and test the Issuer's compliance with certain provisions of laws, regulations, contracts, and grant agreements. These tests are an integral part of an audit performed in accordance with *Government Auditing Standards*. A copy of such annual audit shall regularly be furnished to any Rating Agency then rating any series of the Bonds and to any Holders of any Bonds who shall have requested in writing that a copy of such reports be furnished them.

(2) So long as the Lender is a Holder, the Issuer shall provide to the Lender within 180 days of the end of the Issuer's Fiscal Year, a copy of the annual audit.

I. ANNUAL BUDGET. The Issuer shall annually prepare and adopt, prior to the beginning of each of its Fiscal Years, a detailed budget (the "Annual Budget") of the estimated expenditures for operation and maintenance of the System during such next succeeding Fiscal Year. The Issuer shall mail copies of such Annual Budgets to any Rating Agency then rating any series of the Bonds and any Holder or Holders or Bonds who shall request the same in writing to the Issuer. The Issuer shall provide to the Lender so long as it is a Holder a copy of such Annual Budget within thirty (30) days after adoption by the Issuer.

J. NO MORTGAGE OR SALE OF THE SYSTEM. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease encumber or in any manner dispose of the System as a whole until all of the Bonds shall have been paid in full as to both principal and interest, or payment shall have been duly provided for under this Resolution.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System which the Issuer shall hereafter determine, in the manner provided herein, to be no longer necessary, useful or profitable in the operation of the System. Prior to any such sale, lease or other disposition of said property, if the amount to be received therefore is not in excess of \$50,000, the City Manager of the Issuer or other duly authorized officer in charge thereof shall make a finding in writing determining that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof.

If the amount to be reviewed from such sale, lease or other disposition of said property shall be in excess of \$50,000 but not in excess of \$100,000, the City Manager or other officer shall first make a finding in writing determining that such property comprising a part of the System is no longer necessary, useful or profitable in the

operation thereof, and the governing body of the Issuer shall, by resolution duly adopted, approve and concur in the finding of the City Manager or other officer, and authorize such sale, lease or other disposition of said property.

If the amount to be received from such sale, lease or other disposition of said property shall be in excess of \$100,000 but not in excess of 10% of the value of fixed assets of the System according to the most recent annual audit report, the City Manager or other officer shall first make a finding in writing determining that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Consulting Engineer shall make a finding that it is in the best interest of the System that such property be disposed of, and the governing body of the Issuer shall by resolution, duly adopted, approve and concur in the findings of the City Manager or other officer and of the Consulting Engineer, and shall authorize such sale, lease or other disposition of said property.

No sale or other disposition of said property for a sum in excess of 10% of the value of the fixed assets of the System according to the most recent annual audit and operating report shall be made unless the City Manager and the Consulting Engineer shall make in writing the finding hereinabove referred to, and they shall further find that the estimated Net Revenues to be derived by the Issuer from the System in the five Fiscal Years immediately succeeding the sale or other disposition of such property will be not less than the amount required pursuant to Section 16F above, and the governing body of the Issuer shall by resolution duly adopted, approve and concur in the finding of the City Manager and the Consulting Engineer, and shall authorize such sale or other disposition of said property.

The foregoing provision notwithstanding, the Issuer may sell or dispose of, for fair market value, any properties or parts of the System which the Consulting Engineer shall certify in writing are not necessary for the continued operation of the System and that the sale or disposal of which will not adversely affect the Gross Revenues to be derived from the System to such an extent that the Issuer will fail to comply with the covenants contained herein, including Section 16F hereof.

The proceeds derived from any sale or disposal of any properties or parts of the System as provided for in the above paragraph shall, in the discretion of the Issuer, be (1) deposited in the Renewal and Replacement Fund and used exclusively for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System and for unusual or extraordinary repairs thereto, or for the construction or acquisition of additions, extensions and improvements to the System, or (2) for the purchase or retirement of the Bonds then Outstanding. However, if the Consulting Engineer certifies that proceeds are necessary for the purposes stated in part (J) above, such proceeds shall remain in the Renewal and Replacement Fund until such certified requirements are satisfied, and the proceeds shall not be used for any other purpose allowed by this Resolution.

K. **INSURANCE.** For so long as any of the Bonds are Outstanding, the Issuer will carry adequate fire and windstorm insurance on all buildings and structures of the works and properties of the System which are subject to loss through fire or windstorm, and will otherwise carry insurance of all kinds and in the amounts normally carried in the operation of similar facilities and properties in the State; provided, however, that in lieu of such insurance the Issuer may establish a qualified plan of self-insurance in accordance with the laws of the State. Any such insurance shall be carried for the benefit of the Holders of the Bonds. All moneys received for losses under any of such insurance, except public liability, are hereby pledged by the Issuer as security for the Bonds, until and unless such proceeds are used to remedy the loss or damage for which such proceeds are received, either by repairing the property damaged or replacing the property destroyed as soon as practicable.

L. **NO FREE SERVICE.** Except to aid senior citizens, the poor or infirm or to provide for resource conservation, the Issuer will not render or cause to be rendered by its System any free services, nor will any preferential rates be established for users of the same class except to the extent provided by State law with respect to new or expanding customers where such new or expanded use would benefit the community. This covenant shall not prevent individual contracts with other governmental entities for the wholesale delivery of services of the System. Whenever the Issuer, including its departments, agencies and instrumentalities, shall avail itself of the product, 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 or instrumentality. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds to the Revenue Fund sufficient sums to pay such charges. The revenues so received shall be deemed to be Gross Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Gross Revenues derived from such operation of the System.

M. **ENFORCEMENT OF COLLECTIONS.** The Issuer will diligently impose, assess, enforce and collect all fees, rentals or other charges for the services and facilities of the System herein pledged and take all reasonable steps, actions and proceedings for the imposition, assessment, enforcement and collection of such rates, fees, rentals or other charges as shall become delinquent to the full extent permitted or authorized by law and will maintain accurate records with respect thereto. All such rates, fees, rentals or other charges and revenues herein pledged shall, as collected, be held in trust to be applied as herein provided and not otherwise.

N. **MANDATORY CUT OFF.** Upon failure of any user to pay for services rendered by the System within one hundred twenty (120) days, the Issuer shall shut off the connection of such user and shall not furnish such user or permit such user to receive from the System further service until all obligations owed by such user to the Issuer on

account of services shall have been paid in full. This covenant shall not however, prevent the Issuer from causing the System connection to be shut off sooner.

O. CONNECTIONS WITH SEWER SYSTEM. The Issuer will, to the full extent required by law, require all lands, buildings and structures within the boundaries of the Issuer which can use the facilities and services of such sewer system of the System to connect with and use the facilities and services of such sewer system and to cease all other means and methods for the collection, purification, treatment and disposal of sewage and wastewater.

P. NO COMPETING SYSTEM. To the full extent permitted by law, the Issuer will not hereafter grant, or cause, consent to, or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever, for the furnishing of water or sewer services to or within the boundaries of the Issuer; provided, however, that if the Consulting Engineer renders an opinion that it would not be feasible for the Issuer to provide such services to any specific area within the three years succeeding a request to provide such service, the Issuer may authorize or allow the granting of such franchise or permit for such area upon such terms and conditions as it may approve.

Q. ISSUANCE OF OTHER OBLIGATIONS. The Issuer will not hereafter voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge nor issue any other obligations payable from the Gross Revenues of the System that have priority to or would be on a parity with the lien of the 2012 Note and the interest thereon upon the Gross Revenues except under the conditions and in the manner provided herein. Any other obligations issued by the Issuer in addition to the 2012 Note or Additional Parity Obligations provided for in Section 16R below, payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds, as to lien on and source and security for payment from the Gross Revenues.

R. ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. Additional Parity Obligations, payable on a parity from the Pledged Revenues with the 2012 Note in the manner provided herein, may be issued after the issuance of the 2012 Note for the purposes of refunding a part of any Outstanding Bonds or financing the cost of extensions, additions and improvements to the System and in the manner herein provided.

(1) There shall have been obtained and filed with the City Clerk of the Issuer a certificate of a qualified and recognized firm of independent certified public accountants stating (a) that the books and records of the Issuer relative to the System have been examined by such firm; (b) the amount of the Net Revenues derived for the Fiscal Year preceding the date of issuance of the proposed Additional Parity Obligations or for any 12 consecutive months during the 18 months immediately preceding the date of the issuance of the Additional Parity Obligations with respect to which such certificate is

made, adjusted as herein below provided; (c) that the aggregate amount of such Net Revenues, as adjusted, for the period for which such Net Revenues are being certified is equal to not less than 150% of the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter in which any Bonds other than the series of Additional Parity Obligations with respect to which such certificate is made are scheduled to be Outstanding on (i) all Bonds then Outstanding, and (ii) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Consulting Engineers, the Net Revenues described in the previous paragraph may be adjusted for purposes of this Subsection by including: (a) 100% of the additional Net Revenues which in the opinion of the Consulting Engineer would have been derived by the Issuer from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been implemented before the commencement of the period for which such Net Revenues are being certified, and (b) 100% of the additional Net Revenues estimated by the Consulting Engineer to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made. The adjustments described in Subsection S(2)(b) may only be made if the Net Revenues as adjusted under Section 16(S)(2)(a) for the period for which such Net Revenues are being certified equals at least 1.00 times the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all Bonds then Outstanding, and (ii) on the Additional Parity Obligations with respect to which such certificate is made.

(3) Each resolution authorizing the issuance of Additional Parity Obligations will recite that all of the covenants herein contained will be applicable to such Additional Parity Obligations.

(4) Immediately following the issuance of such Additional Parity Obligations (i) the Issuer shall not be in default in performing any of the covenants and obligations assumed hereunder, and all payments herein required to have been made into the accounts and funds, as provided hereunder, shall have been made to the full extent required and (ii) unless the applicable Municipal Insurer has otherwise agreed in writing, no Policy Costs shall be outstanding and unpaid.

(5) Notwithstanding the foregoing, the Issuer may issue Additional Parity Obligations for the purpose of refunding any Outstanding Bonds without satisfying the requirements of this Section 16R, provided that upon issuance of such Additional Parity Obligation and the defeasance of the Bonds refunded by such Additional Parity Obligations the Bond Service Requirement is not increased in any year in which Bonds are Outstanding.

(6) As to any series of Bonds the payment of principal and interest on any which is guaranteed by a Municipal Insurer, the Municipal Insurer may consent to the

issuance of Additional Parity Obligations upon terms not contemplated in this Section, in the manner provided in Section 17 hereof provided all Municipal Insurers of any Bonds consent thereto. Any such consent shall be deemed the consent of the Owners of such series of Bonds to the issuance of such Additional Parity Obligations.

S. TAX COMPLIANCE.

(1) The Issuer at all times while the Bonds are Outstanding will comply with all applicable provisions of the Code in order to ensure that the interest on the Bonds will be excludable from gross income for Federal income tax purposes, except that the provisions of this Section shall not apply to any series of Bonds issued as taxable Bonds. The Issuer hereby covenants to the Registered Owners of the Bonds that it will make no investment or other use of the proceeds of the Bonds issued hereunder the income on which is excluded from gross income for Federal income tax purposes, which would cause such series of Bonds to be "arbitrage bonds" as that term is defined in Section 148 of the Code and regulations promulgated thereunder throughout the term of such series of Bonds.

(2) The Issuer shall establish a Rebate Fund, outside the lien of this Resolution, which shall be a separate trust fund held by the Issuer, solely for the purposes hereof and the amounts therein shall be applied solely as specified herein or in a letter of instructions in connection with the Issuer's certification of compliance with the provisions of Section 148 of the Code at the time of issuance of the Bonds. The Issuer shall engage an accountant or other person or firm of suitable experience to make such periodic calculations of the Issuer's rebate liability on the Bonds as shall be required to comply with Section 148(e) of the Code and shall deposit, for the credit of the Rebate Fund, hereby created, the full amount of the Issuer's accrued and unpaid rebate liability under Section 148(e) of the Code. The Issuer shall keep such records of the computations made pursuant to this Section as are required under Section 148(e) and other applicable provisions of the Code. The Issuer shall keep such records concerning the investments of the gross proceeds of the Bonds and the investments of earnings from those investments as may be required in order to make the aforesaid computations. This Section 16S may be superseded or amended by new calculations accompanied by an opinion of Bond Counsel addressed to the Issuer to the effect that the use of the new calculations are in compliance with this Resolution and will not cause the interest on the Bonds to become included in gross income for Federal income tax purposes.

(3) The Issuer covenants that upon request it will make all filings of reports or other documents as may be required by Section 149(e) of the Code and regulations promulgated thereunder throughout the term of the Bonds of such series.

(4) The Issuer covenants that it will not take any action or allow any action which would cause the Bonds to become private activity bonds as described in Section 141 of the Code.

(5) The Issuer covenants to take all actions reasonable and necessary to maintain the exclusion of the interest on the Bonds of such series from gross income for Federal income tax purposes.

(6) The provisions of this Section may be modified or amended by resolution of the Issuer without the consent of any Holder, upon receipt of an opinion of nationally recognized Bond Counsel to the effect that such modification or amendment will not adversely affect the exclusion from gross income of interest on the Bonds for purposes of Federal income taxation.

SECTION 17. MODIFICATION OR AMENDMENT.

The Issuer from time to time and at any time, may amend this Resolution without the consent of the Municipal Insurer and the Owners of the Bonds for the following purposes:

A. To cure any ambiguity or formal defect or omission, and with consent of the Lender, so long as the Lender is a Holder of the 2012 Note, to correct or supplement any provisions herein that may be inconsistent with any other provision herein, or

B. To grant to or confer for the benefit of the Owners of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Municipal Insurer, or

C. To add to the provisions of this Resolution other conditions, limitations and restrictiveness thereafter to be observed, or

D. To add to the covenants and agreements of the Issuer in this Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power therein reserved to or conferred upon the Issuer, or

E. To permit the qualification of this Resolution under any Federal statute now or hereafter in effect or under any state blue sky law, and, in connection therewith, if the Issuer so determines, to add to this Resolution such other terms, conditions and provisions as may be permitted or required by such Federal statute or blue sky law, or

F. To provide for the issuance of the Bonds in certificate form or under a book-entry system, or

G. To modify the covenants and agreements contained herein as may be necessary to secure or retain a rating on the Bonds by a Rating Agency (but only with the consent of the Municipal Insurer, if any, and the Lender, so long as the Lender is a Holder), or

H. To incorporate provisions for the payment, on a parity with interest on the Bonds, of periodic net hedge payments in respect of an interest rate hedge matched to any series or issue of Bonds and to provide for the payment of hedge termination payments, if any, from the Subordinated Indebtedness Fund on a parity with the other payments due therefrom, or

I. To provide for the issuance of variable rate Bonds at rates not to exceed twelve percent (12%) annually and for the payment of interest on a basis more frequent than semi- annually, or

J. To provide for the issuance and payment of Capital Appreciation Bonds.

No material modification or amendment of this Resolution or any resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of (1) as to any series of Bonds, the timely payment of principal and interest on which is unconditionally guaranteed by a Municipal Insurer, the written consent of such Municipal Insurer; and (2) in the case of any series of Bonds, the timely payment of principal and interest on which are not guaranteed by a Municipal Insurer, the Owners of fifty-one percent (51%) or more in principal amount of each series of the Bonds then Outstanding affected by such amendment and, if the Lender is a Holder of any of the Bonds of such series, the Lender, provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation or affect the unconditional promise of the Issuer to pay the principal of and interest on the Bonds as the same shall come due or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof, without the consent in writing of the Holder or Holders of all such Bonds; provided, further, that no such modification or amendment shall allow or permit any acceleration of the payment of principal of or interest on the Bonds upon any default in the payment thereof whether or not the Holders of the Bonds consent thereto.

Any Rating Agency rating any series of the Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution or adoption. The Municipal Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

SECTION 18. EVENTS OF DEFAULT AND REMEDIES.

