

CITY OF ORLANDO, FLORIDA BOND DISCLOSURE SUPPLEMENT



FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006



On the Cover

This year's Comprehensive Annual Financial Report features many of the new developments in the City of Orlando. On the cover is a panoramic view of the City's skyline from Lake Eola Park. The number of construction cranes is evidence of the exciting economic development that is occurring in the City... changes that will have a significant impact on the future of our entire region.

BOND DISCLOSURE SUPPLEMENT

City of Orlando, Florida
For the Year Ended September 30, 2006



Prepared by:
The Finance Department



CITY OF ORLANDO

January 31, 2007

Mayor Buddy Dyer
and City Commissioners
City of Orlando, Florida 32801

Subject: Bond Disclosure Supplement

Dear Mayor and City Commissioners:

The City's Bond Disclosure Supplement (the City's eleventh annual) is prepared in conjunction with the City's Comprehensive Annual Financial Report (CAFR). This Supplement provides updated information on the City and CRA related disclosures that are normally included in an Official Statement.

The City reaffirms its commitment to meet or exceed all established standards for municipal bond disclosure. Specifically, the City will:

1. Provide event related disclosure of interest to bond holders, including but not limited to those required by the Securities Exchange Commission (SEC) Rule 15c2-12;
2. Annually provide financial statements and appropriate supplement disclosures to the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs); and
3. Provide, or will cause to be provided, new Official Statements to each of the same repositories.

The NRMSIRs to which this information is currently being provided are shown on the attached list.

In addition to reviewing the five City or CRA bond programs, we have included the City's Debt Management Policy Statement as well as demonstrated compliance with the constraints of this policy. The City has also included both its Interest Rate Risk Management Product Policy and its Investment Policy Statement (approved January 22, 2007) to provide full disclosure.

This information is presented to supplement and complement the City's CAFR, not serve as a replacement.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rebecca W. Sutton".

Rebecca W. Sutton, CPA
Chief Financial Officer

Attachment

**NATIONALLY RECOGNIZED MUNICIPAL SECURITIES
INFORMATION REPOSITORIES
(NRMSIR)**

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, NJ 08558
Ph: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/muni_contactinfo.html
E-mail: Munis@Bloomberg.com

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Ph: (201) 346-0701
Fax: (201) 947-0107
<http://www.dpcdata.com>
E-mail: nrmsir@dpcdata.com

FT Interactive Data

Attn: NRMSIR
100 William Street
New York, NY 10038
Ph: (212)771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
<http://www.interactivedata.com>
E-mail: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
E-mail: nrmsir_repository@sandp.com

**BOND DISCLOSURE SUPPLEMENT
OF THE CITY OF ORLANDO, FLORIDA
FOR THE YEAR ENDING SEPTEMBER 30, 2006**

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Cranes, Cranes, Cranes. It seems that everywhere you look there is a new construction crane in the air. From downtown to Lake Nona, Orlando is experiencing tremendous growth and economic development.

CITY OF ORLANDO, FLORIDA

**COVENANT TO BUDGET AND APPROPRIATE
BOND DISCLOSURE SUPPLEMENT**

**SUMMARY INFORMATION
Outstanding Balance as of September 30, 2006**

Individual Bond Issues:	Outstanding	Rating	Credit Facility	Paying Agent	Final Maturity
Fixed Rate:					
Capital Improvement Refunding Special Revenue Bonds, Series 1998A	42,800,000	Moody's Aa3 S&P AA- Fitch AA	N/A	State Street Bank & Trust Co., N.Y.	10/1/2022
Capital Improvement Special Revenue Bonds, Series 1998B	12,080,000	Moody's Aa3 S&P AA- Fitch AA	N/A	State Street Bank & Trust Co., N.Y.	10/1/2013
Capital Improvement Special Revenue Bonds, Series 2002	18,690,000	Moody's Aa3 S&P AA- Fitch AA	N/A	Wells Fargo Bank Minnesota, N.A.	4/1/2032
Capital Improvement Special Revenue Bonds, Series 2004	15,070,000	Moody's Aa3 S&P AA- Fitch AA	N/A	Wachovia Bank, N.A.	4/1/2011
Capital Improvement Special Revenue Bonds, Series 2005A	23,335,000	Moody's Aa3 S&P AA- Fitch AA	N/A	U.S. Bank Trust, N.A. New York, N.Y.	10/1/2022
Capital Improvement Special Revenue Bonds, Series 2005B	4,920,000	Moody's Aa3 S&P AA- Fitch AA	N/A	Wells Fargo Bank Minnesota, N.A.	4/1/2010
Capital Improvement Special Revenue Bonds, Series 2006A	24,495,000	Moody's Aa3 S&P AA- Fitch AA	N/A	J.P.Morgan Trust Co. N.A.	10/1/2025
Capital Improvement Special Revenue Bonds, Series 2006B	5,010,000	Moody's Aa3 S&P AA- Fitch AA	N/A	Wells Fargo Bank Minnesota, N.A.	4/1/2012
Sub-Total	<u>146,400,000</u>				
Variable Rate:					
Sunshine State Governmental Financing Commission (SSGFC) Loan	41,271,338		Line of Credit*/ Dexia Credit Local de France	Wachovia Bank, N.A.	6/30/2016
SSGFC Commercial Paper Notes Series H Loan-Taxable	21,630,000		JP Morgan/Chase)	Deutsche Bank Trust Co.	10/1/2019
SSGFC Commercial Paper Notes Series H Loan-Tax Exempt	<u>18,510,000</u>		JP Morgan/Chase)	Deutsche Bank Trust Co.	10/1/2023
Sub-Total	<u>81,411,338</u>				
Total Debt Outstanding	<u>\$ 227,811,338</u>				

Revenue Pledge:

Primary:
General Fund Covenant Revenues
Utilities Services Tax Fund Covenant Revenues
Secondary:
N/A

* Supported by Ambac Assurance Corporation and a line of credit.

CITY OF ORLANDO, FLORIDA

COVENANT TO BUDGET AND APPROPRIATE BONDS INTRODUCTION

Covenant Program

The Covenant to Budget and Appropriate Debt Program is the City's main vehicle for financing general governmental purpose projects. The Program's Outstanding Bonds (see below) and Sunshine State Governmental Financing Commission (the "Commission") Loans (together, the Covenant Debt) are payable from the Covenant Revenues and other legally available revenues of the City actually budgeted and appropriated and deposited into the funds and accounts created and established pursuant to and in the manner provided in the Covenant Ordinance. Until deposited into the funds and accounts created under the Covenant Ordinance, Covenant Revenues are not pledged for the payment of the Covenant Debt and Bondholders will not have a lien thereon. The City has covenanted to the extent permitted by and in accordance with applicable law and budgetary processes, to prepare, approve and appropriate in its annual budget for each fiscal year, by amendment if necessary, and deposit to the credit of the Revenue Account established pursuant to the Covenant Ordinance, Covenant Revenues in an amount which together with other legally available revenues budgeted and appropriated for such purpose equal to the Debt Service Requirement with respect to the Covenant Debt, plus an amount sufficient to satisfy all other payment obligations of the City under the Covenant Ordinance for the applicable fiscal year, including, without limitations, the obligations of the City to fund and cure deficiencies in any sub-accounts in the Reserve Account created under the Covenant Ordinance. Such covenant and agreement on the part of the City to budget and appropriate sufficient amounts of Covenant Revenues shall be cumulative, and shall continue until such Covenant Revenues in amounts, together with any other legally available revenues budgeted and appropriated for such purposes, sufficient to make all required payments under the Covenant Ordinance as and when due, including any delinquent payments, shall have been budgeted, appropriated and actually paid into the appropriate funds and accounts under the Covenant Ordinance. Such covenant shall not preclude the City from pledging in the future any of its Covenant Revenues or other revenues to other obligations.