A. EVENTS OF DEFAULT. The following events shall each constitute an Event of Default under the Bonds and this Resolution:

- (1) failure to pay the principal of or interest on the Bonds when due;
- (2) the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of

bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may not be in effect or hereafter enacted; and

(3) the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained herein or in the Bonds on the part of the Issuer to be performed, and such default shall continue for a period of thirty (30) days after written notice thereof.

B. REMEDIES. Any Holder, or any trustee acting for the Holders, may, either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State, or granted and contained herein, and may enforce and compel the performance of all duties herein required or by any applicable statutes to be performed by the Issuer or by any officer thereof. Notwithstanding the foregoing, the Holder's direction or institution of remedies upon default shall be subject to the prior written consent of the Municipal Insurers of the Bonds of such Holders and, while the Lender is a Holder, the Lender. The Municipal Insurer, acting alone, shall have the right to direct all remedies upon default with respect to the Bonds as to which it is Municipal Insurer.

Nothing herein, however, shall be construed to grant to any Holder of the Bonds any lien on the System or any real or personal property of the Issuer.

In the event the Issuer shall fail to pay Policy Costs in respect of any Reserve Account Insurance Policy, the applicable Municipal Insurer shall be entitled to exercise any and all remedies available at law or under this Resolution other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect the Holders.

For all purposes of this Section 18, except the giving of notice of default to Holders, the Municipal Insurer shall be deemed to be the sole holder of the Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Municipal Bond Insurance Policy. The foregoing sentence shall supersede any other provision granting such remedies to Holders of Bonds so insured.

Any payment required to be made with respect to the 2012 Note which is not paid on its due date shall bear interest from such due date at a rate equal to the Default Rate.

SECTION 19. DEFEASANCE.

A. If, at any time, the Issuer shall have paid, or shall have made provision for payment of, the principal, interest and redemption premiums, if any, with respect to the Bonds and all unpaid Policy Costs, if any, then, and in that event, the pledge of and lien on the Pledged Revenues in favor of the Holders of the Bonds shall be no longer in effect. For purposes of the preceding sentence, deposit of Defeasance Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Holders, in respect to which such Defeasance Obligations, the principal of which, together with the income thereon, will be sufficient (as verified by report of a nationally recognized independent certified public accountant), to make timely payment of the principal, interest, and redemption premiums, if any, on the Outstanding Bonds to be defeased, shall be considered "provision for payment." Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

B. In the event of an advance refunding, (i) the Issuer shall cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date ("**Verification**"), (ii) the escrow agreement shall provide that no (A) substitution of a Defeasance Obligation shall be permitted except with another Defeasance Obligation and upon delivery of a new Verification, and (B) reinvestment of a Defeasance Obligation shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) there shall be delivered an opinion of a nationally recognized Bond Counsel to the effect that the Bonds are no longer Outstanding under this Resolution; each Verification and defeasance opinion shall be addressed to the Issuer, the Paying Agent and the Municipal Insurer, if any.

C. In the event any of the principal and redemption premium, if applicable, and interest due on the Bonds shall be paid by a Municipal Insurer pursuant to an insurance policy which insures against non-payment thereof, the assignment and pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to the Owners to whom or for the benefit of whom the insurer has made such payments shall continue to exist, such amounts shall not be deemed to be paid for purposes of this Resolution, such amounts shall continue to be due and owing as Policy Costs until paid by the Issuer in accordance with this Resolution and the Municipal Insurer shall be subrogated to the rights of such Owners to the full extent of such payments.

SECTION 20. ISSUER OBLIGATED.

The Issuer is hereby authorized and directed to comply with the requirements of this Resolution for the purposes set forth herein; provided that nothing herein shall be

deemed to create any personal liability of the members of the Issuer or the Issuer, or their officers or employees.

SECTION 21. DISPOSITION OF EXISTING FUNDS.

The moneys and investments in the funds and accounts established for the benefit of the Refunded Obligation shall be transferred to one or more of the corresponding funds and accounts established in this Resolution or used for the payment of the outstanding Refunded Obligation. The distribution of such moneys and investments among the accounts and funds shall be made as determined by the Issuer or its authorized officer prior to the delivery of the 2012 Note. Any of such moneys and investments so transferred to the Sinking Fund created hereunder shall be used solely for the payment of principal and interest on the Refunded Obligation.

SECTION 22. USE OF ADDITIONAL FUNDS FOR DEBT PAYMENT.

Subject to the provisions of the State Constitution, nothing herein contained shall preclude the Issuer from using any legally available funds, in addition to the Pledged Revenues herein provided, which may come into its possession, including but not limited to the proceeds of sale of the Bonds, contributions or grants, for the purpose of payment of principal of and interest on the Bonds, or the payment of Amortization Installments, if any, or the purchase or redemption of such Bonds in accordance with the provisions of this Resolution.

SECTION 23. AWARD OF 2012 NOTE.

The Issuer hereby finds, determines and declares the rapidly changing municipal bond market conditions require that the sale of the 2012 Note be negotiated at private sale rather than offered by competitive bid at public sale in order to assure the necessary flexibility to change the maturities, redemption or prepayment features or interest rates necessary to obtain the most favorable terms in the market. The negotiated sale of the principal amount of not exceeding \$9,980,000 of the 2012 Note to the Lender is hereby authorized pursuant to Section 218.385, Florida Statutes, at the purchase price of par.

SECTION 24. AUTHORIZATION OF ALL OTHER NECESSARY ACTION.

The Mayor, Vice-Mayor, the City Manager, the City Clerk, the Finance Director, the City Attorney and Bond Counsel for the Issuer are each designated agents of the Issuer in connection with the issuance and delivery of the 2012 Note, and are authorized and empowered, collectively or individually, to take all action and steps to execute and deliver any and all instruments, documents or contracts on behalf of the Issuer which are necessary or desirable in connection with the execution and delivery of the 2012 Note and which are not inconsistent with the terms and provisions of this Resolution and other

actions relating to the 2012 Note heretofore taken by the Issuer including, sale and purchase of investments.

SECTION 25. SEVERABILITY.

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

SECTION 26. REPEALING CLAUSE.

All ordinances or resolutions or parts thereof of the Issuer in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

SECTION 27. EFFECTIVE DATE.

This Resolution shall take effect upon adoption.

**ADOPTED BY THE COUNCIL OF THE CITY OF VENICE, FLORIDA,
THIS 22ND DAY OF MAY, 2012.**

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APPENDIX D

Form of Bond Counsel Opinion

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**FORM OF OPINION OF NABORS, GIBLIN & NICKERSON, P.A.,
WITH RESPECT TO THE SERIES 2015 BONDS**

Upon delivery of the Series 2015 Bonds in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, proposes to render its opinion with respect to such Series 2015 Bonds in substantially the following form:

(Date of Delivery)

Mayor and City Council
of the City of Venice
Venice, Florida

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$15,355,000 Utility System Revenue Bonds, Series 2015 (the "Series 2015 Bonds") by the City of Venice, Florida (the "City"). The Series 2015 Bonds are issued under and pursuant to the Laws of the State of Florida, including, particularly, the State of Florida Constitution, Chapter 166, Part II, Florida Statutes, the Charter of the City and other applicable provisions of law, and pursuant to Resolution No. 2012-05 adopted by the City Council of the City on May 22, 2012, as amended and supplemented, particularly as amended and supplemented by Resolution No. 2015-01 adopted by the City Council of the City on February 10, 2015 (the "Resolution").

The Series 2015 Bonds are dated and shall bear interest from their date of delivery, except as otherwise provided in the Resolution. The Series 2015 Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, as provided in the Resolution and set forth in the Bond Purchase Agreement executed in connection with the sale of the Series 2015 Bonds (the "Purchase Contract"). Interest on the Series 2015 Bonds shall be payable on each June 1 and December 1, commencing on December 1, 2015. The Series 2014 Bonds are being issued in the form of fully registered bonds in denominations of \$5,000 principal amount and any integral multiple thereof. The Series 2015 Bonds are subject to redemption prior to maturity in accordance with the terms of the Resolution and as set forth in the Purchase Contract.

The Series 2015 Bonds are issued for the purposes of (1) acquiring, constructing and equipping various capital improvements to the City's water and sewer utility system,

(2) funding a subaccount within the Reserve Account, and (3) paying certain costs and expenses relating to the issuance of the Series 2015 Bonds.

As to questions of fact material to our opinion, we have relied upon the representations of the City contained in the Resolution and in the certified proceedings relating thereto and to the issuance of the Series 2015 Bonds and other certifications of public officials furnished to us in connection therewith without undertaking to verify the same by independent investigation. Furthermore, we have assumed continuing compliance with the covenants and agreements contained in the Resolution. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in any agreements, documents, certificates, representations and opinions relating to the Series 2015 Bonds, 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.

Based upon the foregoing, under existing law, we are of the opinion that:

1. The City is a duly created and validly existing municipal corporation of the State of Florida.

2. The City has the right and power under the Constitution and Laws of the State of Florida to adopt the Resolution and the Resolution has been duly and lawfully adopted by the City, is in full force and effect in accordance with its terms and is valid and binding upon the City and enforceable in accordance with its terms and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Pledged Revenues (as such term is defined in the Resolution), subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The City is duly authorized and entitled to issue the Series 2015 Bonds, and the Series 2015 Bonds have been duly and validly authorized and issued by the City in accordance with the Constitution and Laws of the State of Florida and the Resolution. The Series 2015 Bonds constitute valid and binding obligations of the City as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Resolution and the laws pursuant to which they are issued. The Series 2015 Bonds are issued on parity under the Resolution

with certain other indebtedness that is outstanding thereunder to the extent and except as otherwise provided in the Resolution. The Series 2015 Bonds do not constitute a general indebtedness of the City or the State of Florida or any agency, department or political subdivision thereof, or a pledge of the faith and credit of such entities, but are payable solely from the Pledged Revenues, in the manner and to the extent provided in the Resolution. No holder of the Series 2015 Bonds shall ever have the right to compel the exercise of any ad valorem taxing power of the City or the State of Florida or any political subdivision, agency or department thereof to pay the Series 2015 Bonds.

4. Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2015 Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to certain corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2015 Bonds in order that interest thereon be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2015 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2015 Bonds. The City has covenanted in the Resolution to comply with all such requirements. Ownership of the Series 2015 Bonds may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the Series 2015 Bonds.

It should be noted that, except as may expressly be set forth in an opinion delivered by us to the underwriters (on which opinion only they may rely) for the Series 2015 Bonds on the date hereof, we have not been engaged or undertaken to review (1) the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2015 Bonds and we express no opinion relating thereto, or (2) the compliance with any federal or state law with regard to the sale or distribution of the Series 2015 Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs 2 and 3 hereof are qualified to the extent that the enforceability of the Resolution and the Series 2015 Bonds may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws

affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

The opinions set forth herein are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the United States of America. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted herefrom.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We have examined the form of the Series 2015 Bonds and, in our opinion, the form of the Series 2015 Bonds is regular and proper.

Respectfully submitted,

APPENDIX E

Form of Continuing Disclosure Certificate

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of March 11, 2015, is executed and delivered by City of Venice, Florida (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual

Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Disclosure Representative” means the Issuer's Director of Finance or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other

arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than April 30 of each fiscal year of the Issuer, commencing with the fiscal year ending September 30, 2014. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual

Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 - 1. “Principal and interest payment delinquencies;”
 - 2. “Non-Payment related defaults, if material;”
 - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
 - 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
 - 5. “Substitution of credit or liquidity providers, or their failure to perform;”
 - 6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
 - 7. “Modifications to rights of securities holders, if material;”
 - 8. “Bond calls, if material;”
 - 9. “Defeasances;”

10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
 11. “Rating changes;”
 12. “Tender offers;”
 13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
 14. “Merger, consolidation, or acquisition of the obligated person, if material;” and
 15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. “amendment to continuing disclosure undertaking;”
 2. “change in obligated person;”
 3. “notice to investors pursuant to bond documents;”
 4. “certain communications from the Internal Revenue Service;”
 5. “secondary market purchases;”
 6. “bid for auction rate or other securities;”
 7. “capital or other financing plan;”
 8. “litigation/enforcement action;”
 9. “change of tender agent, remarketing agent, or other on-going party;”
 10. “derivative or other similar transaction;” and
 11. “other event-based disclosures;”

- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
 - 1. “quarterly/monthly financial information;”
 - 2. “change in fiscal year/timing of annual disclosure;”
 - 3. “change in accounting standard;”
 - 4. “interim/additional financial information/operating data;”
 - 5. “budget;”
 - 6. “investment/debt/financial policy;”
 - 7. “information provided to rating agency, credit/liquidity provider or other third party;”
 - 8. “consultant reports;” and
 - 9. “other financial/operating data.”
- (viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement in the Tables under the heading: THE SYSTEM – Historical Customer Data.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this

Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement),

include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the

Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel knowledgeable as to the matters set forth herein (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and 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; provided neither the Issuer or the Disclosure Dissemination

Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

CITY OF VENICE, FLORIDA
as Issuer

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	City of Venice, Florida
Obligated Person(s)	Issuer
Name of Bond Issue:	Utility System Revenue Bonds, Series 2015
Date of Issuance:	March 11, 2015
Date of Official Statement	February 20, 2015

CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
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CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: City of Venice, Florida

Obligated Person: Florida

Name(s) of Bond Issue(s): Utility System Revenue Bonds, Series 2015

Date(s) of Issuance: March 11, 2015

Date(s) of Disclosure Agreement: March 11, 2015

CUSIP Number: _____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____].

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Issuer

cc:

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of March 11, 2015 between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of March 11, 2015 between the Issuer and DAC.

Issuer’s and/or Other Obligated Person’s Name:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Financial Disclosure (Check One):

1. _____ “quarterly/monthly financial information;”
2. _____ “change in fiscal year/timing of annual disclosure;”
3. _____ “change in accounting standard;”
4. _____ “interim/additional financial information/operating data;”
5. _____ “budget;”
6. _____ “investment/debt/financial policy;”
7. _____ “information provided to rating agency, credit/liquidity provider or other third party;”
8. _____ “consultant reports;” and
9. _____ “other financial/operating data.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

APPENDIX F

Financial Feasibility Report

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Burton & Associates

200 Business Park Circle, Suite 101
Saint Augustine, Florida 32095
(904) 247-0787

1000 N. Ashley Drive, Suite 513
Tampa, FL 33602
(813) 443-5138

Financial Feasibility Report

February 25, 2015

Honorable Mayor and City Council Members
City of Venice, Florida

RE: City of Venice, Florida
Utility System Revenue Bonds, Series 2015

Dear Mayor and Members of the City Council:

The accompanying financial forecast for the City of Venice (“City”) water and sewer utility system (“System”) consists of a forecast of the financial results of operations from October 1, 2014 through September 30, 2019 (the “Forecast Period”), with supporting schedules. This forecast presents City management's estimates of the most probable results of operations and debt service coverage for the Forecast Period. The forecast reflects management's judgment, based upon present circumstances, as to the most likely set of conditions and management's most likely course of action.

We have prepared the financial forecast in accordance with generally accepted standards for developing such a financial forecast. Our analysis included such procedures as we considered necessary to evaluate the assumptions and data provided by management to be used in the presentation of the forecast. We have no responsibility to update this report for events and circumstances occurring after the date of this report. The accompanying financial forecast indicates that, based upon the assumptions presented herein, sufficient revenues are projected to be generated by the System to meet the System's operations and maintenance, debt service, coverage, and capital cost requirements through Fiscal Year 2019.

Based upon our analysis, we believe that the accompanying financial forecast is presented in conformity with generally accepted guidelines for presentation of a financial forecast and that the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Very truly yours,



Andrew J. Burnham
Senior Vice President

City of Venice, Florida
Utility System Revenue Bonds, Series 2015

Financial Forecast
Including
Summary of Significant Forecast
Assumptions and Notes to Financial
Forecast

February 25, 2015

Prepared by:
Burton & Associates, Inc.

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND NOTES TO FINANCIAL FORECAST Prepared February 25, 2015

FOR THE FIVE FISCAL YEARS ENDING SEPTEMBER 30, 2019

This financial feasibility report will present and discuss the financial forecast prepared by Burton & Associates regarding the funding of the City of Venice, Florida (“City”) water and sewer utility system (“System”) capital improvements project costs from Fiscal Year 2015 through Fiscal Year 2019 and the issuance of the City’s Utility System Revenue Bonds, Series 2015 (the “Series 2015 Bonds”).

Description of Forecast

This forecast consists of the financial results of operations for each of the five fiscal years in the period from October 1, 2014 through September 30, 2019 (the “Forecast Period”), with supporting schedules. This forecast presents City management's estimates of the most probable results of operations and debt service coverage for the Forecast Period. The forecast reflects management's judgment, based upon present circumstances, as to the most likely set of conditions and management's most likely course of action.

Burton & Associates has prepared the financial forecast in accordance with generally accepted standards for developing such a financial forecast. The analysis included such procedures as considered necessary to evaluate both the assumptions and data provided by management to be used in the preparation of the forecast. Burton & Associates has no responsibility to update this report for events and circumstances occurring after the date of this report. The accompanying financial forecast indicates that, based upon the assumptions presented herein, sufficient revenues are projected to be generated by the System to meet the System’s operations and maintenance, debt service, coverage, and capital cost requirements through fiscal year ending 2019 (“FY 2019”).

Burton & Associates believes that the accompanying financial forecast is presented in conformity with generally accepted guidelines for presentation of a financial forecast and that the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

Basis of Presentation

The accompanying forecast consists of the following schedules:

Schedule 1 *"Forecast of Net Revenues & Debt Service Coverage"*,
Schedule 2 *"Projection of Cash Inflows"*,
Schedule 3 *"Projection of Cash Outflows"*,
Schedule 4 *"Capital Improvement Program"*,
Schedule 5 *"Capital Project Funding Summary"*,
Schedule 6 *"Funding Summary By Fund"*,
Schedule 7 *"Fiscal Year 2015 Comparative Rate Survey"*,
Schedule 8 *"Current Rate Ordinance"*

The forecast was prepared based upon data and information provided by the City, which owns and operates the System, Larson Consulting Services, LLC, the City's Financial Advisor, and RBC Capital Markets, Inc., the Senior Managing Underwriter for the Series 2015 Bonds.

Significant Assumptions

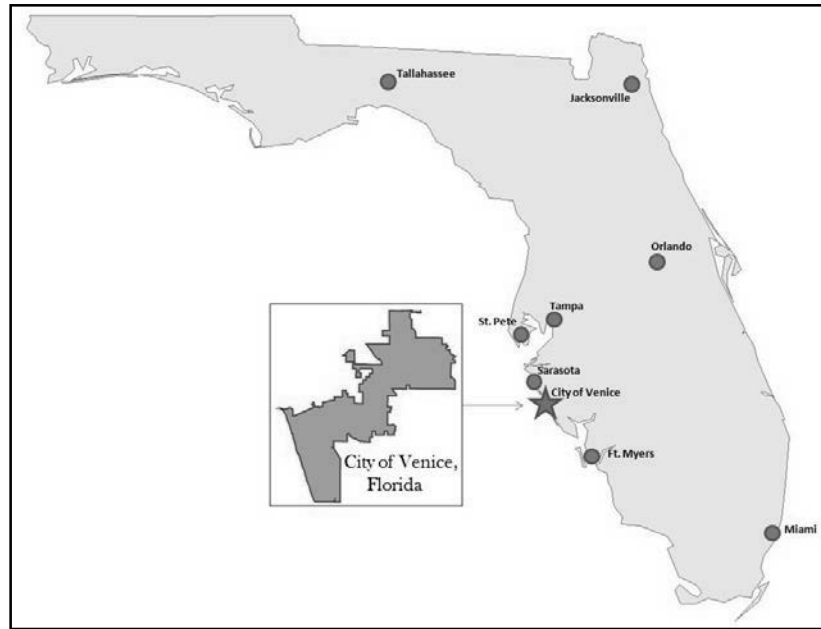
The following notes explain the most important calculation assumptions underlying the forecast, including the capital improvements program discussed in Note 10 and presented in detail on Schedule 4, *"Capital Improvement Program"*.

1. Scope of Operations & System Description

The City provides potable water, reclaimed water and sanitary sewer services to customers located primarily inside the City limits, depicted in the location map on the following page. The City utility service area covers approximately sixteen (16) square miles and is generally bounded by the Gulf of Mexico to the west and bordered on the north, south and east by unincorporated portions of Sarasota County.

It is assumed that during the Forecast Period the City will continue to provide water and sewer services to its current service area under the supervision of the City Council, and that no material changes will occur to significantly reduce the number of customers served or those customers' demand for the City's services.

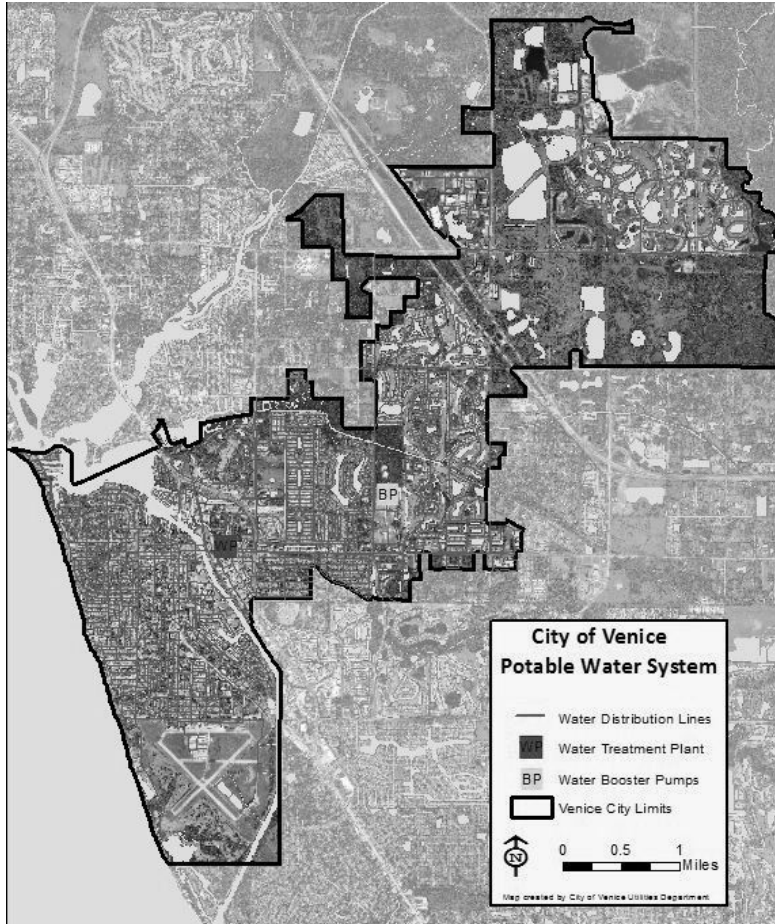
City of Venice, Florida Utility System Revenue Bonds, Series 2015



The water system provided potable water service to 11,322 customers as of September 30, 2014. The membrane softening reverse osmosis water treatment plant provides approximately 2.2 million gallons per day (mgd) of finished water that is pumped to the transmission and distribution system.

The City's water system consists of groundwater withdrawals from two municipal wellfields, centralized treatment at a reverse osmosis water treatment plant, ground and elevated storage tanks, booster pump station and transmission/distribution piping network. The system includes fifteen (15) permitted withdrawal points (of which fourteen (14) are operationally available), a 1-million gallon (MG) covered clearwell, a 1.5 MG ground storage tank, and two (2) 300,000 gallon elevated storage tanks. The water service area is largely built-out to the south and west, with some opportunity for growth in the northeast region (see water infrastructure map). The raw water source is the Intermediate Aquifer System (IAS), and the high-quality finished water produced by the water treatment plant meets or exceeds all federal and state regulatory drinking water standards.

City of Venice, Florida Utility System Revenue Bonds, Series 2015

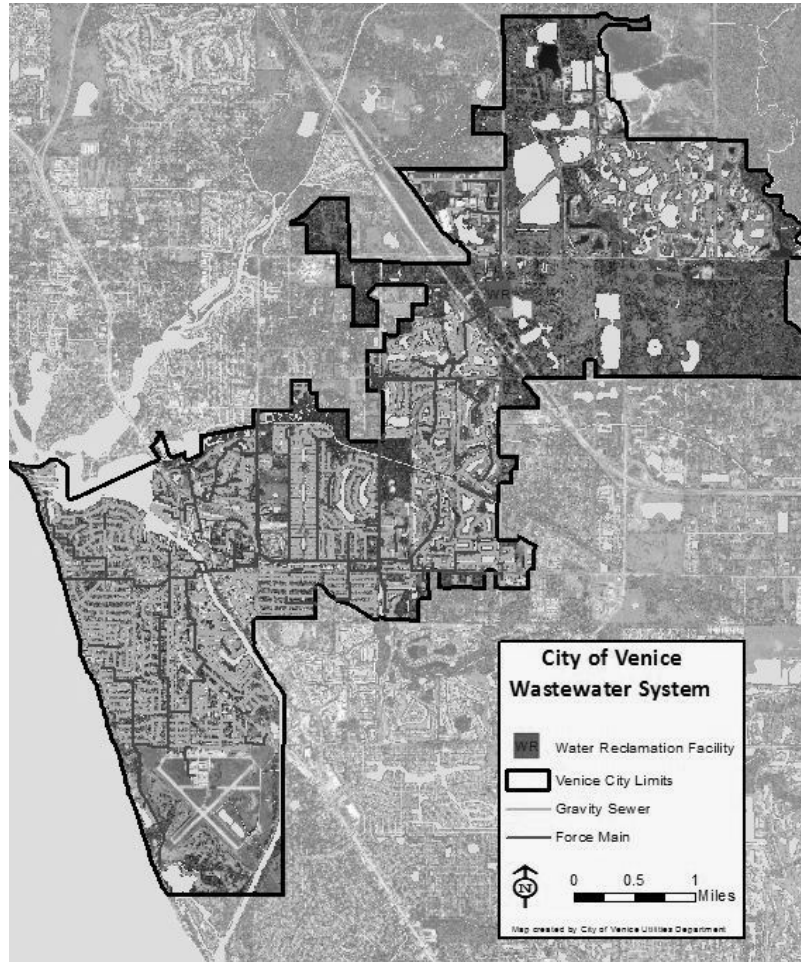


The sanitary sewer collection system served 10,986 sewer customers as of September 30, 2014. The advanced wastewater treatment plant processes an average annual daily flow of 3.3 mgd. The wastewater treatment plant includes facilities capable of producing reclaimed water for irrigation purposes to a limited number of customers and public spaces, including the municipal golf course. The reclaimed water system served approximately 3,015 customers as of September 30, 2014.

The City provides sanitary sewer service within the City and certain unincorporated areas within Sarasota County. All wastewater is collected and directed to the northeast through a system of gravity sanitary sewer mains, lift stations and force mains. The wastewater is received and treated at the Eastside Wastewater Reclamation Facility (the “Eastside WRF”), which is currently permitted to treat 6.0 mgd based upon a three-month rolling average daily flow (3MRADF). The sanitary sewer service area (see sewer infrastructure map) is largely built-out to the south and west. The City has some opportunity for growth in the northeast region; however, much of this area receives sanitary sewer collection

City of Venice, Florida Utility System Revenue Bonds, Series 2015

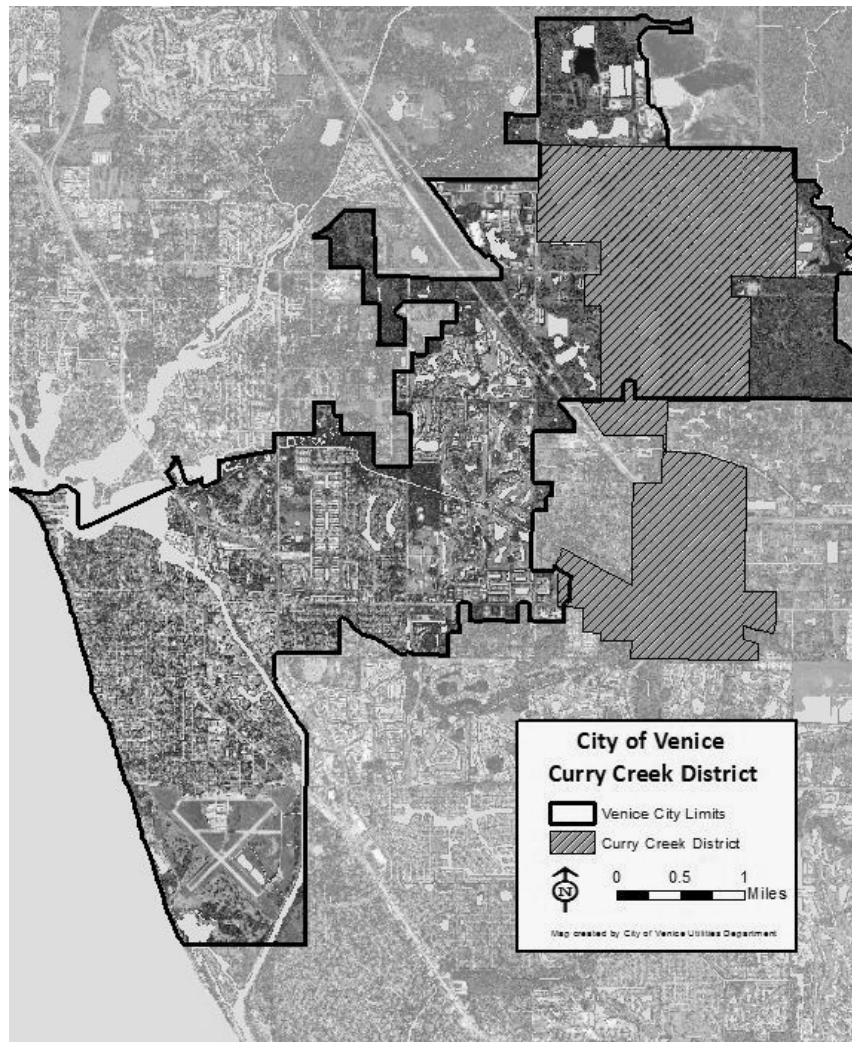
service from Sarasota County, which is a wholesale wastewater treatment and disposal customer of the City.



Through an inter-local agreement, Sarasota County has reserved 3.0 mgd of the Eastside WRF's capacity and sends flow to the plant on an as needed basis as a result of providing wastewater collection services in a small portion of its service area and the Curry Creek District (see Curry Creek service area map). The City charges the County a wholesale wastewater rate for the treatment and disposal of the wastewater effluent collected by the County in these areas (see Note 6 for additional details).