Since holders of the Covenant Debt are not entitled to a lien on the Covenant Revenues until such revenues are deposited into the funds and accounts created under the Covenant Ordinance in favor of the holders of the Covenant Debt, the City is free to grant liens on the Covenant Revenues to secure other obligations. The exercise of remedies by the holders of other debt payable from the Covenant Revenues (whether or not so secured by a lien), including Non-Self Sufficient Debt which is not issued as Bonds under the Covenant Ordinance or the holders of the other obligations of the City, including judgment creditors, may result in the payment of debt service on some obligations so secured prior to the payment of debt service on other Non-Self Sufficient Debt, including the Covenant Debt.

The City has covenanted and agreed in the Covenant Ordinance that for so long as any Bonds are outstanding under the Covenant Ordinance, the City shall continue to deposit to the credit of the City's General Fund and Utilities Services Tax Fund those revenue sources that were deposited to the credit of the General Fund and Utilities Services Tax Fund as provided in the City's Fiscal Year 1992 Annual Budget, excluding, however, any increases or expansions in rates or levies enacted after the effective date of the Covenant Ordinance with respect to such revenue sources that are designated by the City to be deposited other than in the General Fund or the Utilities Services Tax Fund. However, the City has not covenanted to maintain any programs or other activities which generate Covenant Revenues.

Limited Obligations

All obligations of the City under the Covenant Ordinance shall be secured only by the Covenant Revenues and other legally available revenues actually budgeted and appropriated and deposited into the funds and accounts created in the Covenant Ordinance, as provided for therein. Nothing in the Covenant Ordinance shall be deemed to create a pledge of or lien on the Covenant Revenues, the ad valorem tax revenues, or any other revenues of the City or to permit or constitute a mortgage or lien upon any assets owned by the City. No Bondholder shall ever have the right to compel any exercise of the ad valorem taxing power of the City for any purpose, including, without limitation, to pay the principal of or interest or premium, if any, on the Bonds or to make any other payment required there under or to maintain or continue any of the activities of the City which generate user service charges,

CITY OF ORLANDO, FLORIDA

regulatory fees or any other Covenant Revenues, nor shall the Bonds constitute a charge, lien or encumbrance, either legal or equitable, on any property, assets or funds of the City. The obligation of the City to budget, appropriate and make payments required by the Covenant Ordinance from its Covenant Revenues is subject to the availability of Covenant Revenues in the General Fund and the Utilities Services Tax Fund after the satisfaction of the funding requirements for obligations having an express lien on or pledge of such revenues and the funding requirements for essential governmental services of the City.

OUTSTANDING INDEBTEDNESS

Outstanding Bond Issues

As of September 30, 2006, the Covenant Program had a total of eight outstanding bond issues that are described below.

The Series 1998A Bonds were issued to advance refund a portion of the outstanding Capital Improvement Refunding Special Revenue Bond 1992 (maturities: 2003-2022). The Bonds are callable at a premium of 1% of par on October 1, 2008, and are callable at par beginning on October 1, 2009.

The Series 1998B Bonds were issued to finance the construction of improvements to Narcoossee Road. The Bonds are callable at a premium of 1% of par on October 1, 2006, and are callable at par beginning on October 1, 2007.

The Series 2002 Bonds were issued to finance the construction and installation of certain parks, parklands, greenways and recreation improvements. The Bonds are part of the City's medium term note program, and are not subject to early redemption. These Bonds have been named as Designated Maturity Debt, with final maturity of the issuance, including future "rolls" of the existing maturities, planned for no later than fiscal year 2032 (see "Amortization of Variable Rate Bonds and Designated Maturity Debt" on page A-21).

The Series 2004 Bonds were issued to finance the acquisition and construction of capital improvements identified in the City's fiscal year 2004 Budget. This issue also refunded the first maturity of the Series 2002 Bonds. The Bonds are part of the City's medium term note program, and are not subject to early redemption. These Bonds have been named as Designated Maturity Debt, with final maturity of the issuance, including future "rolls" of the existing maturities, planned for no later than fiscal year 2033 (see "Amortization of Variable Rate Bonds and Designated Maturity Debt" on page A-21).

The Series 2005A Bonds were issued to finance the acquisition and construction of various capital improvements included in the City's fiscal year 2004 Budget and to fund a loan to the City of Orlando Community Redevelopment Agency to pay for redevelopment and renovations to the Orlando Expo Centre. The Bonds are callable at par beginning on October 1, 2014.

The Series 2005B Bonds were issued to refund the 2005 maturity of the Series 2002 Bonds. The Bonds are part of the City's medium term note program, and are not subject to early redemption. These Bonds have been named as Designated Maturity Debt, with final maturity of the issuance, including future "rolls" of the existing maturities, planned for no later than fiscal year 2032 (see "Amortization of Variable Rate Bonds and Designated Maturity Debt" on page A-21).

The Series 2006A Bonds were issued to finance the construction of the Jefferson Street Garage. The Bonds maturing on or before October 1, 2015 are not callable before maturity. The bonds maturing on or after October 1, 2016 are callable at par beginning on October 1, 2015.

The Series 2006B Bonds were issued to refund the 2006 maturity of the Series 2002 Bonds. The Bonds are part of the City's medium term note program, and are not subject to early redemption. These Bonds have been named as Designated Maturity Debt, with final maturity of the issuance, including future "rolls" of the existing maturities,

CITY OF ORLANDO, FLORIDA

planned for no later than fiscal year 2032. (see “Amortization of Variable Rate Bonds and Designated Maturity Debt” on page A-21).

Outstanding Sunshine State Governmental Financing Commission Loans

The City has drawn multiple loans from the Commission since 1986. The City borrowed from Sunshine State’s original 1986 loan to provide for the acquisition and construction of numerous projects within the City. The loan will mature on July 1, 2016 (see “Amortization of Variable Rate Bonds and Designated Maturity Debt” on page A-21).

The Commission created a separate City of Orlando only Commission Commercial Paper series (Series H), which can be accessed for tax-exempt, AMT (Alternative Minimum Tax), and taxable uses. In September 2004, the City issued taxable commercial paper to finance economic development-related Special Assessment loans with the 55 West and Premiere Trade Plaza projects. Final maturity of these Special Assessment loans will be no later than fiscal year 2019 (see pages A-9 and A-10). On December 6, 2006, the City repaid \$14,400,000 to the SSGFC, which paid off the Premiere Trade Plaza portion of the Loan.

The City borrowed through the Commission’s Series H program a tax-exempt loan to provide Working Capital for the City after three hurricanes struck the City in late summer/early autumn of 2004. The City borrowed a total of \$25,580,000, of which \$5,000,000 was repaid in fiscal 2005 from FEMA and State of Florida disaster reimbursements. The City paid off the entire loan in May 2006.

The City borrowed a third time through the Commission’s Series H program to refund a standalone tax-exempt commercial paper program. The final maturity of this loan will be no later than fiscal 2024 (see “Amortization of Variable Rate Bonds and Designated Maturity Debt” on page A-21).

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CITY OF ORLANDO, FLORIDA

**COVENANT DEBT
SCHEDULE OF DEBT SERVICE
September 30, 2006**

Year Ending Sept. 30	Capital Improvement Ref. Bonds Series 1998A	Capital Improvement Bonds Series 1998B	Capital Improvement Bonds Series 2002 and Rolls of Designated Maturity (1)	Capital Improvement Bonds Series 2004 and Rolls of Designated Maturity (1)	Capital Improvement Bonds Series 2005A
2007	\$ 5,181,996	\$ 2,019,625	\$ 1,100,950	\$ 698,000	\$ 1,700,928
2008	2,087,414	1,955,827	1,102,683	692,500	1,696,279
2009	2,085,085	1,891,275	1,104,416	661,573	1,699,997
2010	2,082,495	1,825,779	1,105,435	630,646	1,696,354
2011	2,089,370	1,758,772	1,106,454	600,146	1,695,273
2012	2,085,610	1,690,067	1,098,204	569,646	1,692,248
2013	2,086,308	1,620,418	1,089,954	569,646	1,691,467
2014	2,086,330	1,547,750	1,085,895	569,646	1,692,832
2015	2,085,657	-	1,081,836	569,646	1,691,703
2016	2,084,388	-	1,081,836	569,646	1,688,299
2017	2,082,627	-	2,847,816	2,048,164	1,687,908
2018	7,389,125	-	1,013,796	512,682	1,684,927
2019	7,382,000	-	1,013,796	512,682	1,688,942
2020	7,370,375	-	1,013,796	512,682	1,685,441
2021	7,371,744	-	1,013,796	512,682	1,684,169
2022	7,366,001	-	1,013,796	512,682	1,680,169
2023	6,290,944	-	2,975,997	512,682	1,678,251
2024	-	-	3,685,277	512,682	1,677,200
2025	-	-	3,579,437	1,991,199	1,672,800
2026	-	-	3,473,597	1,934,234	-
2027	-	-	3,367,757	1,877,270	-
2028	-	-	3,261,917	1,820,306	-
2029	-	-	3,156,077	1,763,341	-
2030	-	-	3,050,237	1,706,376	-
2031	-	-	2,944,397	1,649,412	-
2032	-	-	2,465,739	1,592,447	-
2033	-	-	-	1,535,482	-
	<u>\$ 69,207,469</u>	<u>\$ 14,309,513</u>	<u>\$ 50,834,891</u>	<u>\$ 27,638,100</u>	<u>\$ 32,085,187</u>