City of Venice, Florida

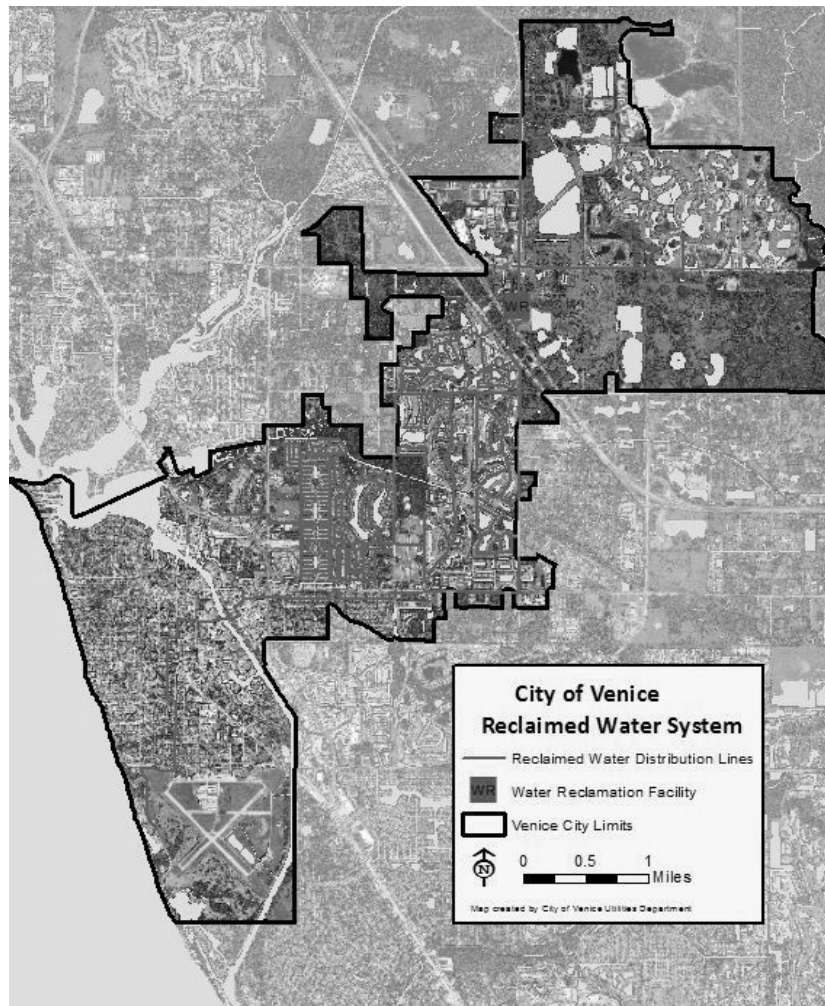
Utility System Revenue Bonds, Series 2015



The City uses reclaimed water to provide irrigation water to commercial users, residential users, and golf courses within the City's service area and to Sarasota County through an interconnect with the County system. The City owns, operates, and maintains approximately 49 miles of reclaimed water distribution mains and 3,015 reclaimed water meters for providing reuse irrigation service (see reclaimed water infrastructure map).

City of Venice, Florida

Utility System Revenue Bonds, Series 2015



2. Regulation

It is assumed that current and anticipated Federal and State government regulations concerning environmental and other matters affecting operations of the System have been considered by management in the development of the City's operations and maintenance budget and capital improvement program.

3. Revenues from Rates and Other Charges

The revenue projections of this forecast are based upon unaudited FY 2014 actual revenues, adjusted annually based upon appropriate growth and rate increase assumptions. Future customer growth assumptions are conservative, and reflect recent historical growth during the current economic conditions, the largely built-out nature of

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

the service area, as well as discussions with City management. Annual increases in water and sewer revenues due to growth are increased at a background level of about 0.5% per year during the Forecast Period, although in FY 2017 – FY 2019 it is expected that an additional 1,000 residential units per year will be added to the System to accommodate additional growth associated with new developments in the eastern portion of the City's boundary. A summary of the current and projected number of equivalent residential units ("ERU's") for water and sewer service as well as the number of accounts for reclaimed water service during the Forecast Period are presented in the following table:

Service	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Water	19,253	19,353	19,453	20,553	21,653	22,753
Sewer	17,253	17,303	17,353	17,903	18,453	19,003
Reclaimed	3,479	3,504	3,554	3,804	4,079	4,354

The City recently completed a rate study (Final Report dated March 30, 2012) that recommended certain rate structure modifications to be effective April 1, 2012 (that included a 3% overall increase in rate revenue) as well as an annual plan of 3.00% water, sewer, and reclaimed water rate increases effective at the beginning of each fiscal year starting in FY 2013 in order to satisfy the then current projections of the System's operating, capital, debt service coverage, and reserve requirements through FY 2021. On March 27, 2012, the City Council approved Ordinance Number 2012-08 and adopted the rate structure modifications as recommended as well as the plan of annual 3.0% rate increases through FY 2018.

It is important to note that the City currently intends to perform periodic revenue sufficiency analyses so that additional or revised information regarding the timing and cost of capital projects, customer growth, water demands, regulatory requirements, as well as updated revenue and operating expenses may be incorporated into the determination of future required rate increases that would be necessary to allow the System to meet its financial requirements.

Schedule 8, "*Current Amended Rate Ordinance*" provides the City's current rate ordinance (Ordinance NO. 2013-13) that identifies the FY 2015 water and sewer rates for the City, while Schedule 7, "*Fiscal Year 2015 Comparative Rate Survey*" shows the monthly residential water and sewer bill for a customer using 3,000 gallons per month¹ for various

¹ The survey was based upon 3,000 gallons per month as it represents a typical amount of monthly residential water use on the System.

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

utilities in the surrounding area based upon the rates currently in effect as of January 1, 2015.

Other System operating revenues (such as non-sufficient funds fees, late payment fees, miscellaneous revenues, etc.) included in the forecast were endorsed by City management for FY 2015 through FY 2019 and were based upon the FY 2015 Budget. Plant capacity fee revenue projections were based upon the current fees and assumed customer growth, this revenue source is not part of gross system revenues, but rather used to fund eligible components of the capital improvement program.

4. Price Elasticity

This adjustment is incorporated into the forecast to reflect that as rates increase, discretionary water consumption will likely decline. Therefore, in order to generate sufficient revenue, projected rate increases will have to be adjusted to reflect a smaller revenue base to which they will be applied, thus causing the projected rate increases to be larger. The price elasticity adjustment reduces consumption-based revenues by the product of the annual rate increase and the annual assumed elasticity coefficient. In each year of the projection period, the price elasticity coefficient assumed is 0.10, which means that for every 10% increase in price, the forecast reflects a 1% reduction in water and sewer consumption-based revenues.

5. Infrastructure Surtax

The infrastructure surtax is a one-cent sales tax that funds many capital improvement projects for Sarasota County and the municipalities of Sarasota, Venice, North Port and Longboat Key. The penny sales tax provides money for quality-of-life projects without relying on higher property taxes that make Sarasota County a better place to live, work and visit. The penny spreads the cost of capital projects such as libraries, roads, utilities, parks, and fire stations among all those who use them, including seasonal residents and tourists which would otherwise be paid for by property owners alone.

Sarasota County voters approved the 15-year renewal of the 1 percent sales tax on Nov. 6, 2007. The City of Venice has presently designated \$6,389,167 of future funds from Phase III of the surtax revenue it will receive for water and sewer infrastructure. Per discussions with the City's Finance Department, this forecast reflects the distribution of this amount to the System for capital improvement funding in six annual installments starting in FY 2015.

6. Sarasota County Wholesale Sewer Revenue

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Utility System Revenue Bonds, Series 2015

The City and Sarasota County ("County") entered into an inter-local agreement on October 5, 1989, as amended on October 10, 2000 and again on November 12, 2002, for the provision of wholesale or bulk treatment and disposal services by the City to County on behalf of the customers within the portion of the County's sewer collection service area adjacent to the City. After the most recent expansion of the City's wastewater treatment plant capacity to 6.0 mgd, the City and the County have each reserved 3.0 mgd of treatment capacity under this agreement. The term of this agreement extends for as long as the facilities contemplated therein are used or useful.

Per the agreement, as amended, the City charges the County bulk or wholesale rates as published in its current rate ordinance, plus a 10% surcharge. Half of the surcharge revenue is to be placed into a County-controlled account, the proceeds of which shall be used solely for the County's proportionate share of any renewal, replacement, or enhancement of the City's wastewater treatment plant, reuse system, or to pay regulatory fines. The remaining 50% of the surcharge revenue is to be held in a similar City-controlled account for the same purpose. As such, the forecast reflects the revenue from sewer bulk rates as operating revenue of the System and also reflects the deposit of all surcharge revenue received during the Forecast Period into a separate fund restricted for future capital improvements after the Forecast Period.

7. Cost of Operation & Maintenance

The cost of operation and maintenance during the Forecast Period is based upon the System's FY 2015 Budget, executed at 95%. Additionally, the FY 2015 budget contains multiple onetime expenses and represents a deviation from the continuation of historical trends. As such the FY 2015 budget was adjusted in FY 2016 – FY 2019 to more closely represent staff estimates of actual operating results by setting the execution rate of the FY 2015 budget to 75% for other operating expenses. It is projected that the cost of operation and maintenance for FY 2016 through FY 2019 will increase over the FY 2015 Budget amount (adjusted for onetime items) by an average of 3.5% per year. This average annual increase is based upon annual cost escalation factors for each of the System's various types of costs that were reviewed and endorsed by City management as part of the recent rate study.

8. Operating Reserve Balance Target

Utilities typically maintain such a minimum operating reserve target or policy in order to provide the ability to withstand cash-flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer may pay for that

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

service. In addition to timing, the volume of cash flow for utilities can be substantially affected by weather and seasonal demand patterns.

Absent a detailed multi-year historical study of monthly cash flows and an analysis of the aging of accounts receivable, there are various industry guidelines and practices available to determine an appropriate target reserve for this fund. Specifically, the prudent range as identified by a recent analysis conducted by the Rates and Charges Sub-committee of the American Water Works Association (AWWA) is an amount at least equal to 2 months of maintenance and operation expenses. This is consistent with our industry experience, in which water and sewer utilities generally target a minimum reserve in the range of 2 to 6 months of such expenses.

The forecast reflects a minimum operating reserve target for the System equal to 4 months of operation and maintenance costs given our general understanding of the aging of accounts receivable and exposure associated with changes in weather and seasonal demand for the System.

9. Interest Income

The forecast assumes that an interest rate of 0.75% will be earned on average fund balances during FY 2015, 1.00% in FY 2016, 1.25% in FY 2017, 1.50% in FY 2018, and 2.00% in FY 2019.

10. Capital Improvements Program

It is assumed that during the Forecast Period, capital project expenditures (in future year dollars) will not exceed the following amounts in each year:

FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	5-Year Total
\$29,794,388	\$13,729,385	\$13,628,545	\$8,093,665	\$7,375,300	\$72,621,283

Details of the City's five-year Capital Improvements Program ("CIP") are shown in Schedule 4 "*Capital Improvements Program*". These amounts have been determined by management to be sufficient to meet the System's requirements during the Forecast Period. Funding of this CIP is also discussed in Note 11 and shown in more detail in Schedule 5 "*Capital Projects Funding Summary*". During the Forecast Period, approximately \$15.1 million of capital improvements will be funded from operating revenues, \$15.2 million from the Series 2015 Bonds, \$7.9 million from the remaining proceeds of the Series 2012 Bonds, \$5.3 million from Infrastructure Surtax funds, \$26.7

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

million from State Revolving Fund loans, and \$2.4 million from water and sewer capacity charges.

11. Financing

The City has adopted a plan of finance as prepared by the City's Financial Advisor, Larson Consulting Services, LLC. Under this plan of finance, the Series 2015 which are being issued pursuant to the authority of Resolution No. 2012-05 duly adopted by the City of Venice (City) on May 22, 2012, as amended and supplemented by Resolution No. 2015 – 01 duly adopted by the City of Venice (City) on February 10, 2015 (Bond Resolution) in the amount of \$15.355 million, and together with a reoffering premium of approximately \$1.2 million, will (i) provide for various costs of issuance of the Series 2015 Bonds equal to approximately \$0.2 million and (ii) provide proceeds of \$15.2 million to fund a portion of the City's five-year CIP. Total debt service is shown in Schedule 1 *"Forecast of Net Revenues and Debt Service Coverage"*.

It is important to note that the forecast reflects the use of low-interest SRF loans for a portion of the CIP funding requirements of the System beginning in FY 2016. For such borrowing, the forecast assumes that each identified SRF eligible project is funded via a separate loan, in which interest during construction is accrued and included as part of the final loan amount (along with minor costs of issuance), and debt service payments begin the year following completion of the project. However, the specific amount, timing, and type of the next borrowing for the System will be re-evaluated and determined as part of future revenue sufficiency analyses. Regardless, the revenue projections identified on Schedule 1 *"Forecast of Net Revenues and Debt Service Coverage"* provide sufficient Net Revenues to satisfy all projected debt service obligations and coverage requirements for existing and new indebtedness identified during the Forecast Period.

12. Debt Service Coverage

It is assumed that the debt service coverage requirements in the Resolution will not change during the Forecast Period. The debt service coverage requirements contained within the Resolution are shown below, and annual debt service coverage calculations for the Forecast Period are shown in Schedule 1 *"Forecast of Net Revenues and Debt Service Coverage"*. All capitalized terms used in the following tests, unless otherwise defined in this report, shall have the meanings ascribed thereto in the Resolution.

Rate Covenant –

The Issuer has enacted or will enact a rate ordinance and thereby will fix, establish and maintain such rates and will collect such fees, rentals and other

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

charges for the services and facilities of the System and revise the same from time to time whenever necessary, as will always provide Gross Revenues in each Fiscal Year sufficient to pay the Cost of Operation and Maintenance of the System in such Fiscal Year and all reserve and other payments required to be made pursuant to this Resolution, and will further be sufficient to provide an amount equal to one hundred and fifteen percent (115%) of the Bond Service Requirement becoming due in such year on all Outstanding Bonds.

Additional Parity Obligations –

Additional Parity Obligations, payable on a parity from the Pledged Revenues with the 2012 Note in the manner provided herein, may be issued after the issuance of the 2012 Note for the purposes of refunding a part of any Outstanding Bonds or financing the cost of extensions, additions and improvements to the System and in the manner herein provided.

(1) There shall have been obtained and filed with the City Clerk of the Issuer a certificate of a qualified and recognized firm of independent certified public accountants stating (a) that the books and records of the Issuer relative to the System have been examined by such firm; (b) the amount of the Net Revenues derived for the Fiscal Year preceding the date of issuance of the proposed Additional Parity Obligations or for any 12 consecutive months during the 18 months immediately preceding the date of the issuance of the Additional Parity Obligations with respect to which such certificate is made, adjusted as herein below provided; (c) that the aggregate amount of such Net Revenues, as adjusted, for the period for which such Net Revenues are being certified is equal to not less than 150% of the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter in which any Bonds other than the series of Additional Parity

City of Venice, Florida Utility System Revenue Bonds, Series 2015

Obligations with respect to which such certificate is made are scheduled to be Outstanding on (i) all Bonds then Outstanding, and (ii) on the Additional Parity Obligations with respect to which such certificate is made.

Financial Forecast

The forecast presented herein indicates that, based upon the assumptions presented herein, sufficient revenues are projected to be generated by the System to meet the System's maintenance and operation, debt service (including coverage), and capital cost requirements through Fiscal Year 2019.

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

Forecast of Net Revenues and Debt Service Coverage

Schedule 1

PROJECTED SYSTEM OPERATING RESULTS AND DEBT SERVICE COVERAGE

	For the Fiscal Year Ended September 30				
	<u>2015</u> ⁽¹⁾	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenues					
Charges for Service ⁽²⁾	\$ 20,024,301	\$ 20,674,357	\$ 22,139,287	\$ 23,670,836	\$ 25,271,613
Other Operating Income ⁽³⁾	<u>416,016</u>	<u>414,591</u>	<u>427,968</u>	<u>441,367</u>	<u>454,790</u>
Total Operating Revenues	\$ 20,440,316	\$ 21,088,948	\$ 22,567,255	\$ 24,112,203	\$ 25,726,403
Interest Earnings (loss)	\$ 94,416	\$ 108,438	\$ 146,679	\$ 265,185	\$ 503,354
Gross Revenues	\$ 20,534,732	\$ 21,197,386	\$ 22,713,934	\$ 24,377,388	\$ 26,229,757
Cost of Operation and Maintenance					
Personal Services ⁽⁴⁾	\$ 4,806,842	\$ 4,988,031	\$ 5,177,244	\$ 5,374,903	\$ 5,581,456
Other Operating Expenses ⁽⁵⁾	<u>7,311,435</u>	<u>5,939,850</u>	<u>6,114,891</u>	<u>6,297,645</u>	<u>6,488,464</u>
Total Cost of Operation and Maintenance	\$ 12,118,277	\$ 10,927,881	\$ 11,292,135	\$ 11,672,548	\$ 12,069,920
Net Revenues Available for Bond Service	\$ 8,416,455	\$ 10,269,505	\$ 11,421,800	\$ 12,704,840	\$ 14,159,837
Bond Service Requirement ⁽⁶⁾	\$ 4,140,580	\$ 4,892,669	\$ 2,687,452	\$ 2,689,933	\$ 2,688,065
Bond Service Coverage ⁽⁷⁾	2.03	2.10	4.25	4.72	5.27
Non Operating Revenues					
Federal and State Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Disposition of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Non Operating Expenses					
Subordinated Indebtedness ⁽⁸⁾	\$ -	\$ -	\$ 92,500	\$ 131,972	\$ 787,411
Repayment of Advance from General Fund	264,027	-	-	-	-
Administrative Charges Transfer	1,421,166	1,456,695	1,493,113	1,530,440	1,568,701
Transfers to Fleet Services	155,000	155,000	155,000	155,000	155,000
Renewal & Replacement Fund Transfer ⁽⁹⁾	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non Operating Expenses	\$ 1,840,193	\$ 1,611,695	\$ 1,740,613	\$ 1,817,412	\$ 2,511,112

(1) FY 2015 data reflects the evolution of historical trends, certain information from the FY 2015 Adopted Budget and serves as the basis for future year projections.

(2) Includes water, sewer, and reclaimed water rate revenues, which were projected based upon FY 2014 unaudited actual results adjusted for the impacts of approved rate adjustments and projected system growth. Net of Provisions for Bad Debts.

(3) Includes leases, franchise fees, and other miscellaneous income. Excludes plant capacity fees.

(4) Executed at 95%

(5) Excludes Depreciation and Amortization expenses. Adjusted to reflect a 95% execution rate in FY 2015 and 75% in FY 2016- FY 2019.

(6) Reflects annual debt service requirements of the Series 2012 Bonds, Utility Revenue Refunding Note 2012, 2013 PNC (SRF) Revenue Refunding Loan and the Utility System Revenue Bonds Series 2015.

(7) In each Fiscal Year, Gross Revenues must be sufficient to pay the Cost of Operation and Maintenance of the System, and sufficient to provide an amount equal to 115% of the Bond Service Requirement due in such year.

(8) Reflects annual debt service requirements additional future borrowing for designated SRF eligible projects.

(9) Established pursuant to the Resolution. Annual contributions to this Fund are required to equal 5% of the Gross Revenues for the immediately preceding Fiscal Year, provided that no deposit shall be required so long as the amount in the Renewal and Replacement Fund is at least \$1,000,000. The City maintained such a balance in all of the years shown.

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

Projection of Cash Inflows

Schedule 2

FIVE YEAR PROJECTION OF CASH INFLOWS

	For the Fiscal Year Ended September 30				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Charges for Service</u>					
Water Rate Revenues	\$ 8,790,293	\$ 9,087,646	\$ 9,875,304	\$ 10,700,517	\$ 11,564,791
Sewer Rate Revenues	8,644,853	8,917,105	9,462,137	10,031,028	10,624,700
Reclaimed Water Rate Revenues	655,454	677,895	750,384	826,283	905,724
Sar. Co. Wholesale Sewer Demand & Consumption Charges	1,933,701	1,991,712	2,051,463	2,113,007	2,176,397
Total Charges for Service	\$ 20,024,301	\$ 20,674,357	\$ 22,139,287	\$ 23,670,836	\$ 25,271,613
<u>Other Operating Income</u>					
313.10-00 Electric Franchise Fees	\$ -	\$ -	\$ -	\$ -	\$ -
343.51-11 Sar Co Swr Billing Charge	23,749	24,461	25,195	25,951	26,729
343.31-20 Penalty- Water	87,779	88,233	93,222	98,211	103,200
343.31-21 Fire Svc Standby Charge	52,755	52,755	52,755	52,755	52,755
343.31-22 Fire Svc Hydrant Rental	3,000	3,000	3,000	3,000	3,000
343.31-23 Tap Fees-Water	86,501	86,948	91,864	96,781	101,697
343.51-05 Penalties-Reuse	1,553	1,564	1,686	1,808	1,930
343.51-06 Reuse Tap Fee	16,149	16,264	17,531	18,799	20,066
343.51-21 Penalty- Sewer	41,436	41,556	42,873	44,190	45,507
343.51-23 Tap Fees-Sewer	992	995	1,026	1,058	1,089
343.61-20 Miscellaneous Income	1,000	1,000	1,000	1,000	1,000
343.61-21 Ad Valorem Tax Reimburse	3,287	-	-	-	-
362.10-01 Wtr Tank Lease-Gte/Alltel	48,761	48,761	48,761	48,761	48,761
362.10-02 Wtr Tnk Lease-Cng/Bell So	44,054	44,054	44,054	44,054	44,054
369.00-00 Other Miscellaneous Rev	5,000	5,000	5,000	5,000	5,000
Total Other Operating Income	\$ 416,016	\$ 414,591	\$ 427,968	\$ 441,367	\$ 454,790
<u>Non Operating Revenues</u>					
Interest Earnings (loss)	\$ 94,416	\$ 108,438	\$ 146,679	\$ 265,185	\$ 503,354
Federal and State Grants	-	-	-	-	-
Disposition of Assets	-	-	-	-	-
Total Non Operating Revenues	\$ 94,416	\$ 108,438	\$ 146,679	\$ 265,185	\$ 503,354
<u>CIP Funding Sources</u>					
Water Plant Capacity Charges	\$ 139,635	\$ 121,000	\$ 1,331,000	\$ 1,331,000	\$ 1,331,000
Sewer Plant Capacity Charges	82,433	72,500	797,500	797,500	797,500
343.51-07 Sar Co Swr Treat Cons Chg (10% Surcharge)	214,856	221,301	227,940	234,779	241,822
Infrastructure Surtax	1,100,000	1,057,833	1,057,833	1,057,833	1,057,833
Total CIP Funding Sources	\$ 1,536,923	\$ 1,472,634	\$ 3,414,273	\$ 3,421,112	\$ 3,428,155
Total Annual Cash Inflows	\$ 22,071,655	\$ 22,670,020	\$ 26,128,208	\$ 27,798,500	\$ 29,657,912

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

Projection of Cash Outflows

Schedule 3

FIVE YEAR PROJECTION OF CASH OUTFLOWS

	For the Fiscal Year Ended September 30				
	2015	2016	2017	2018	2019
<u>Personal Services</u>					
12-00 Regular Salaries & Wages	\$ 3,236,623	\$ 3,333,722	\$ 3,433,733	\$ 3,536,745	\$ 3,642,848
12-01 Compensation Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -
12-80 Capitalized Labor	\$ -	\$ -	\$ -	\$ -	\$ -
14-00 Overtime	\$ 111,996	\$ 115,356	\$ 118,817	\$ 122,381	\$ 126,052
15-00 Special Pay	\$ 94,267	\$ 97,095	\$ 100,008	\$ 103,008	\$ 106,098
15-01 Efficiency Savings	\$ -	\$ -	\$ -	\$ -	\$ -
21-00 FICA	\$ 256,654	\$ 264,354	\$ 272,284	\$ 280,453	\$ 288,866
22-00 Retirement Contributions	\$ 264,697	\$ 272,638	\$ 280,817	\$ 289,242	\$ 297,919
23-00 Life And Health Insurance	\$ 973,240	\$ 1,041,367	\$ 1,114,262	\$ 1,192,261	\$ 1,275,719
24-00 Workers' Compensation	\$ 80,565	\$ 82,982	\$ 85,471	\$ 88,036	\$ 90,677
26-00 Other Post Empl Benefit	\$ 41,792	\$ 43,046	\$ 44,337	\$ 45,667	\$ 47,037
Total Personal Services	\$ 5,059,834	\$ 5,250,559	\$ 5,449,730	\$ 5,657,792	\$ 5,875,217
Execution Percentage (1)	95%	95%	95%	95%	95%
Executed Personal Services	\$ 4,806,842	\$ 4,988,031	\$ 5,177,244	\$ 5,374,903	\$ 5,581,456
<u>Other Operating Expenses</u>					
31-00 Professional Services	\$ 2,331,918	\$ 2,331,918	\$ 2,331,918	\$ 2,331,918	\$ 2,331,918
31-03 Legal	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
31-05 Advertising	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
31-40 Prof Svcs- Info Sys	\$ -	\$ -	\$ -	\$ -	\$ -
32-00 Accounting And Auditing	\$ 20,214	\$ 20,719	\$ 21,237	\$ 21,768	\$ 22,312
34-00 Other Contractual Service	\$ 313,350	\$ 321,184	\$ 329,213	\$ 337,444	\$ 345,880
34-03 Contract Management	\$ -	\$ -	\$ -	\$ -	\$ -
40-00 Travel And Training	\$ 20,600	\$ 21,115	\$ 21,643	\$ 22,184	\$ 22,739
41-00 Communication Services	\$ 9,700	\$ 9,943	\$ 10,191	\$ 10,446	\$ 10,707
41-40 Communication Svcs- Is	\$ 29,460	\$ 30,197	\$ 30,951	\$ 31,725	\$ 32,518
42-00 Transportation	\$ 49,600	\$ 50,840	\$ 52,111	\$ 53,414	\$ 54,749
43-00 Utility Services	\$ 1,109,200	\$ 1,164,660	\$ 1,222,893	\$ 1,284,038	\$ 1,348,240
43-02 Lift Stations	\$ 118,000	\$ 123,900	\$ 130,095	\$ 136,600	\$ 143,430
44-00 Rentals And Leases	\$ 84,660	\$ 86,777	\$ 88,946	\$ 91,170	\$ 93,449
44-08 Documatch System Lease	\$ 15,896	\$ 16,293	\$ 16,701	\$ 17,118	\$ 17,546
45-00 Insurance	\$ 437,684	\$ 459,568	\$ 482,547	\$ 506,674	\$ 532,008
46-00 Repair & Maintenance Svcs	\$ 1,495,545	\$ 1,555,367	\$ 1,617,581	\$ 1,682,285	\$ 1,749,576
46-02 Computer Devices	\$ 8,800	\$ 9,020	\$ 9,246	\$ 9,477	\$ 9,714
46-37 Fleet Maint- Labor	\$ 44,800	\$ 45,920	\$ 47,068	\$ 48,245	\$ 49,451
46-38 Fleet Maint- Parts	\$ 33,300	\$ 34,133	\$ 34,986	\$ 35,860	\$ 36,757
46-39 Fleet Maint- Other	\$ 21,300	\$ 21,833	\$ 22,378	\$ 22,938	\$ 23,511

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

FIVE YEAR PROJECTION OF CASH OUTFLOWS

	For the Fiscal Year Ended September 30				
	2015	2016	2017	2018	2019
46-40 Repairs/Maint- Info Sys	\$ 73,700	\$ 75,543	\$ 77,431	\$ 79,367	\$ 81,351
47-00 Printing And Binding	\$ 21,900	\$ 22,448	\$ 23,009	\$ 23,584	\$ 24,174
48-00 Promotional Activities	\$ 2,700	\$ 2,768	\$ 2,837	\$ 2,908	\$ 2,980
49-00 Other Charges-Obligations	\$ 404,111	\$ 416,234	\$ 428,721	\$ 441,583	\$ 454,830
51-00 Office Supplies	\$ 21,300	\$ 21,833	\$ 22,378	\$ 22,938	\$ 23,511
52-00 Operating Supplies	\$ 548,250	\$ 575,663	\$ 604,446	\$ 634,668	\$ 666,401
52-02 Odor/Corrosion Control	\$ 330,000	\$ 346,500	\$ 363,825	\$ 382,016	\$ 401,117
52-04 Trees, Shrubs, & Sod	\$ 4,000	\$ 4,100	\$ 4,203	\$ 4,308	\$ 4,415
52-25 Safety Shoes Reimbursemnt	\$ 8,550	\$ 8,764	\$ 8,983	\$ 9,207	\$ 9,438
52-35 Gasoline	\$ 88,000	\$ 92,400	\$ 97,020	\$ 101,871	\$ 106,965
53-00 Road Materials & Supplies	\$ 5,500	\$ 5,638	\$ 5,778	\$ 5,923	\$ 6,071
54-00 Books, Pubs, Subs, Member	\$ 12,709	\$ 13,027	\$ 13,352	\$ 13,686	\$ 14,028
Total Other Operating Expenses	\$ 7,696,247	\$ 7,919,800	\$ 8,153,188	\$ 8,396,861	\$ 8,651,285
Execution Percentage (2)	95%	75%	75%	75%	75%
Executed Other Operating Expenses	\$ 7,311,435	\$ 5,939,850	\$ 6,114,891	\$ 6,297,645	\$ 6,488,464
<u>Bond Service Requirement</u>					
Series 2012 Revenue Bonds	\$ 1,157,125	\$ 1,158,350	\$ 1,157,050	\$ 1,160,050	\$ 1,157,350
Utility Refunding Note 2012 (TD)	\$ 2,552,771	\$ 2,544,295	\$ -	\$ -	\$ -
2013 PNC (SRF) Refunding Loan	\$ 430,684	\$ 430,505	\$ 431,227	\$ 430,833	\$ 430,340
Series 2015 Revenue Bonds	\$ -	\$ 759,519	\$ 1,099,175	\$ 1,099,050	\$ 1,100,375
Total Bond Service Requirements	\$ 4,140,580	\$ 4,892,669	\$ 2,687,452	\$ 2,689,933	\$ 2,688,065
<u>Non Operating Expenses</u>					
Cumulative New SRF Debt Service ⁽³⁾	\$ -	\$ -	\$ 92,500	\$ 131,972	\$ 787,411
Repayment of Advance from General Fund	\$ 264,027	\$ -	\$ -	\$ -	\$ -
Administrative Charges Transfer	\$ 1,421,166	\$ 1,456,695	\$ 1,493,113	\$ 1,530,440	\$ 1,568,701
Transfers To Fleet Services	\$ 155,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 155,000
Total Non Operating Expenses	\$ 1,840,193	\$ 1,611,695	\$ 1,740,613	\$ 1,817,412	\$ 2,511,112
Total Annual Cash Outflows	\$ 18,099,050	\$ 17,432,244	\$ 15,720,199	\$ 16,179,893	\$ 17,269,097

(1) Personal Services are projected at an assumed execution rate of 95%, based on historical trends

(2) Other Operating Expenses are projected at an assumed execution rate of 95%, based on historical trends. In FY 2016 the execution rate has been reduced to 75% to account for one time items in the FY 2015 budget that are not reoccurring in nature.

(3) Additional future borrowing for designated SRF eligible projects.