(1) Estimated. The Series 2002 and 2004 Bonds are Designated Maturity Debt under the Covenant Ordinance. There are four outstanding initial maturities of the Series 2002 Bonds (2008, 2010, 2012 and 2014) which are anticipated to be rolled over, with final maturities in the years 2017 and 2025 through 2032, inclusive. The 2006 Designated Maturity was rolled over through the issuance of the Series 2006B Bonds. There are three initial maturities of the Series 2004 Bonds (2007, 2009 and 2011) which are anticipated to be rolled over, with final maturities in the years 2017 and 2025 through 2033 inclusive. The interest rate for all subsequent maturities is estimated at 3.78%, which is based upon the yield of the 10-year "AA" rated bond as published by Municipal Market Data, as of September 20, 2006.

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**COVENANT DEBT
SCHEDULE OF DEBT SERVICE
September 30, 2006**

Capital Improvement Bonds Series 2006A	Prior SSGFC Tax-Exempt Loans (2)(3)	SSGFC Series H Taxable Loan (4)	SSGFC Series H Refunded 1994 Commercial Paper Notes Loan (3)(5)	Other Non-Self Sufficient Debt (6)	Total
\$ 942,002	\$ 2,750,670	\$ 1,267,388	\$ 760,946	\$ 315,812	\$ 16,738,317
1,847,054	5,406,713	1,267,388	760,946	313,938	17,130,742
1,846,669	5,254,581	1,267,388	760,946	311,050	16,882,980
1,845,307	5,102,449	1,267,388	760,946	192,150	16,508,949
1,847,254	4,950,317	1,267,388	760,946	-	16,075,920
1,846,751	4,798,185	1,267,388	760,946	-	15,809,045
1,844,388	6,146,053	1,267,388	760,946	-	17,076,568
1,845,713	5,933,823	1,267,389	760,947	-	16,790,325
1,844,910	5,721,593	5,593,388	2,611,946	-	21,200,679
1,841,200	5,509,362	5,339,911	2,535,851	-	20,650,493
1,840,169	-	5,086,433	2,459,757	-	18,052,874
1,835,832	-	4,832,955	2,383,662	-	19,652,979
1,837,932	-	4,579,478	2,307,568	-	19,322,398
1,837,832	-	-	2,231,473	-	14,651,599
1,835,532	-	-	2,155,378	-	14,573,301
1,830,085	-	-	2,079,284	-	14,482,017
1,831,250	-	-	2,003,189	-	15,292,313
1,828,706	-	-	1,927,095	-	9,630,960
1,827,306	-	-	-	-	9,070,742
1,822,931	-	-	-	-	7,230,762
-	-	-	-	-	5,245,027
-	-	-	-	-	5,082,223
-	-	-	-	-	4,919,418
-	-	-	-	-	4,756,613
-	-	-	-	-	4,593,809
-	-	-	-	-	4,058,186
-	-	-	-	-	1,535,482
<u>\$ 35,878,823</u>	<u>\$ 51,573,746</u>	<u>\$ 35,571,270</u>	<u>\$ 28,782,772</u>	<u>\$ 1,132,950</u>	<u>\$ 347,014,721</u>

- (2) The interest rate was estimated at 3.77% plus the line of credit fees of 9.5 basis points, remarketing fees of 4.75 basis points, insurance and others of 9.4 basis points for an aggregate total of 4.0065%.
- (3) With regard to the Covenant Program's variable rate debt which is not required by authorizing resolution to amortize, the City has covenanted (as part of its program obligation) to amortize the obligation over a minimum of the last one third of the nominal (normally 30 years) maturity.
- (4) The interest rate was estimated at 5.6734% plus the line of credit fees of 11 basis points, remarketing fees of 5 basis points, insurance and others of 2.6 basis points for an aggregate total of 5.8594%.
- (5) The interest rate was estimated at 3.925% plus the line of credit fees of 11 basis points, remarketing fees of 5 basis points, insurance and others of 2.6 basis points for an aggregate total of 4.111%.
- (6) Civic Facilities Revenue Bonds-Series 1973.

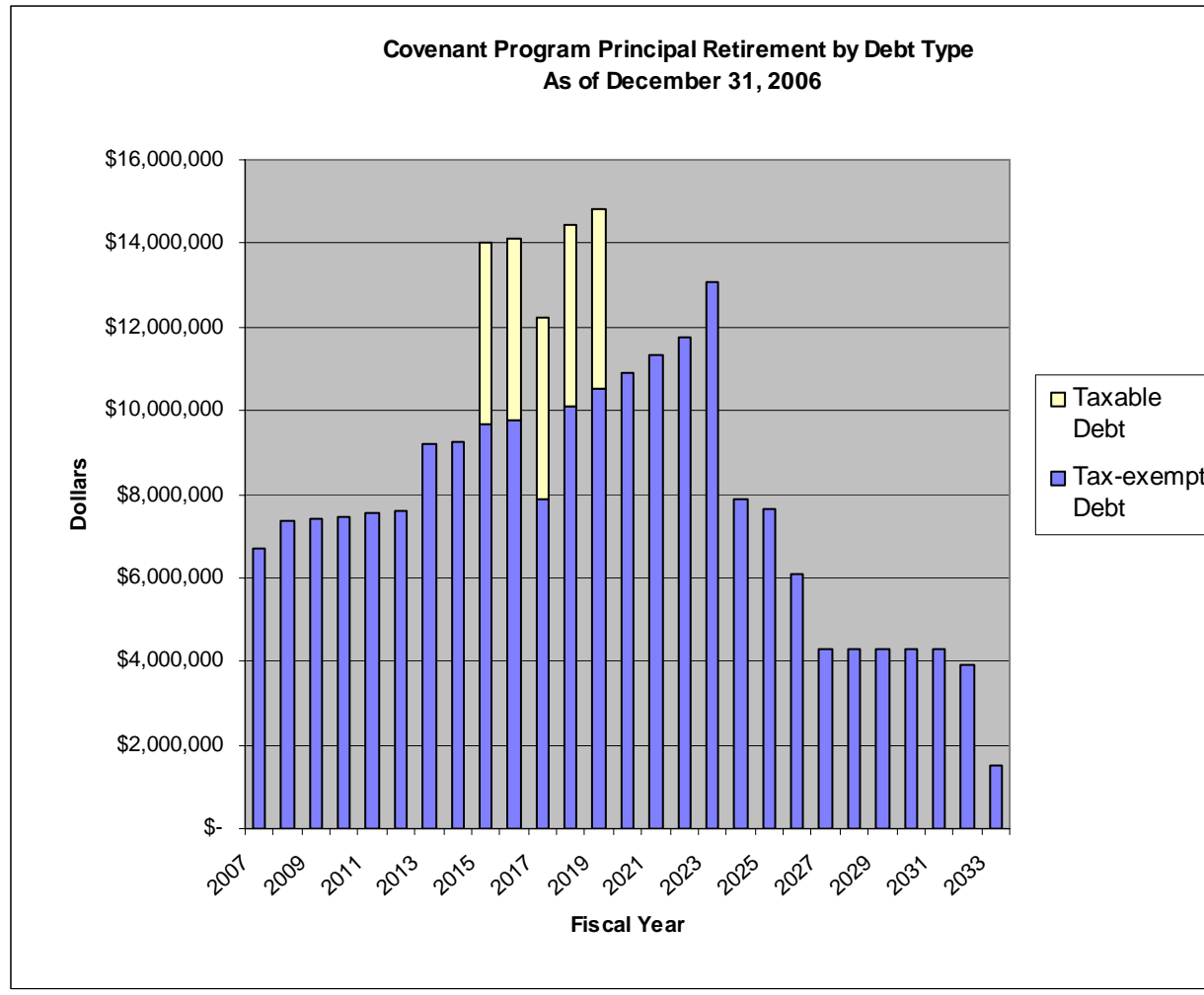
CITY OF ORLANDO, FLORIDA

Covenant Program Principal Amortization Schedules

The following chart (Covenant Debt Principal Retirement By Debt Type as of December 31, 2006) illustrates the principal amortization of all outstanding Covenant Program bonds/loans. The colors represent the individual amortization requirements for the Taxable and Tax-Exempt programs. For variable rate and Designated Maturity Debt issues, the amortization is designed to meet the program's requirement to amortize at least equally over the last 1/3 of the nominal life (or last 10 of 30 years) of the bond issue.

The schedule on the following page (Covenant Program Debt Retirement Principal Amortization Schedule as of December 31, 2006) illustrates these amortizations in a tabular format.

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COVENANT PROGRAM DEBT RETIREMENT PRINCIPAL AMORTIZATION SCHEDULE AS OF DECEMBER 31, 2006

<u>Fiscal Year</u>	<u>Tax-exempt</u>	<u>Taxable</u>	<u>Total</u>
2007	\$ 6,717,134		\$ 6,717,134
2008	7,352,134		7,352,134
2009	7,412,134		7,412,134
2010	7,467,134		7,467,134
2011	7,542,134		7,542,134
2012	7,607,134		7,607,134
2013	9,182,134		9,182,134
2014	9,267,134		9,267,134
2015	9,693,134	4,326,000	14,019,134
2016	9,778,132	4,326,000	14,104,132
2017	7,883,000	4,326,000	12,209,000
2018	10,116,000	4,326,000	14,442,000
2019	10,506,000	4,326,000	14,832,000
2020	10,901,000		10,901,000
2021	11,321,000		11,321,000
2022	11,741,000		11,741,000
2023	13,096,000		13,096,000
2024	7,876,000		7,876,000
2025	7,662,000		7,662,000
2026	6,092,000		6,092,000
2027	4,307,000		4,307,000
2028	4,307,000		4,307,000
2029	4,307,000		4,307,000
2030	4,307,000		4,307,000
2031	4,307,000		4,307,000
2032	3,927,000		3,927,000
2033	1,507,000		1,507,000
Totals	<u>\$ 206,181,338</u>	<u>\$ 21,630,000</u>	<u>\$ 227,811,338</u>

CITY OF ORLANDO, FLORIDA

COVENANT REVENUES

Covenant Revenues are defined in the Covenant Ordinance as those revenues of the City that are deposited to the credit of the City's General Fund or Utilities Services Tax Fund derived from any source whatsoever that are legally available for the payment of the obligations of the City under the Covenant Ordinance, inclusive of operating transfers from other funds into the General Fund and exclusive of (a) revenues derived from ad valorem taxation and (b) internal transfers between the General Fund and the Utilities Services Tax Fund (to eliminate double counting). For purposes of calculating Covenant Revenues and Self Sufficient Debt, amounts required to be transferred from the General Fund to community redevelopment trust funds pursuant to Section 163.387, Florida Statutes are deemed to be revenues derived from ad valorem taxation and not Covenant Revenues. For the calculation of Covenant Revenues for the past five fiscal years, see "Calculation of Covenant Revenues and Anti-Dilution Test Limitation" on page A-20.

General Fund

The following is a statement of revenues, expenditures, and changes in fund balance of the General Fund for the past five fiscal years. This table does not represent revenues which will necessarily be available for payment of debt service on the Covenant Debt. Revenues which are not available for debt service include, but are not limited to, property taxes (revenues derived from ad valorem taxation). The following tables (on pages A-12 and A-13) show all revenues and expenditures of the General Fund.

CITY OF ORLANDO, FLORIDA

**GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

For the Year Ended September 30 (1)

	<u>2002</u>	<u>2003 (2)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Property Taxes (3)					
Real and Personal Property	\$ 68,504,172	\$ 71,536,893	\$ 76,843,122	82,800,643	92,592,509
Interest on Delinquent Taxes	116,325	139,861	142,754	193,355	140,207
Total Property Taxes	<u>68,620,497</u>	<u>71,676,754</u>	<u>76,985,876</u>	<u>82,993,998</u>	<u>92,732,716</u>
Occupational Licenses and Franchise Fees					
Occupational Licenses	5,473,964	5,513,726	5,505,669	6,456,638	7,440,334
Franchise Fees	21,725,686	22,643,184	23,239,101	25,691,695	29,582,095
Total Occupational Licenses and Franchise Fees	<u>27,199,650</u>	<u>28,156,910</u>	<u>28,744,770</u>	<u>32,148,333</u>	<u>37,022,429</u>
Intergovernmental					
Orlando Utilities Commission Contribution	28,203,772	32,992,766	31,657,846	34,034,545	47,800,007
State Revenue Sharing	5,825,646	5,827,786	7,129,345	9,408,292	9,840,775
State Sales Tax	24,043,656	24,413,099	25,935,004	29,312,751	30,225,412
Insurance Premium Taxes (3)	3,249,093	3,338,074	3,252,657	3,261,851	3,293,824
Other State Shared Revenues	498,496	715,093	659,678	761,636	763,508
Other Intergovernmental (4)	5,805,400	5,586,691	4,724,584	4,288,311	4,323,544
Total Intergovernmental	<u>67,626,063</u>	<u>72,873,509</u>	<u>73,359,114</u>	<u>81,067,386</u>	<u>96,247,070</u>
Other Licenses, Fees and Permits					
Building Inspection and Permits	6,611,574	7,293,249	12,493,460	14,135,558 (5)	15,819,553
Police Fees	8,051,511	7,940,684	7,386,222	7,681,257	8,095,743
Recreation and Other Fees	5,298,286	6,209,736	12,174,540	14,453,862 (6)	14,607,903
Total Other Licenses, Fees and Permits	<u>19,961,371</u>	<u>21,443,669</u>	<u>32,054,222</u>	<u>36,270,677</u>	<u>38,523,199</u>
Fines and Forfeitures	<u>2,448,643</u>	<u>2,178,656</u>	<u>2,939,188</u>	<u>2,650,613</u>	<u>2,857,961</u>
Other Revenue					
Income on Investments	5,618,873	4,168,939	3,197,792	4,326,467	7,748,975
Rent	776,757	817,923	774,189	829,421	814,737
Administrative Services	5,047,628	9,557,259	9,419,086	9,879,945	9,437,467
Miscellaneous Revenues	3,203,549	4,201,755	2,908,884 (7)	8,220,233 (8)	11,522,442
Total Other Revenues	<u>14,646,807</u>	<u>18,745,876</u>	<u>16,299,951</u>	<u>23,256,066</u>	<u>29,523,621</u>
Total Revenues	<u>200,503,031</u>	<u>215,075,374</u>	<u>230,383,121</u>	<u>258,387,073</u>	<u>296,906,996</u>

(1) Extract from City of Orlando's audited Comprehensive Annual Financial Reports.

(2) On 2/25/03 a new mayor was elected and as a result, he reorganized the City's existing departments and offices. The newly elected mayor became the Mayor/Chief Executive assuming the day-to-day administrative responsibility and created a cabinet form of government composed of nine department heads, the City Attorney and the Mayor's Chief of Staff.

(3) The City's Covenant Revenues in the General Fund do not include Property Taxes. In addition, Insurance Premium Taxes are required to be used solely to fund pension benefits pursuant to Chapters 175 and 185, Florida Statutes and may not be used for debt service.