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

Capital Improvement Program

Schedule 4

FIVE YEAR CAPITAL IMPROVEMENT PROGRAM

		For the Fiscal Year Ended September 30				
		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Water Projects: (Series 2012 Bonds)</u>						
1	WM replacement program	\$ 3,395,791	\$ -	\$ -	\$ -	\$ -
2	Valve addition program	\$ 179,600	\$ -	\$ -	\$ -	\$ -
3	RO Membrane Improvements; Phase 1 & Sodium Hypochlorite System	\$ 1,438,563	\$ -	\$ -	\$ -	\$ -
4	WTP Improvements	\$ 150,153	\$ -	\$ -	\$ -	\$ -
5	<u>Water Projects: (Capacity fees)</u>					
6	Border Road Water Main Extension	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -
7	<u>Water Projects: (Series 2015 Bonds)</u>					
8	Venetian Parkway Utilities Relocation (includes Water & Wastewater)	\$ 2,300,000	\$ -	\$ -	\$ -	\$ -
9	WTP Odor Control (degasifier/scrubber)	\$ 2,975,000	\$ -	\$ -	\$ -	\$ -
10	<u>Water Projects: (One-Cent Sales Tax or Pay As You Go)</u>					
11	New Production Well PO 8E/79	\$ 500,000	\$ 1,600,000	\$ -	\$ -	\$ -
12	Water Main replacement program	\$ 500,000	\$ 2,500,000	\$ -	\$ -	\$ -
13	Fire hydrant replacement program	\$ 50,000	\$ 50,000	\$ 75,000	\$ 75,000	\$ 75,000
14	Valve replacement/addition program	\$ 150,000	\$ 100,000	\$ 75,000	\$ 75,000	\$ 50,000
15	Service line replacement program	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
16	Border Road Water Main Extension	\$ 500,000	\$ -	\$ -	\$ -	\$ -
17	PRMRWSA Emergency Interconnect	\$ -	\$ 125,000	\$ -	\$ 100,000	\$ 500,000
18	Storage tanks	\$ -	\$ 100,000	\$ 500,000	\$ 700,000	\$ -
19	Air Release Valve Addition Program	\$ 150,000	\$ -	\$ -	\$ -	\$ -
20	Clearwell Rehabilitation	\$ 120,000	\$ 100,000	\$ -	\$ -	\$ -
21	Install Solar Panels on Clearwell	\$ -	\$ -	\$ 200,000	\$ 100,000	\$ -
22	High Service Pump & Motor Replacement	\$ 500,000	\$ -	\$ -	\$ -	\$ -
23	Pinebrook Booster Facility Improvements	\$ -	\$ -	\$ -	\$ 100,000	\$ 500,000
24	Security & Access Control Replacement	\$ 60,000	\$ -	\$ -	\$ -	\$ -
25	WTP Plant Bldg A Upgrades - Roof	\$ 45,000	\$ 405,000	\$ -	\$ -	\$ -
26	WTP Plant Bldg B Upgrades - Roof	\$ 39,000	\$ 351,000	\$ -	\$ -	\$ -
27	WTP Plant Bldg C Upgrades - Roof	\$ 49,500	\$ 445,500	\$ -	\$ -	\$ -
28	WTP Plant Bldg D Upgrades - Roof	\$ 22,500	\$ 202,500	\$ -	\$ -	\$ -
29	WTP High Service Bldg Upgrade - Roof	\$ 19,500	\$ 175,500	\$ -	\$ -	\$ -
30	WTP Security/Site Improvement	\$ -	\$ 300,000	\$ 320,000	\$ -	\$ -
31	Handheld Reading Devices	\$ 13,000	\$ -	\$ -	\$ -	\$ -
32	WTP Equipment Improvements	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
33	Replacement Production Well 7W	\$ 350,000	\$ -	\$ -	\$ -	\$ -
34	<u>Water Projects: (State Revolving Fund (SRF) Loan Program)</u>					
35	Eastgate Utilities Relocation (will include Water & Wastewater)	\$ -	\$ 850,000	\$ 4,900,000	\$ 500,000	\$ -
36	Water Main Replacement	\$ -	\$ 3,300,000	\$ 3,500,000	\$ 1,300,000	\$ 1,300,000
37	WTP Second Stage Membrane Addition	\$ -	\$ -	\$ -	\$ 200,000	\$ 3,000,000
38	Replacement Production Well 7W	\$ -	\$ 1,400,000	\$ -	\$ -	\$ -

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

FIVE YEAR CAPITAL IMPROVEMENT PROGRAM

		For the Fiscal Year Ended September 30				
		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
39	<u>Wastewater Projects: (Series 2012 Bonds)</u>					
40	Reclaimed Storage (FY14 Ground Storage Tank)	\$ 43,578	\$ -	\$ -	\$ -	\$ -
41	Force main replacement	\$ 883,414	\$ -	\$ -	\$ -	\$ -
42	EWRF Aeration System & Grit Removal System	\$ 292,272	\$ -	\$ -	\$ -	\$ -
43	Reclaimed Water Filtration System	\$ 1,232,835	\$ -	\$ -	\$ -	\$ -
44	I&I Study and Improvements	\$ 322,225	\$ -	\$ -	\$ -	\$ -
45	<u>Wastewater Projects: (Capacity Fees)</u>					
46	2nd FM under I-75	\$ -	\$ -	\$ 200,000	\$ 480,000	\$ -
47	Force Main Upgrade at LS62	\$ 100,000	\$ -	\$ -	\$ -	\$ -
48	<u>Wastewater Projects: (Series 2015 Bonds)</u>					
49	EWRF Aeration System & Grit Removal System Replacement	\$ 9,920,457	\$ -	\$ -	\$ -	\$ -
50	<u>Wastewater Projects: (One-Cent Sales Tax or Pay as you go)</u>					
51	Force Main Replacement	\$ -	\$ -	\$ 150,000	\$ 150,000	\$ -
52	Sanitary sewer replacement line	\$ 470,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000
53	Manhole Improvements	\$ 50,000	\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000
54	Lift Station Improvements	\$ -	\$ 75,000	\$ 500,000	\$ -	\$ -
55	Lift Station Replacement Pumps	\$ 150,000	\$ 150,000	\$ 100,000	\$ 100,000	\$ 100,000
56	Improvements prior to paving	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
57	Pumps for Lift Stations	\$ 80,000	\$ -	\$ -	\$ -	\$ -
58	Valve Replacement/Addition Program-Reclaimed	\$ 100,000	\$ 75,000	\$ 75,000	\$ 50,000	\$ 50,000
59	Reclaimed Distribution System Improv R-100	\$ -	\$ 120,000	\$ 450,000	\$ -	\$ -
60	Reclaimed Distribution System Improv R-303	\$ 80,000	\$ -	\$ -	\$ -	\$ -
61	Reclaimed Distribution System Improv R-313	\$ 67,000	\$ -	\$ -	\$ -	\$ -
62	Programmable Logic Controller Upgrade	\$ 150,000	\$ -	\$ -	\$ -	\$ -
63	Re-Aeration Blower Replacement	\$ 400,000	\$ -	\$ -	\$ -	\$ -
64	Emergency Back Up Generators	\$ 120,000	\$ -	\$ -	\$ -	\$ -
65	WRF Building Improvements	\$ 50,000	\$ 100,000	\$ -	\$ -	\$ -
66	WRF Various Roof Improvements	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -
67	<u>Wastewater Projects: (State Revolving Fund (SRF) Loan Program)</u>					
68	Additional Reclaimed Water Storage Tanks	\$ -	\$ -	\$ 300,000	\$ 2,000,000	\$ -
69	Convert Old Sewer FM to Reclaimed Water Main	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 200,000
70	Reclaimed Distribution Sys Improvement R-100	\$ -	\$ 120,000	\$ 450,000	\$ -	\$ -
71	Reclaimed Water SC Interconnect Improvements	\$ -	\$ -	\$ 75,000	\$ 500,000	\$ -
72	Various Reclaimed Water Main Extensions	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 200,000
Total Annual CIP Costs (in Today's \$)		\$ 29,794,388	\$ 13,329,500	\$ 12,845,000	\$ 7,405,000	\$ 6,550,000
Cumulative Annual Inflation Factor		1.00	1.03	1.06	1.09	1.13
Total Annual CIP Costs (in Inflation Adjusted \$)		\$ 29,794,388	\$ 13,729,385	\$ 13,628,545	\$ 8,093,665	\$ 7,375,300

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

Capital Project Funding Summary

Schedule 5

CAPITAL IMPROVEMENT PROGRAM FUNDING SUMMARY

	For the Fiscal Year Ended September 30				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Water Plant Capacity Fund	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -
Sewer Plant Capacity Fund	100,000	-	212,200	524,640	-
Sarasota County Surcharge Revenue	-	-	-	-	-
Series 2012 Bond Proceeds	7,938,431	-	-	-	-
Series 2015 Bond Proceeds	15,195,457	-	-	-	-
SRF Proceeds	-	5,840,100	10,212,125	5,355,700	5,292,200
Renewal & Replacement Fund	-	-	-	-	-
Infrastructure Surtax	1,100,000	1,057,833	1,057,833	1,057,833	1,057,833
Revenue Fund	3,960,500	6,831,452	2,146,387	1,155,492	1,025,267
Total CIP Funding	\$ 29,794,388	\$ 13,729,385	\$ 13,628,545	\$ 8,093,665	\$ 7,375,300

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

Funding Summary By Fund

Schedule 6

FUNDING SUMMARY (i.e. SOURCE & USES) BY FUND

	For the Fiscal Year Ended September 30				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
WATER PLANT CAPACITY FUND					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ 1,406,098	51,177	173,294	1,514,779	2,878,483
ADDITIONAL ANNUAL REVENUES	\$ 139,635	121,000	1,331,000	1,331,000	1,331,000
TOTAL AMOUNT AVAILABLE FOR PROJECTS	\$ 1,545,733	172,177	1,504,294	2,845,779	4,209,483
AMOUNT PAID FOR PROJECTS	\$ (1,500,000)	-	-	-	-
SUBTOTAL	\$ 45,733	172,177	1,504,294	2,845,779	4,209,483
PLUS: INTEREST EARNINGS	\$ 5,444	1,117	10,485	32,704	70,880
BALANCE AT END OF FISCAL YEAR	\$ 51,177	173,294	1,514,779	2,878,483	4,280,363
SEWER PLANT CAPACITY FUND					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ 1,013,052	1,003,017	1,085,910	1,688,442	1,988,675
ADDITIONAL ANNUAL REVENUES	\$ 82,433	72,500	797,500	797,500	797,500
TOTAL AMOUNT AVAILABLE FOR PROJECTS	\$ 1,095,485	1,075,517	1,883,410	2,485,942	2,786,175
AMOUNT PAID FOR PROJECTS	\$ (100,000)	-	(212,200)	(524,640)	-
SUBTOTAL	\$ 995,485	1,075,517	1,671,210	1,961,302	2,786,175
PLUS: INTEREST EARNINGS	\$ 7,532	10,393	17,232	27,373	47,748
BALANCE AT END OF FISCAL YEAR	\$ 1,003,017	1,085,910	1,688,442	1,988,675	2,833,923
SERIES 2012 BOND PROCEEDS					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ 7,938,431	\$ -	\$ -	\$ -	\$ -
ADDITIONAL ANNUAL REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL AMOUNT AVAILABLE FOR PROJECTS	\$ 7,938,431	\$ -	\$ -	\$ -	\$ -
AMOUNT PAID FOR PROJECTS	\$ (7,938,431)	\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$ -
PLUS: INTEREST EARNINGS	\$ -	\$ -	\$ -	\$ -	\$ -
BALANCE AT END OF FISCAL YEAR	\$ -	\$ -	\$ -	\$ -	\$ -
SARASOTA COUNTY SURCHARGE REVENUE					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ 2,237,251	\$ 2,469,691	\$ 2,716,796	\$ 2,980,121	\$ 3,261,362
ADDITIONAL ANNUAL REVENUES	\$ 214,856	\$ 221,301	\$ 227,940	\$ 234,779	\$ 241,822
SUBTOTAL	\$ 2,452,106	\$ 2,690,993	\$ 2,944,736	\$ 3,214,899	\$ 3,503,184
PLUS: INTEREST EARNINGS	\$ 17,585	\$ 25,803	\$ 35,385	\$ 46,463	\$ 67,645
BALANCE AT END OF FISCAL YEAR	\$ 2,469,691	\$ 2,716,796	\$ 2,980,121	\$ 3,261,362	\$ 3,570,829
SRF PROCEEDS					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ -	-	-	-	-
ADDITIONAL ANNUAL REVENUES	\$ -	5,840,100	10,212,125	5,355,700	5,292,200
TOTAL AMOUNT AVAILABLE FOR PROJECTS	\$ -	5,840,100	10,212,125	5,355,700	5,292,200
AMOUNT PAID FOR PROJECTS	\$ -	(5,840,100)	(10,212,125)	(5,355,700)	(5,292,200)
SUBTOTAL	\$ -	-	-	-	-
PLUS: INTEREST EARNINGS	\$ -	-	-	-	-
BALANCE AT END OF FISCAL YEAR	\$ -	-	-	-	-

City of Venice, Florida

Utility System Revenue Bonds, Series 2015

FUNDING SUMMARY (i.e. SOURCE & USES) BY FUND

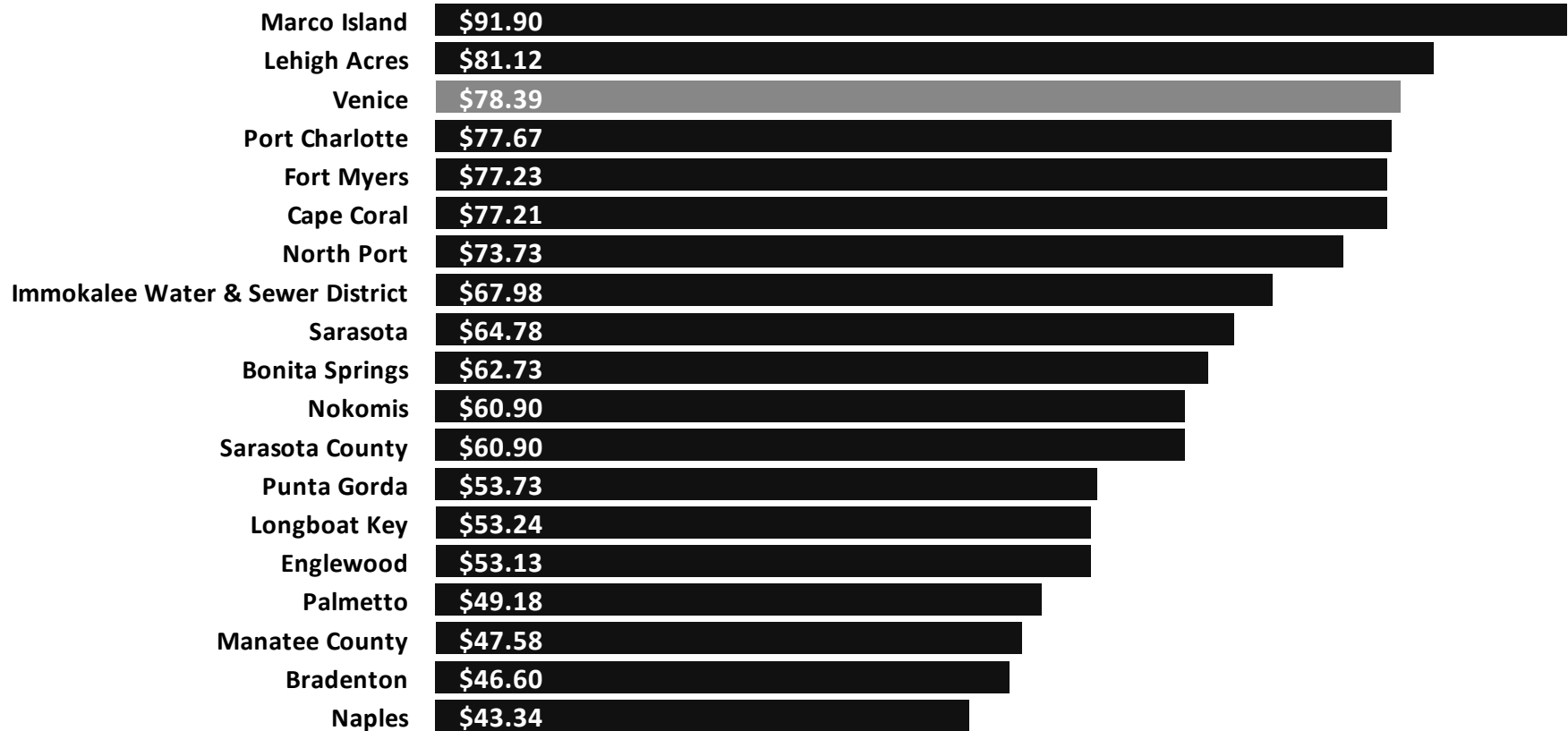
	For the Fiscal Year Ended September 30				
	2015	2016	2017	2018	2019
RENEWAL & REPLACEMENT					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
ADDITIONAL ANNUAL REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
LESS: RESTRICTED FUNDS	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)
TOTAL AMOUNT AVAILABLE FOR PROJECTS	\$ -	\$ -	\$ -	\$ -	\$ -
AMOUNT PAID FOR PROJECTS	\$ -	\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$ -
ADD BACK: RESTRICTED FUNDS	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
PLUS: INTEREST EARNINGS	\$ 7,500	\$ 10,000	\$ 12,500	\$ 15,000	\$ 20,000
LESS: INTEREST ALLOCATED TO CASH FLOW	\$ (7,500)	\$ (10,000)	\$ (12,500)	\$ (15,000)	\$ (20,000)
BALANCE AT END OF FISCAL YEAR	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
INFRASTRUCTURE SURTAX PHASE III					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ -	\$ -	\$ -	\$ -	\$ -
ADDITIONAL ANNUAL REVENUES	\$ 1,100,000	\$ 1,057,833	\$ 1,057,833	\$ 1,057,833	\$ 1,057,833
TOTAL AMOUNT AVAILABLE FOR PROJECTS	\$ 1,100,000	\$ 1,057,833	\$ 1,057,833	\$ 1,057,833	\$ 1,057,833
AMOUNT PAID FOR PROJECTS	\$ (1,100,000)	\$ (1,057,833)	\$ (1,057,833)	\$ (1,057,833)	\$ (1,057,833)
SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$ -
PLUS: INTEREST EARNINGS	\$ -	\$ -	\$ -	\$ -	\$ -
LESS: INTEREST ALLOCATED TO CASH FLOW	\$ -	\$ -	\$ -	\$ -	\$ -
BALANCE AT END OF FISCAL YEAR	\$ -	\$ -	\$ -	\$ -	\$ -
SERIES 2015 BOND PROCEEDS					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ -	\$ -	\$ -	\$ -	\$ -
ADDITIONAL ANNUAL REVENUES	\$ 15,195,457	\$ -	\$ -	\$ -	\$ -
TOTAL AMOUNT AVAILABLE FOR PROJECTS	\$ 15,195,457	\$ -	\$ -	\$ -	\$ -
AMOUNT PAID FOR PROJECTS	\$ (15,195,457)	\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$ -
PLUS: INTEREST EARNINGS	\$ -	\$ -	\$ -	\$ -	\$ -
LESS: INTEREST ALLOCATED TO CASH FLOW	\$ -	\$ -	\$ -	\$ -	\$ -
BALANCE AT END OF FISCAL YEAR	\$ -	\$ -	\$ -	\$ -	\$ -
REVENUE FUND/UNRESTRICTED CASH					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ 10,640,559	\$ 9,115,741	\$ 6,049,431	\$ 10,896,779	\$ 17,938,782
ADDITIONAL ANNUAL REVENUES	\$ 2,435,683	\$ 3,765,141	\$ 6,993,735	\$ 8,197,495	\$ 8,960,660
TOTAL AMOUNT AVAILABLE FOR PROJECTS	\$ 13,076,241	\$ 12,880,883	\$ 13,043,166	\$ 15,203,424	\$ 22,876,135
AMOUNT PAID FOR PROJECTS	\$ (3,960,500)	\$ (6,831,452)	\$ (2,146,387)	\$ (1,155,492)	\$ (1,025,267)
SUBTOTAL	\$ 9,115,741	\$ 6,049,431	\$ 10,896,779	\$ 14,047,932	\$ 21,850,868
PLUS: INTEREST EARNINGS	\$ 74,086	\$ 75,826	\$ 105,914	\$ 216,267	\$ 438,130
LESS: INTEREST ALLOCATED TO CASH FLOW	\$ (74,086)	\$ (75,826)	\$ (105,914)	\$ (216,267)	\$ (438,130)
BALANCE AT END OF FISCAL YEAR	\$ 9,115,741	\$ 6,049,431	\$ 10,896,779	\$ 17,938,782	\$ 25,874,174
DEBT SERVICE RESERVE					
BALANCE AT BEGINNING OF FISCAL YEAR	\$ 1,160,050	\$ 2,261,225	\$ 2,261,225	\$ 2,261,225	\$ 2,261,225
ADDITIONAL FUNDS:					
SERIES 2015 DEBT SERVICE RESERVE	\$ 1,101,175	\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ 2,261,225	\$ 2,261,225	\$ 2,261,225	\$ 2,261,225	\$ 2,261,225
PLUS: INTEREST EARNINGS	\$ 12,830	\$ 22,612	\$ 28,265	\$ 33,918	\$ 45,225
LESS: INTEREST ALLOCATED TO CASH FLOW	\$ (12,830)	\$ (22,612)	\$ (28,265)	\$ (33,918)	\$ (45,225)
BALANCE AT END OF FISCAL YEAR	\$ 2,261,225	\$ 2,261,225	\$ 2,261,225	\$ 2,261,225	\$ 2,261,225