(4) A small portion of intergovernmental revenues may represent grants which are limited for use for specific purposes.

(5) Increase due to permits issued for new constructions and inspection fees.

(6) Increase due to Risk Management Rebate fees.

(7) After School All Stars and Special Assessment separate from General Fund.

(8) Increase due to dividend payments.

CITY OF ORLANDO, FLORIDA

**GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
(Continued)**

	For the Year Ended September 30 (1)				
	<u>2002</u>	<u>2003 (2)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenditures					
Current Operating:					
General Administration	17,597,131	16,133,535	21,859,022	21,623,401	27,682,160
Executive Offices	-	12,034,058	11,463,756	12,144,752	14,494,953
Administrative Services	18,772,457	-	-	-	-
Planning and Development	5,293,245	-	-	-	-
Housing	-	489,183	289,234	316,475	304,603
Economic Development	-	11,249,371	10,926,325	12,358,456	13,440,160
Public Works	26,370,188	21,899,616	21,163,460	13,865,580 (9)	11,180,244
Transportation	-	-	-	8,624,523 (9)	10,219,372
Families, Parks and Recreation	-	23,954,933	20,843,863	22,681,450	26,630,963
Police	80,365,057	87,858,727	89,815,724	95,428,521 (10)	98,575,548
Fire	43,269,363	49,411,693	51,019,851	55,707,086 (10)	59,319,031
Management, Budget & Accounting	-	2,366,798	2,264,402	2,414,746	- (14)
Finance	-	1,281,059	1,638,527	1,661,674	4,547,654
Community and Youth Services	14,849,900	-	-	-	-
Other Expenditures	30,679,314	25,076,041	23,006,677	27,647,382 (11)	25,670,781
Total Expenditures	<u>237,196,655</u>	<u>251,755,014</u>	<u>254,290,841</u>	<u>274,474,046</u>	<u>292,065,469</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(36,693,624)</u>	<u>(36,679,640)</u>	<u>(23,907,720)</u>	<u>(16,086,973)</u>	<u>4,841,527</u>
Other Financing Sources and (Uses)					
Operating Transfers In	37,693,325	48,582,923	39,871,060	39,493,332	40,352,310
Operating Transfers (Out)	(13,600,956)	(8,765,682)	(15,193,642)	(23,859,035) (12)	(37,745,409) (12)
Bond and Loan Proceeds	751,095	110,451	-	256,126	57,525
Total Other Financing Sources and (Uses)	<u>24,843,464</u>	<u>39,927,692</u>	<u>24,677,418</u>	<u>15,890,423</u>	<u>2,664,426</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(11,850,160)	3,248,052	769,698	(196,550)	7,505,953
Fund Balance at Beginning of Year As Restated	<u>69,186,939</u>	<u>57,336,779</u>	<u>59,231,042 (13)</u>	<u>60,000,740</u>	<u>59,804,190</u>
Fund Balance at End of Year	<u>\$ 57,336,779</u>	<u>\$ 60,584,831</u>	<u>\$ 60,000,740</u>	<u>\$ 59,804,190</u>	<u>\$67,310,143</u>

(9) Transportation Dept. separated from Public Works.

(10) Increase in Salaries and Benefits.

(11) Increase in Debt Service expense, Securities Lending Expenses and Pensioners health insurance.

(12) Increase in funding for capital projects.

(13) Restatement due to the classification of Special Assessment, Disaster Preparedness and After School All Stars Funds as independent funds.

(14) Management, Budget and Accounting became part of the Finance Department.

CITY OF ORLANDO, FLORIDA

Utilities Services Tax Fund

The Utilities Services Tax is defined in the Covenant Ordinance as the taxes imposed, levied and collected by the City pursuant to Section 166.231, Florida Statutes, and other applicable provisions of law, on the purchase of electricity, fuel oil, metered or bottled gas (natural liquefied petroleum gas or manufactured), water service and telecommunication service, and other services on which a tax may be imposed by law. The City deposits Utilities Services Taxes in the Utilities Services Tax fund. The Utilities Services Taxes have been previously pledged for the payment of the City's Wastewater System Revenue Bonds, outstanding in the principal amount of \$117,515,000 as of September 30, 2006.

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

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

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

CITY OF ORLANDO, FLORIDA

The Utilities Services Tax must be collected by the seller from purchasers at the time of sale and remitted to the Chief Financial Officer as prescribed by the City Code. Such tax will appear on a periodic bill rendered to consumers for electricity, metered and bottled gas, water service and fuel oil. A failure by a consumer to pay that portion of the bill attributable to the utilities services tax may result in a suspension of the utility service involved in the same fashion as the failure to pay that portion of the bill attributable to the particular utility service. The following is a statement of revenues, expenditures, and changes in fund balance that provides a history of revenues which have been deposited in the Utilities Services Tax Fund for the past five fiscal years.

**UTILITIES SERVICES TAX FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

	For Year Ended September 30 (1)				
	2002	2003	2004	2005	2006
Revenue					
Electric	\$17,773,888	\$20,171,695	\$20,648,346	21,564,188	22,446,087
Telephone/Telecommunications	20,969,771	16,963,228	16,844,739	17,133,231	17,784,876
Other	458,908	590,343	613,802	678,898	713,843
Total Utilities Service Taxes	<u>39,202,567</u>	<u>37,725,266</u>	<u>38,106,887</u>	<u>39,376,317</u>	<u>40,944,806</u>
Income on Investments	802,229	737,132	198,659	286,623	567,330
Total Revenues	<u>40,004,796</u>	<u>38,462,398</u>	<u>38,305,546</u>	<u>39,662,940</u>	<u>41,512,136</u>
Expenditures					
Other	-	(16,100)	(42,268)	(48,997)	(52,766)
Operating Transfers					
Transfers to other funds	(39,612,730)	(37,676,000)	(42,500,000)	(36,954,707)	(37,808,139)
Excess (Deficiency) of Revenues Over Expenditures and Operating Transfers	392,066	770,298	(4,236,722)	2,659,236	3,651,231
Beginning Fund Balance	<u>14,500,903 (2)</u>	<u>14,892,969 (2)</u>	<u>15,663,267</u>	<u>11,426,545</u>	<u>14,085,781</u>
Ending Fund Balance	<u>\$14,892,969</u>	<u>\$15,663,267</u>	<u>\$11,426,545</u>	<u>\$14,085,781</u>	<u>\$17,737,012</u>

(1) Extract from the City of Orlando's Audited Comprehensive Annual Financial Reports.

(2) Restated to reflect refund of customers' overpayment.

CITY OF ORLANDO, FLORIDA

Local Communications Services Tax

The Communications Services Tax Simplification Act, enacted by Chapter 2000-260, Laws of Florida, as amended by Chapter 2001-140, Laws of Florida, and now codified in part as Chapter 202, Florida Statutes (the "Communications Services Tax Act") established, effective October 1, 2001, a communications services tax on the sale of communications services as defined in Section 202.11, Florida Statutes, and as of the same date repealed Section 166.231(9), Florida Statutes, which previously granted municipalities the authority to levy a utility services tax on the purchase of telecommunication services. Florida Statute Section 202.19 provides that counties and municipalities may levy a discretionary communications services tax (the "local communications services tax") on communications services, the revenues from which may be pledged for the repayment of current or future bonded indebtedness. The City set the rates for its local communication services tax pursuant to a Resolution bearing Documentary No. 33876-A, adopted by the City Council on June 18, 2001.

Prior to the effective date of the Communications Services Tax Act, the City exercised the option to levy a utility services tax at the rate of seven percent (7%) on the purchase of telecommunications services which originated or terminated within the City, excluding the variable usage charges for cellular mobile telephone or telecommunications service, specialized mobile radio and pagers and paging services. Telecommunications service was defined to be local telephone service, toll telephone service, telegram or telegraph service, teletypewriter, facsimile or computer exchange service, private communication service, cellular mobile telephone or telecommunication service and specialized mobile radio, pagers and paging service but excluding Internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer service. Pursuant to an Ordinance bearing City Documentary No. 33876 enacted by the City Council on June 18, 2001, the City repealed its utility services tax on the purchase of telecommunications services effective October 1, 2001 to coordinate with the effective date of the local communications services tax.

One effect of the Communications Services Tax Act was to replace the former utility services tax on telecommunication services, as well as revenues from franchise fees on cable and telecommunication service providers, with the local communications services tax. This change in law was intended to be revenue neutral to the counties and municipalities. The local communications services tax is applied to a broader base of communications services than the former utility services tax on telecommunications.

Communication services are defined as the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. The term does not include:

- (a) Information services.
- (b) Installation or maintenance of wiring or equipment on a customer's premises.
- (c) The sale or rental of tangible personal property.
- (d) The sale of advertising, including, but not limited to, directory advertising.
- (e) Bad check charges.
- (f) Late payment charges.
- (g) Billing and collection services.
- (h) Internet access service, electronic mail service, electronic bulletin board service, or similar on-line services.

Effective October 1, 2001, any sale of communications services charged to a service address in the City became subject to the City's local communications services tax at a rate of 5.3%. The rate of the local communications services tax was reduced to 5.0% on October 1, 2002. The City on May 17, 2004 enacted an ordinance raising the tax rate to 5.1% effective January 1, 2005. The City elected not to charge permit fees related to the installation and maintenance of wires on its rights-of-way and thus is entitled to a 0.12% "add on," for a total tax rate (also effective January 1, 2005) of 5.22%. The Communications Services Tax Act further provides that, to the extent that a provider of communications services is required to pay a tax, charge, or other fee under any franchise agreement or ordinance with respect to the services or revenues that are also subject to the tax, such

CITY OF ORLANDO, FLORIDA

provider is entitled to a credit against the amount of such tax payable to the State in the amount of such tax, charge, or fee with respect to such service or revenues. It also provides that the City may exceed the maximum permissible rate in order to maintain its collection of the same annual dollar amount from and after October 1, 2001 that it received for fiscal period ending September 30, 2001.

The proceeds of said local communication services tax less the Florida Department of Revenue's cost of administration is deposited in the local communication services tax clearing trust fund and distributed monthly to the appropriate jurisdictions. The City deposits to the Utility Services Tax Fund a portion of its monthly local communications services tax revenues in an amount which fairly approximates that amount previously deposited therein in the form of the utility services tax on telecommunications services. Such portion of the local communications services tax revenues so deposited to the Utility Services Tax Fund is treated as Covenant Revenues to the same extent as all other utility services tax revenues continuing to be deposited to the Utility Services Tax Fund under the terms and conditions of the Covenant Ordinance and all applicable resolutions supplemental thereto.

Amendment of Senior Bond Ordinance to Reflect Change in CST Statute

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

BOND COVENANTS

Stabilization Reserve Account

The Covenant Ordinance requires the City to fund the Stabilization Reserve Account in an amount equal to the Stabilization Reserve Requirement over a period of 36 months if the unreserved fund balance of the City's General Fund and Utilities Services Tax Fund are in the aggregate, less than 10% of the City's Aggregate Budgeted Expenditures therefrom for such fiscal year. The following table shows that for the past five fiscal years the City has not been required to deposit any money in the Stabilization Reserve Account and there are currently no moneys on deposit in the Stabilization Reserve Account.

CITY OF ORLANDO, FLORIDA

STABILIZATION RESERVE ACCOUNT

**STABILIZATION RESERVE ACCOUNT REQUIREMENT
HISTORICAL PERSPECTIVE**

	For Year Ended September 30				
	2002	2003	2004	2005	2006
Calculation of Appropriate Reserve					
General Fund					
Reserved Fund Balance	\$ 2,188,384	\$ 1,829,789	\$ 9,403,713	1,388,248	1,599,677
Unreserved Fund Balance	55,148,395	58,755,042	50,597,027	58,415,942	65,710,466
Total Fund Balance	<u>57,336,779</u>	<u>60,584,831</u>	<u>60,000,740</u>	<u>59,804,190</u>	<u>67,310,143</u>
Utilities Services Tax Fund					
Unreserved Fund Balance	14,892,969	15,663,267	11,426,545	14,085,781	17,737,012
Total Fund Balance	<u>14,892,969</u>	<u>15,663,267</u>	<u>11,426,545</u>	<u>14,085,781</u>	<u>17,737,012</u>
Unreserved Fund Balance					
General Fund	55,148,395	58,755,042	50,597,027	58,415,942	65,710,466
Utilities Services Tax Fund	14,892,969	15,663,267	11,426,545	14,085,781	17,737,012
Total Unreserved Fund Balances					
General Fund and Utilities Services Tax Fund	<u>\$ 70,041,364</u>	<u>\$ 74,418,309</u>	<u>\$ 62,023,572</u>	<u>\$ 72,501,723</u>	<u>\$ 83,447,478</u>
Comparison to Minimum Reserve Covenant (1)					
	2003	2004	2005	2006	2007
General Fund Budgeted Expenditures	\$260,242,876	\$268,832,431	\$291,447,567	303,262,875	329,137,694
10% Aggregate Fund Balances Requirement	26,024,288	26,883,243	29,144,757	30,326,288	32,913,769
Actual Appropriable Reserve	70,041,364	74,418,309	62,023,572	72,501,723	83,447,478
Actual Percentage	26.91 %	27.68 %	21.28 %	23.91 %	25.35 %

(1) Comparing beginning of the year Fund Balances to the final (or for 2006-07, as of 1/9/2007) budgeted General Fund Expenditures.

CITY OF ORLANDO, FLORIDA

Additional Bonds

The Covenant Ordinance provides for the issuance of both Additional Bonds (which shall be equally secured with the outstanding Bonds) and Non-Self Sufficient Debt. Additionally, the Covenant Ordinance allows the City to issue Non-Self Sufficient Debt for which there may be granted a prior lien on all or a portion of the Covenant Revenues, provided the City first complies with the requirements described below. The Covenant Ordinance does not provide any restrictions on the issuance of Self Sufficient Debt.

Non-Self Sufficient Debt means any indebtedness of the City for the payment of borrowed money other than Self Sufficient Debt. Self Sufficient Debt means any indebtedness of the City for borrowed money that is either (a) secured by or payable exclusively from a source of revenues other than Covenant Revenues, or (b) primarily payable from revenues of the type described in clause (a) above and secondarily from Covenant Revenues if the Covenant Revenues have not been used (or, as provided below, deemed to have been used) to pay any portion of such indebtedness for the three fiscal years preceding the date of determination and if the City projects that the Covenant Revenues will not be so used during the next two fiscal years; and either (c) that is secured by a revenue source that has been in effect for at least three fiscal years and that would have provided coverage of at least 125% of the average annual debt service on such obligations secured by such revenue source in each of the three preceding fiscal years, or (d) if the revenue source has not been in existence for at least three fiscal years, that is secured by a revenue source that would have provided coverage of at least 150% of the average annual debt service on such obligations secured by such revenue source in at least the last full fiscal year preceding the issuance of such obligations and that is projected to provide at least 150% debt service coverage (based on revenue and debt service projections of the City) in each of the three ensuing fiscal years; and (e) any such case, in the three preceding fiscal years, no debt service of which has been paid (or, as provided below, deemed to have been paid) from Covenant Revenues deposited in the General Fund or the Utilities Services Tax Fund. For purposes of calculating the coverage requirements described in this paragraph, the historical and projected receipts of a particular revenue source shall be adjusted retroactively to the initial date of the calculation period to reflect changes in rates, levies or impositions enacted prior to the date of calculation. For purposes of this definition, Covenant Revenues will be deemed to have been used to pay debt service on any debt if Covenant Revenues have been transferred in the relevant period, other than pursuant to a capital transfer, to a fund or account used to pay debt service on such debt.