City of Venice, Florida
Utility System Revenue Bonds, Series 2015

Schedule 7

Fiscal Year 2015 Rate Survey

Combined Water & Sewer Bill Survey at 3,000 Gallons per Month



**City of Venice, Florida
Utility System Revenue Bonds, Series 2015**

Schedule 8: Current Amended Rate Ordinance

Prepared by: Utilities Department and
City Clerk's Office

ORDINANCE NO. 2013-13

AN ORDINANCE OF THE CITY OF VENICE, FLORIDA, AMENDING THE CODE OF ORDINANCES, CHAPTER 74, UTILITIES, BY MODIFYING UTILITY RATES AND CHARGES AND DEFINING MAINTENANCE RESPONSIBILITIES; PROVIDING FOR REPEAL OF ALL ORDINANCES IN CONFLICT HERewith; PROVIDING FOR SEVERABILITY AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, it is well known that the water and wastewater infrastructure of the United States requires major investment to sustain the economic vitality and life styles to which citizens have become accustomed; and

WHEREAS, it is important to implement an effective capital improvement program, including a renewal and replacement component, in order to effectively and proactively sustain current water, wastewater, and reclaimed water infrastructure as well as better accommodate the impacts of such things as wear and tear, regulations, and new customers upon these systems; and

WHEREAS, analysis has determined the current schedule of rates, fees, and charges may be modified to more accurately recover the costs associated with the provision of water, wastewater, and reclaimed water services; and

WHEREAS, city council finds that the proposed schedule of fees and charges is reasonable and fair to fund the department's costs involved in the provision of water, wastewater, and reclaimed water services; and

WHEREAS, the commitment of a group of city residents, known as the Utility Rate Study Stakeholder's Work Group representing a variety of utility system customer categories, who participated with city staff and consultants to engage in a study of the utility's financial plan and schedule of rates, were instrumental in the successful accomplishment of these endeavors; and

WHEREAS, analysis has determined a more fair and equitable distribution of rates, fees, and charges amongst all utility customer categories.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF VENICE, FLORIDA, as follows:

SECTION 1. The Whereas clauses above are ratified and confirmed as true and correct.

*The City of Venice Code of Ordinances is amended as follows
with ~~strike through text~~ identifying deletions and underlined text indicating additional language.*

SECTION 2. Chapter 74, Utilities, Article I, In General, is amended to read as follows:

**Chapter 74
UTILITIES
Article I. In General**

Sections 74-1 through 74-9 no change.

Sec. 74-10. Water, sewer and reclaimed water rates.

(a) *Schedule of charges.* There is hereby established the following schedule of charges for the use, or reasonable availability for use, of the services of the city water and wastewater system. The monthly readiness for service charge is for the reasonable availability for the use of the system and shall be due regardless of whether the system is actually used.

(1) *Water service.*

a. Monthly readiness for service charge.

TABLE C

Residential	04/01/2012	10/01/2012	10/01/2013	10/01/2014	10/01/2015	10/01/2016	10/01/2017
Single-family residential	\$16.74	\$17.24	\$17.76	\$18.29	\$18.84	\$19.41	\$19.99
Master-metered multifamily (charge per unit, including condominium, apartment or manufactured home)	\$14.35	\$14.78	\$15.22	\$15.68	\$16.15	\$16.64	\$17.13
Non-Residential and All Irrigation Meters							
Meter Size (inches)							
5/8 x 3/4	\$16.74	\$17.24	\$17.76	\$18.29	\$18.84	\$19.41	\$19.99
1	\$41.85	\$43.11	\$44.40	\$45.73	\$47.10	\$48.52	\$49.97
1 1/2	\$83.70	\$86.21	\$88.80	\$91.46	\$94.21	\$97.03	\$99.94
2	\$133.92	\$137.94	\$142.08	\$146.34	\$150.73	\$155.25	\$159.91
3	\$267.84	\$275.88	\$284.15	\$292.68	\$301.46	\$310.50	\$319.84
4	\$418.50	\$431.06	\$443.99	\$457.31	\$471.03	\$485.16	\$499.71
6	\$637.00	\$662.11	\$687.97	\$714.61	\$742.05	\$770.31	\$799.42
8	\$1,339.20	\$1,379.38	\$1,420.76	\$1,463.38	\$1,507.28	\$1,552.50	\$1,599.07
Hospital	\$4,720.68	\$4,862.30	\$5,008.17	\$5,158.41	\$5,313.17	\$5,472.56	\$5,636.74

*The City of Venice Code of Ordinances is amended as follows
with ~~strike through text~~ identifying deletions and underlined text indicating additional language.*

TABLE C

Residential	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
Single-family residential	\$16.74	\$17.24	\$18.94	\$19.51	\$20.10	\$20.70	\$21.32
Condominiums, manufactured homes, and mobile homes (charge per unit, on 5/8 x 3/4 inch or greater meter)	\$16.74	\$17.24	\$14.66	\$15.10	\$15.55	\$16.02	\$16.50
Master-metered multifamily, including apartments and any other master-metered residential accounts (charge per unit, on 5/8 x 3/4 inch or greater meter)	\$14.35	\$14.78	\$15.74	\$16.21	\$16.70	\$17.20	\$17.71
Non-Residential and All Irrigation Meters Meter Size (inches)							
5/8 x 3/4	\$16.74	\$17.24	\$18.94	\$19.51	\$20.10	\$20.70	\$21.32
1	\$41.85	\$43.11	\$47.35	\$48.77	\$50.24	\$51.75	\$53.30
1 1/2	\$83.70	\$86.21	\$94.71	\$97.55	\$100.48	\$103.49	\$106.60
2	\$133.92	\$137.94	\$151.53	\$156.08	\$160.76	\$165.58	\$170.55
3	\$267.84	\$275.88	\$303.07	\$312.16	\$321.52	\$331.17	\$341.10
4	\$418.50	\$431.06	\$473.54	\$487.75	\$502.38	\$517.45	\$532.98
6	\$837.00	\$862.11	\$947.09	\$975.50	\$1,004.76	\$1,034.91	\$1,065.95
8	\$1,339.20	\$1,379.38	\$1,515.34	\$1,560.80	\$1,607.62	\$1,655.85	\$1,705.52
Hospital	\$4,720.68	\$4,862.30	\$5,341.56	\$5,501.81	\$5,666.86	\$5,836.87	\$6,011.97

b. Monthly consumption charge (dollars per 1,000 gallons), residential potable water.

TABLE D

Usage (gallons)	04/01/12	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
0 to 2,000	\$3.93	\$4.05	\$4.17	\$4.29	\$4.42	\$4.56	\$4.69
2,001 to 5,000	\$6.04	\$6.22	\$6.41	\$6.60	\$6.80	\$7.00	\$7.21
5,001 to 10,000	\$7.55	\$7.78	\$8.01	\$8.25	\$8.50	\$8.75	\$9.02
> 10,000	\$9.44	\$9.72	\$10.01	\$10.32	\$10.62	\$10.94	\$11.27

TABLE D

Usage (gallons)	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
0 to 2,000	\$3.93	\$4.05	\$4.10	\$4.22	\$4.35	\$4.48	\$4.61
2,001 to 5,000	\$6.04	\$6.22	\$6.31	\$6.50	\$6.70	\$6.90	\$7.11
5,001 to 10,000	\$7.55	\$7.78	\$7.89	\$8.13	\$8.37	\$8.62	\$8.88
> 10,000	\$9.44	\$9.72	\$9.86	\$10.15	\$10.46	\$10.77	\$11.09

c. Monthly consumption charge (dollars per 1,000 gallons), for non-residential potable water.

The City of Venice Code of Ordinances is amended as follows
with ~~strike through text~~ identifying deletions and underlined text indicating additional language.

TABLE E

Usage (gallons)	04/01/2012	10/01/2012	10/01/2013	10/01/2014	10/01/2015	10/01/2016	10/01/2017
All	\$5.23	\$5.39	\$5.55	\$5.71	\$5.89	\$6.06	\$6.24

TABLE E

Usage (gallons)	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
all	\$5.23	\$5.39	\$5.46	\$5.62	\$5.79	\$5.97	\$6.14

d. *Monthly consumption charge (dollars per 1,000 gallons), for all irrigation water.*

TABLE F

All Customers	First Block	Second Block	Third Block
Meter Size (inches)	Usage Range (gallons)	Usage Range (gallons)	Usage Range (gallons)
5/8 x 3/4	0 - 5,000	5,001 - 10,000	over 10,000
1	0 - 13,000	13,001 - 25,000	over 25,000
1 1/2	0 - 25,000	25,001 - 50,000	over 50,000
2	0 - 40,000	40,001 - 80,000	over 80,000
3	0 - 80,000	80,001 - 160,000	over 160,000
4	0 - 125,000	125,001 - 250,000	over 250,000
6	0 - 250,000	250,001 - 500,000	over 500,000
8	0 - 400,000	400,001 - 800,000	over 800,000
Rate per 1,000 gallons	\$6.04	\$7.55	\$9.04

e. *Wholesale water monthly readiness for service charge.*

TABLE G

Customer Category	04/01/12	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
All	\$1.41	\$1.45	\$1.50	\$1.54	\$1.59	\$1.63	\$1.68

TABLE G

All Customers	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
Meter Size (inches)							
5/8 x 3/4	N/A	N/A	\$13.24	\$13.64	\$14.05	\$14.47	\$14.90
1	N/A	N/A	\$33.10	\$34.09	\$35.12	\$36.17	\$37.25
1 1/2	N/A	N/A	\$66.21	\$68.20	\$70.24	\$72.35	\$74.52
2	N/A	N/A	\$105.94	\$109.12	\$112.39	\$115.76	\$119.24
3	N/A	N/A	\$211.88	\$218.24	\$224.78	\$231.53	\$238.47
4	N/A	N/A	\$331.05	\$340.98	\$351.21	\$361.75	\$372.60
6	N/A	N/A	\$662.12	\$681.98	\$702.44	\$723.52	\$745.22
8	N/A	N/A	\$1,059.38	\$1,091.16	\$1,123.90	\$1,157.61	\$1,192.34
greater than 8	Determined by the City on a case-by-case basis.						

f. *Wholesale water monthly consumption charge (dollars per 1,000 gallons).*

The City of Venice Code of Ordinances is amended as follows
with ~~strike through text~~ identifying deletions and underlined text indicating additional language.

TABLE H

Usage (gallons)	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
All	N/A	N/A	\$3.82	\$3.93	\$4.05	\$4.17	\$4.30

ge. Monthly water billing charge for customers of potable water, irrigation water, or both.

TABLE I

Customer Category	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
All	\$1.41	\$1.45	\$1.26	\$1.29	\$1.33	\$1.37	\$1.41

(2) *Sewer Service.*

a. Monthly readiness for service charge.