Non-Self Sufficient Debt - Anti Dilution Test

(1) The City covenants not to issue any Non-Self Sufficient Debt (including designated maturity debt) unless there shall be filed with the City a report by an independent certified public accountant or such other party as the Rating Agency shall approve without withdrawing or reducing the rating then applicable to the Bonds outstanding under the Covenant Ordinance projecting that for each of the three fiscal years following the fiscal year in which such Non-Self Sufficient Debt is issued, the following two tests will be met:

(a) If the year in which the Maximum Annual Debt Service on Non-Self Sufficient Debt occurs is more than six years from the date of calculation, the Maximum Annual Debt Service with respect to all Non-Self Sufficient Debt then outstanding and the Non-Self Sufficient Debt proposed to be issued will not exceed 35% of the Covenant Revenues for each such fiscal year forecasted by the City; or (2) if the year in which the Maximum Annual Debt Service with respect to Non-Self Sufficient Debt occurs is less than six years from the date of calculation, the Maximum Annual Debt Service with respect to all Non-Self Sufficient Debt then outstanding and the Non-Self Sufficient Debt proposed to be issued will not exceed 25% of the Covenant Revenues for each such fiscal year forecasted by the City; and

(b) The higher of (1) the average annual debt service requirement with respect to all Non-Self Sufficient Debt then outstanding and the Non-Self Sufficient Debt proposed to be issued, or (2) the aggregate annual debt service with respect to all such Non-Self Sufficient Debt then outstanding including the Non-Self Sufficient Debt proposed to be issued for the fiscal year following the year in which the calculation is made, will not exceed 25% of the Covenant Revenues for each such fiscal year forecasted by the City.

(2) Concurrently with the issuance of Non-Self Sufficient Debt, the Mayor or Mayor Pro Tem of the City shall certify (a) the dates and the principal amounts of such Non-Self Sufficient Debt (other than designated

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maturity debt) that will be paid or redeemed in advance of the final maturity thereof to the extent that (1) separate serial maturities or amortization installments have not been established for such Non-Self Sufficient Debt and (2) amortization of such debt is otherwise required pursuant to the Covenant Ordinance and (b) with respect to designated maturity debt, the principal amortization for each series thereof is in accordance with the Covenant Ordinance, assuming that the final maturity of each series of designated maturity debt shall be no later than thirty years from the date of original issuance thereof. Each proposed amortization installment set forth in such certificate shall be on a date, which is on or after the first optional redemption date for such Non-Self Sufficient Debt.

(3) The City may, from time to time, amend the amortization certificate requirements established pursuant to paragraph (2) above if the new amortization schedule would not cause the City to violate the anti-dilution tests set forth in paragraph (1) above and the amortization requirements of Variable Rate Bonds and Non-Self Sufficient Debt as set forth in the Covenant Ordinance, as re-calculated on the date of amendment to such amortization schedule.

(4) The certificate of amortization provided pursuant to paragraph (2) above, as amended from time to time as provided in paragraph (2) above shall not create an enforceable right or expectation of Bondholders to have Bonds redeemed or retired but is intended to document the City's ability and intent to comply with the requirements of the Covenant Ordinance.

As stated in the Covenant Ordinance, the City may issue Non-Self Sufficient Debt (including Additional Bonds) if it has complied with the requirements of the Covenant Ordinance. The following table shows the percentage of Non-Self Sufficient Debt as a percentage of Covenant Revenues for each of the last five years.

**CALCULATION OF COVENANT REVENUES
AND ANTI-DILUTION TEST LIMITATION**

	For Year Ended September 30					Pro-Forma
	2002	2003	2004	2005	2006	2006 (6)
Covenant Revenues						
General Fund Revenue	\$ 200,503,031	\$ 215,075,374	\$ 230,383,121	\$ 258,387,073	\$ 296,906,996	\$ 296,906,996
Interfund Transfer In	37,693,325	48,582,923	39,871,060	39,493,332	40,352,310	40,352,310
Utilities Services Tax						
Fund Revenue	40,004,796	38,462,398	38,305,546	39,662,940	41,512,136	41,512,136
Total Revenues	<u>278,201,152</u>	<u>302,120,695</u>	<u>308,559,727</u>	<u>337,543,345</u>	<u>378,771,442</u>	<u>378,771,442</u>
Less:						
Ad-valorem Tax Revenues	68,620,497	71,676,754	76,985,876	82,993,998	92,732,716	92,732,716
Revenues Not Legally Available						
for Debt Service (1)	3,249,093	3,338,074	3,252,657	3,261,851	3,293,824	17,151,884
Internal Transfer (2)	<u>35,612,730</u>	<u>36,500,000</u>	<u>37,500,000</u>	<u>36,954,707</u>	<u>37,808,139</u>	<u>37,808,139</u>
Total Covenant Revenues	<u>\$ 170,718,832</u>	<u>\$ 190,605,867</u>	<u>\$ 190,821,194</u>	<u>\$ 214,332,789</u>	<u>\$ 244,936,763</u>	<u>\$ 231,078,703</u>
25% Limitation (3)	\$ 42,679,708	\$ 47,651,467	\$ 47,705,299	\$ 53,583,197	\$ 61,234,191	\$ 57,769,676
Maximum Annual Debt Service (4)	12,537,272	12,537,272	26,615,119 (5)	26,760,182 (5)	21,200,679	21,200,679
% of Limit	29.38 %	26.31 %	55.79 %	49.94 %	34.62 %	36.70 %
% of Covenant Revenues	7.34 %	6.58 %	13.95 %	12.49 %	8.66 %	9.17 %

(1) Represents amounts that the City believes are not legally available for debt service. There are no assurances that in future years the percentage of revenues not legally available for debt service will not increase.

(2) To alleviate duplicate counting must reduce by amount of revenues shown in both.

(3) Defined as 25% of the available Covenant Revenues if the year in which the Maximum Annual Debt Service on Non-Self Sufficient Debt occurs is less than six years from the date of calculation. The percentage is 35% if the year in which the Maximum Annual Debt Service on Non-Self Sufficient Debt occurs is more than six years from the date of calculation.

(4) Includes all Non Self Sufficient Debt. The interest rate for the Prior Sunshine State Loans is estimated at 3.77% plus the line of credit fees of 9.5 basis points, remarketing fees of 4.75 basis points and insurance and others of 9.4 basis points for an aggregate total of 4.0065%. The interest rate for the tax-exempt Series H Sunshine State Loan is estimated at 3.925% plus the line of credit fees of 11 basis points, remarketing fees of 5 basis points, insurance and others of 2.6 basis points for an aggregate total of 4.111%. The interest rate for the taxable Series H Sunshine State loan is estimated at 5.6734% plus the line of credit fees of 11 basis points, remarketing fees of 5 basis points, insurance and others of 2.6 basis points for an aggregate total of 5.8594%.

(5) The significant increase in maximum annual debt service is impacted by the repayment of the Working Capital Loan, which individually adds \$10,000,000 & \$10,580,000, respectively, in principal repayment.

(6) Insurance Premium Taxes of \$3,293,824 and Building Permits and fees of \$13,858,060.

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Issuance of Additional Bonds

The City may not issue any obligations payable from the amounts deposited in the funds and accounts created under the Covenant Ordinance, or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of any Bonds issued pursuant to the Covenant Ordinance upon such funds and accounts, except under the conditions and in the manner described below.

Except as otherwise provided in the Covenant Ordinance, no series of Additional Bonds may be issued under the Covenant Ordinance unless the City shall have first complied with the requirements set forth below:

(1) There shall have been obtained and filed with the Governing Body the report required for the issuance of such Additional Bonds as Non-Self Sufficient Debt as described under paragraphs (1) and (2) above under "Non-Self Sufficient Debt."

(2) In addition to the foregoing, the City may issue at any time and from time to time Additional Bonds for the purpose of refunding any series of bonds, or any maturity of bonds within a series, without the necessity of complying with the requirements contained in subparagraph (1) above, provided that prior to the issuance of such bonds there shall be filed with the Governing Body of the City a certificate from an independent certified public accountant to the effect that (a) the net proceeds from such Additional Bonds will be sufficient to cause the lien created by the Covenant Ordinance with respect to the Series of Bonds to be refunded to be defeased and (b) the debt service requirement with respect to such Additional Bonds in each bond year following the issuance thereof shall be equal to or less than the debt service requirement for such bond year with respect to the bonds which would have been outstanding in that bond year had the same not been refunded pursuant to the Covenant Ordinance. In addition, prior to the issuance of such bonds, there shall be filed with the Governing Body of the City, an opinion of Bond Counsel to the effect that (a) the proceeds from the sale of such Additional Bonds have been set aside in irrevocable escrow for the payment of the bonds to be refunded in the manner described in the Covenant Ordinance and (b) the issuance of such Additional Bonds and the use of the proceeds thereof as described above will not have the effect of causing the interest on any Bond then outstanding under the Covenant Ordinance (other than bonds issued as taxable debt), including the Bonds to be refunded, to become includable in the gross income of the owner thereof for federal income tax purposes.