TABLE H

Residential	04/01/2012	10/01/2012	10/01/2013	10/01/2014	10/01/2015	10/01/2016	10/01/2017
Single-family residential	\$19.16	\$19.73	\$20.33	\$20.94	\$21.56	\$22.21	\$22.88
Master-metered multifamily (charge per unit, including condominium, apartment or manufactured home)	\$16.43	\$16.92	\$17.43	\$17.95	\$18.49	\$19.05	\$19.62
Non-Residential							
Meter Size (inches)							
5/8 x 3/4	\$19.16	\$19.73	\$20.33	\$20.94	\$21.56	\$22.21	\$22.88
1	\$47.90	\$49.34	\$50.82	\$52.34	\$53.91	\$55.53	\$57.20
1-1/2	\$95.80	\$98.67	\$101.63	\$104.68	\$107.82	\$111.06	\$114.39
2	\$153.28	\$157.88	\$162.61	\$167.49	\$172.52	\$177.69	\$183.02
3	\$306.56	\$315.76	\$325.23	\$334.99	\$345.04	\$355.39	\$366.05
4	\$479.00	\$493.37	\$508.17	\$523.42	\$539.12	\$555.29	\$571.95
6	\$958.00	\$986.74	\$1,016.34	\$1,046.83	\$1,078.24	\$1,110.58	\$1,143.90
8	\$1,532.80	\$1,578.76	\$1,626.15	\$1,674.93	\$1,725.18	\$1,776.94	\$1,830.24
Hospital	\$6,456.92	\$6,650.63	\$6,850.15	\$7,055.65	\$7,267.32	\$7,485.34	\$7,709.90

*The City of Venice Code of Ordinances is amended as follows
with ~~strike through~~ text identifying deletions and underlined text indicating additional language.*

TABLE J

Residential	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
Single-family residential	\$19.16	\$19.73	\$21.17	\$21.80	\$22.46	\$23.13	\$23.82
Condominiums, manufactured homes, and mobile homes (charge per unit, on 5/8 x 3/4 inch or greater meter)	\$19.16	\$19.73	\$16.38	\$16.87	\$17.37	\$17.90	\$18.43
Master-metered multifamily, including apartments and any other master-metered residential accounts (charge per unit, on 5/8 x 3/4 inch or greater meter)	\$16.43	\$16.92	\$17.58	\$18.11	\$18.65	\$19.21	\$19.79
Non-Residential Meter Size (inches)							
5/8 x 3/4	\$19.16	\$19.73	\$21.17	\$21.80	\$22.46	\$23.13	\$23.82
1	\$47.90	\$49.34	\$52.92	\$54.50	\$56.14	\$57.82	\$59.56
1 1/2	\$95.80	\$98.67	\$105.83	\$109.01	\$112.28	\$115.65	\$119.12
2	\$153.28	\$157.88	\$169.33	\$174.41	\$179.64	\$185.03	\$190.58
3	\$306.56	\$315.76	\$338.66	\$348.82	\$359.29	\$370.07	\$381.17
4	\$479.00	\$493.37	\$529.16	\$545.04	\$561.39	\$578.23	\$595.58
6	\$958.00	\$986.74	\$1,058.33	\$1,090.07	\$1,122.78	\$1,156.46	\$1,191.15
8	\$1,532.80	\$1,578.78	\$1,693.32	\$1,744.12	\$1,796.44	\$1,850.34	\$1,905.85
Hospital	\$6,456.92	\$6,650.63	\$7,133.11	\$7,347.10	\$7,567.52	\$7,794.54	\$8,028.38

b. *Monthly consumption charge (dollars per 1,000 gallons), all users.*

TABLE I

Usage (gallons)	04/01/2012	10/01/2012	10/01/2013	10/01/2014	10/01/2015	10/01/2016	10/01/2017
All	\$6.19	\$6.38	\$6.57	\$6.76	\$6.97	\$7.18	\$7.39

TABLE K

Usage (gallons)	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
All	\$6.19	\$6.38	\$6.33	\$6.52	\$6.72	\$6.92	\$7.13

c. *Wholesale sanitary ~~sewer rate for bulk users (dollars per 1,000 gallons) monthly~~ fixed charge.*

TABLE L

Fixed Monthly Charge (Per million gallons per day of reserved capacity)	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
	N/A	N/A	\$45,170.65	\$46,525.77	\$47,921.54	\$49,359.19	\$50,839.96

The City of Venice Code of Ordinances is amended as follows
with ~~strike through text~~ identifying deletions and underlined text indicating additional language.

d. Wholesale sanitary sewer monthly consumption charge (dollars per 1,000 gallons).

TABLE J

Usage (gallons)	04/01/2012	10/01/2012	10/01/2013	10/01/2014	10/01/2015	10/01/2016	10/01/2017
All	\$5.14	\$5.29	\$5.45	\$5.62	\$5.78	\$5.96	\$6.14

TABLE M

Usage (gallons)	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
All	\$5.14	\$5.29	\$0.57	\$0.58	\$0.60	\$0.62	\$0.64

~~d.~~ e. Monthly wastewater billing charge for wastewater customers.

TABLE K

Customer Category	04/01/12	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
All	\$1.44	\$1.45	\$1.50	\$1.54	\$1.59	\$1.63	\$1.68

TABLE N

Customer Category	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
All	\$1.41	\$1.45	\$1.26	\$1.29	\$1.33	\$1.37	\$1.41

(3) Reclaimed water service.

a. Monthly readiness for service charge. (Not applicable to low pressure customers)

TABLE O

Customer Category	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
All							
Meter Size (inches)							
5/8 x 3/4	N/A	N/A	\$1.81	\$2.60	\$3.38	\$4.17	\$4.95
1	N/A	N/A	\$4.53	\$6.50	\$8.45	\$10.43	\$12.38
1 1/2	N/A	N/A	\$9.05	\$13.00	\$16.90	\$20.85	\$24.75
2	N/A	N/A	\$14.48	\$20.80	\$27.04	\$33.36	\$39.60
3	N/A	N/A	\$28.96	\$41.60	\$54.08	\$66.72	\$79.20
4	N/A	N/A	\$45.25	\$65.00	\$84.50	\$104.25	\$123.75
6	N/A	N/A	\$90.50	\$130.00	\$169.00	\$208.50	\$247.50
8	N/A	N/A	\$144.80	\$208.00	\$270.40	\$333.60	\$396.00
10	N/A	N/A	\$208.15	\$299.00	\$388.70	\$479.55	\$569.25

~~a.~~ b. Monthly consumption charge (dollars per 1,000 gallons).

The City of Venice Code of Ordinances is amended as follows
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TABLE L

Type of Service	04/01/2012	10/01/2012	10/01/2013	10/01/2014	10/01/2015	10/01/2016	10/01/2017
High Pressure							
First Block	\$0.88	\$0.91	\$0.94	\$0.96	\$0.99	\$1.02	\$1.06
Second Block	\$1.16	\$1.19	\$1.23	\$1.27	\$1.30	\$1.34	\$1.38
Low Pressure							
All	\$0.082	\$0.085	\$0.087	\$0.090	\$0.093	\$0.096	\$0.098

TABLE P

Type of Service	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
High Pressure							
First Block	\$0.88	\$0.91	\$0.92	\$0.93	\$0.95	\$0.96	\$0.97
Second Block	\$1.16	\$1.19	\$1.31	\$1.32	\$1.34	\$1.35	\$1.37
Low Pressure							
All	\$0.082	\$0.085	\$0.087	\$0.090	\$0.093	\$0.096	\$0.098

b. c. Consumption blocks by meter size.

TABLE M

Meter Size (inches)	First Block	Second Block
5/8 x 3/4	0 to 12,000 gallons	over 12,000 gallons
1	0 to 30,000 gallons	over 30,000 gallons
1 1/2	0 to 60,000 gallons	over 60,000 gallons
2	0 to 96,000 gallons	over 96,000 gallons
3	0 to 192,000 gallons	over 192,000 gallons
4	0 to 300,000 gallons	over 300,000 gallons
6	0 to 600,000 gallons	over 600,000 gallons
8	0 to 960,000 gallons	over 960,000 gallons

TABLE Q

Meter Size (inches)	First Block	Second Block
5/8 x 3/4	0 to 12,000 gallons	over 12,000 gallons
1	0 to 30,000 gallons	over 30,000 gallons
1 1/2	0 to 60,000 gallons	over 60,000 gallons
2	0 to 96,000 gallons	over 96,000 gallons
3	0 to 192,000 gallons	over 192,000 gallons
4	0 to 300,000 gallons	over 300,000 gallons
6	0 to 600,000 gallons	over 600,000 gallons
8	0 to 960,000 gallons	over 960,000 gallons

d. Monthly reclaimed water billing charge per reclaimed water customers. (Not applicable to low pressure customers)

The City of Venice Code of Ordinances is amended as follows
with ~~strike-through text~~ identifying deletions and underlined text indicating additional language.

TABLE R

Customer Category	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
All	N/A	N/A	\$1.26	\$1.29	\$1.33	\$1.37	\$1.41

(b) *Rereading charge.* A fee of \$5.00 for all rereads will be levied on the monthly utility bill if the monthly reread verifies the original reading was accurate.

(c) *Review and adjustment of wastewater rates.* The wastewater service rates set forth in this section shall be reviewed annually and adjusted as necessary to maintain compliance with state and federal regulatory requirements governing wastewater user charges.

Sec. 74-11. Sewer rate for premises not connected to city water system.

The following charges and rates for wastewater service are hereby imposed when buildings are not connected to the city potable water system or other satisfactorily measureable source of water:

(1) *Monthly consumption charge.*

TABLE N

Residential	04/01/2012	10/01/2012	10/01/2013	10/01/2014	10/01/2015	10/01/2016	10/01/2017
Single-family residential	\$39.14	\$40.31	\$41.52	\$42.77	\$44.05	\$45.37	\$46.74
Master-metered multifamily (charge per unit, including condominium, apartment or manufactured home)	\$36.41	\$37.59	\$38.63	\$39.79	\$40.98	\$42.21	\$43.48
Non-Residential	Determined by the City on a case-by-case basis.						

*The City of Venice Code of Ordinances is amended as follows
with ~~strike through text~~ identifying deletions and underlined text indicating additional language.*

TABLE S

Residential	4/1/2012	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017
Single-family residential	\$39.14	\$40.31	\$41.43	\$42.67	\$43.95	\$45.27	\$46.63
Condominiums, manufactured homes, and mobile homes (charge per unit, on 5/8 x 3/4 inch or greater meter)	\$39.14	\$40.31	\$30.30	\$31.21	\$32.15	\$33.11	\$34.11
Master-metered multifamily, including apartments and any other master-metered residential accounts (charge per unit, on 5/8 x 3/4 inch or greater meter)	\$36.41	\$37.50	\$31.51	\$32.45	\$33.43	\$34.43	\$35.46
Non-Residential	Determined by the City on a case-by-case basis.						

(2) *Wastewater deferred revenue charge.* A charges of \$600.00 is to be paid at the time a building permit is issued and is in addition to plant capacity fees.

Sections 74-12 through 74-71 no change.

Sec. 74-72. Amount

The water plant capacity charge shall be assessed according to the following schedule:

*The City of Venice Code of Ordinances is amended as follows
with ~~strike through text~~ identifying deletions and underlined text indicoting additional language.*

Classification	Meter Size (inches)	Water Plant Capacity Charge
Each individually metered single-family dwelling unit (includes manufactured homes)	N/A	\$1,210.00
Each multifamily dwelling unit	N/A	\$1,075.00
Each hotel and motel unit	N/A	\$575.00
Commercial (by meter size)	¾	\$1,210.00
	1	\$3,025.00
	1½	\$6,050.00
	2	\$9,680.00
	3	\$19,360.00
	4	\$30,250.00
	6	\$60,500.00
	8	\$96,800.00
	10	\$139,150.00

Classification	Meter Size (inches)	Water Plant Capacity Charge
Each manufactured home dwelling unit	N/A	\$937.00
Each multifamily dwelling unit	N/A	\$1,075.00
Each hotel and motel unit	N/A	\$575.00
Each individually metered single-family dwelling unit and each commercial (by meter size)	¾	\$1,210.00
	1	\$3,025.00
	1 1/2	\$6,050.00
	2	\$9,680.00
	3	\$19,360.00
	4	\$30,250.00
	6	\$60,500.00
	8	\$96,800.00
	10	\$139,150.00

Sections 74-73 through 74-126 no change.

Sec. 74-127. Maintenance responsibilities of city and property owner.

~~The city shall be responsible for maintenance of its sewer main and the service line from the collection main to the cleanout at the property line. The property owner shall be responsible for maintenance of all house service piping providing service to the building.~~

*The City of Venice Code of Ordinances is amended as follows
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- a) Existence of a sanitary sewer cleanout: If a sanitary sewer cleanout approved by the utilities department does exist at or near the right-of-way, maintenance of the sewer service lateral from the city's sewer main to and including the cleanout shall be the responsibility of the city, and maintenance of the sewer service lateral between the cleanout and facility it serves shall be the responsibility of the customer.
- b) Absence of a sewer cleanout: If no sanitary sewer cleanout approved by the utilities department exists at or near the right-of-way, maintenance of the sewer service lateral shall be the responsibility of the customer from the dwelling all the way to its point of connection to the city's sewer main.
- c) Construction of sewer cleanout: The utilities department encourages sewer customers to consider the installation of an approved sewer cleanout on the customer's sewer service lateral in order to facilitate removal of blockages and to more easily delineate maintenance responsibilities. In order for a new sewer service line cleanout to be eligible for approval both the cleanout and the sewer service lateral between the cleanout and the city's sewer main must be clearly demonstrated to be in good working condition and accepted by the utilities department.
- d) Location of cleanout may vary: In order for a sanitary sewer cleanout to be readily accessible for maintenance activities, it may be necessary for its location to be modified. For a newly constructed cleanout the customer should obtain approval of the cleanout location prior to its construction. For an existing cleanout where accessibility of the cleanout has become impractical or impossible due to construction or placement of physical features by the customer, responsibility for maintenance of the service line from the cleanout to the sewer main shall revert to the customer until the customer has remedied the cleanout access issue to the satisfaction of the utilities department.
- e) Sewer mains and services not in rights-of-way: While most city sewer mains are located within a street right-of-way, some are located within utility easements. For sewer service to city sewer mains within easements the application of the term "right-of-way" and "easement" shall be interchangeable.

Sections 74-128 through 74-161 no change.

Sec. 74-162. Amount.

The wastewater plant capacity charge shall be assessed according to the following schedule:

*The City of Venice Code of Ordinances is amended as follows
with ~~strike-through text~~ identifying deletions and underlined text indicating additional language.*

Classification	Meter Size (inches)	Wastewater Plant Capacity Charge
Each individually metered single-family dwelling unit (includes manufactured homes)	N/A	\$ 1,450.00
Each multifamily dwelling unit	N/A	1,290.00
Each hotel and motel unit	N/A	886
Commercial (by meter size)	3/4	1,450.00
	1	3,625.00
	1 1/2	7,250.00
	2	11,600.00
	3	23,200.00
	4	36,250.00
	6	72,500.00
	8	116,000.00
	10	166,750.00

Classification	Meter Size (inches)	Wastewater Plant Capacity Charge
Each manufactured home dwelling unit	N/A	\$1,205.00
Each multifamily dwelling unit	N/A	\$1,290.00
Each hotel and motel unit	N/A	\$886.00
Each individually metered single-family dwelling unit and each commercial (by meter size)	3/4	\$1,450.00
	1	\$3,625.00
	1 1/2	\$7,250.00
	2	\$11,600.00
	3	\$23,200.00
	4	\$36,250.00
	6	\$72,500.00
	8	\$116,000.00
	10	\$166,750.00

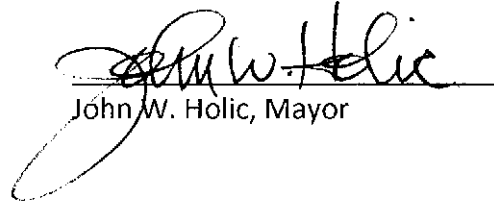
SECTION 3. Severability. If for any reason a provision of this ordinance or the application thereof to any person, group of persons, or circumstances is held invalid, the invalidity shall not effect other provisions or applications of the ordinance which can be given effect without the invalid provision or application, and to this end the provisions of the ordinance are severable.

SECTION 4. Effective Date. This Ordinance shall take effect October 1, 2013.

*The City of Venice Code of Ordinances is amended as follows
with ~~strike through text~~ identifying deletions and underlined text indicating additional language.*

PASSED BY THE CITY COUNCIL OF THE CITY OF VENICE, FLORIDA, THIS 13TH DAY OF AUGUST 2013.

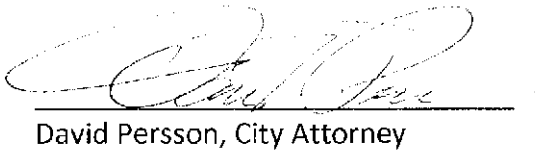
First Reading: July 23, 2013
Final Reading: August 13, 2013
Adoption: August 13, 2013


John W. Holic, Mayor

Attest:


Lori Stelzer, MMC, City Clerk

Approved as to form:


David Persson, City Attorney

*The City of Venice Code of Ordinances is amended as follows
with ~~strike through text~~ identifying deletions and underlined text indicating additional language.*

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