Bonds issued pursuant to the terms and conditions of the Covenant Ordinance shall be deemed on a parity with all Bonds then outstanding, and all of the covenants and other provisions of the Covenant Ordinance shall be for the equal benefit, protection and security of the Holders of any Bonds originally authorized and issued pursuant to the Covenant Ordinance and the Holders of any Bonds evidencing additional obligations subsequently created within the limitations of and in compliance with the Covenant Ordinance; provided, however, that separate subaccounts in the Reserve Account created pursuant to the Covenant Ordinance shall secure only the series of bonds with respect to which such sub account was created. Bonds shall be issued only for the purpose of financing one or more projects, or for the purpose of refunding any obligations previously issued for such purposes.

Amortization of Variable Rate Bonds and Designated Maturity Debt

The City has covenanted that it will not issue bonds constituting variable rate debt under the terms of the Covenant Ordinance unless the maximum interest rate payable on such Bonds does not exceed 15% per annum.

With respect to each series of Non-Self Sufficient Debt issued on or after the date of issuance of the first series of bonds issued under the Covenant Ordinance, the City covenants to refund or redeem Bonds or other Non-Self Sufficient Debt of such series in such amounts and at such times as shall cause the original principal (or, with respect to Capital Appreciation Debt, accreted value at maturity) of such series of bonds or other Non-Self Sufficient Debt to be amortized (by payment or defeasance) no less quickly than in equal annual installments over at least the last one-third of the original stated term to maturity (or with respect to designated maturity debt, over the last one-third of the amortization schedule with respect to such designated maturity debt as set forth in the Amortization Certificate). Pursuant to the Covenant Ordinance, "Designated Maturity Debt" means all Non-Self

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Sufficient Debt of a Series, or a particular maturity thereof, with a stated maturity of fifteen (15) years or less, designated as such by supplemental ordinance or resolution of the City adopted prior to the issuance thereof, for which either (a) no Serial maturities or Amortization Installments or mandatory sinking fund redemption installments (with respect to other Non-Self Sufficient Debt) have been established or (b) the aggregate of such Serial maturities and Amortization Installments or mandatory sinking fund redemption installments that have been established is less than the principal amount of such Non-Self Sufficient Debt. For purposes of the Covenant Ordinance, the City has designated the Series 2002 Bonds, the Series 2004 Bonds, the Series 2005B and the 2006B Bonds as Designated Maturity Debt.

Medium Term Note Program

The 2002 Bonds and the 2004 Bonds were issued as part of the City's medium term note program. The 2002 Bonds were issued in \$5,000,000 pieces maturing April 1 in 2004, 2005, 2006, 2008, 2010, and 2012 with a \$3,690,000 piece maturing in 2014. The 2004 Bonds were issued in \$5,000,000 pieces maturing in 2007 and 2011, with a \$5,070,000 piece maturing in 2009. The City plans to "roll" each of these maturities in the medium term market (maturities of 1 to 15 years) and ultimately amortized minimally over the last ten (10) years of their thirty-year nominal life. Both of these bond issues and the subsequent "rolls" of their individual maturities (including the 2005B and 2006B Bonds), are, or will be, Designated Maturity Debt.

The City will not issue Additional Bonds under the Covenant Ordinance as Designated Maturity Debt unless the following two conditions are met:

- (1) The Issuer shall provide on an annual basis a forecast showing that the liquidity portion of its investment portfolio as of the next ensuing April 1 (the "Forecast Date"), is not less than 200% of the largest aggregate principal amount of all outstanding Designated Maturity Debt maturing in any future fiscal year, including any additional Designated Maturity Debt proposed to be issued before the Forecast Date (the "Maximum Annual Maturity Amount"); and
- (2) after the issuance thereof, the aggregate principal amount of all Designated Maturity Debt issued under the Covenant Ordinance (including the Designated Maturity Debt proposed to be issued) maturing in any one fiscal year will not exceed \$12,000,000.

The Issuer may issue Designated Maturity Debt without complying with clauses (1) and (2) above only if it covenants by resolution prior to the issuance of such Designated Maturity Debt to meet and comply with the following two requirements:

- (I) The Issuer will (a) continue to comply with the requirements set forth in clause (1) with respect to the first \$12,000,000 of such Maximum Annual Maturity Amount and (b) in addition, provide and maintain during the term that the Designated Maturity Debt proposed to be issued remains outstanding, a Liquidity Facility from a Qualified Provider in an amount not less than 50% of the Maximum Annual Maturity Amount. A Liquidity Facility refers to a line of credit, letter of credit, standby purchase agreement or similar instrument providing liquidity (but not necessarily credit enhancement). Qualified Provider refers to a Liquidity Facility provider whose short term credit ratings are in the highest two categories by at least two of the nationally recognized rating services (e.g., A-1, P-1 and F-1 ratings from S&P, Moody's and/or Fitch, respectively); and
- (II) The Maximum Annual Maturity Amount for all Designated Maturity Debt issued under the Covenant Ordinance, including the Designated Maturity Debt proposed to be issued, will not exceed \$20,000,000.

If at any time after the issuance of Designated Maturity Debt in accordance with clause I), the Maximum Annual Maturity Amount of all Designated Maturity Debt then outstanding is less than \$12,000,000, the Issuer's covenants under this clause (I) shall terminate sixty (60) days following the Issuer's notification to the nationally recognized rating agencies then providing ratings on the Designated Maturity Debt (the "Applicable Rating Agencies") of the conditions permitting termination of such covenants, and following the termination of the liquidity facility required by clause (I)(b) above, the Issuer shall then abide by its covenants under clauses (1) and (2) above.

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The foregoing provisions may be modified by the Issuer from time to time without the consent of any holders of Bonds issued under the Covenant Ordinance so long as (i) the Issuer notifies the Applicable Rating Agencies of such proposed change and (ii) the Issuer receives written confirmation from at least two of the Applicable Rating Agencies that such change will not adversely affect the then current ratings on such Designated Maturity Debt.

As of September 30, 2006

Forecasted Liquidity Portfolio as of 4/1/07	Forecasted Maximum Annual Maturity of the Medium Term Notes	Forecasted Year of Maximum Annual Maturity	Forecasted Liquidity Portfolio as a % of Annual Maturity	Minimum Liquidity Portfolio Required as % of Annual Maturity
\$161,200,000	\$9,960,000	2008	1618%	200%

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INTERNAL LOAN (BANKING) FUND

During 1986-87, the City created the Internal Loan Fund to provide interim or longer-term financing to other funds. The financing for the Fund's loan activities was initially funded with proceeds of Non-Self Sufficient Debt and continues to be funded through the re-lending of portions of loan repayments. The loan documents, between the Internal Loan Fund and the various recipient funds, set forth expectations for project use, principal amortization, if appropriate, and revenue(s) sources for repayment.

**Internal Loan (Banking) Fund
Summary of Loan Program and Activity
(In Thousands)**

Loan Recipient	Project	Outstanding Loan 9/30/2005	Loan Activity	Current Year Principal Payments	Outstanding Loan 9/30/2006	FY 2007 Principal Amortization	Amortization	
							Term	Maturity
Primary Government:								
General Fund	City Hall Construction	\$ 14,330	\$ -	\$ (2,050)	\$ 12,280	\$ 2,173	20	2012
General Fund	Dubsdread Golf Course	2,101	-	(223)	1,878	225	20	2016
General Fund	Dubsdread Golfcarts/Equipmen	199	58	(64)	193	78	04	2009
Special Assessment	Historic District Street Restorati	595	-	(50)	545	50	10	2012
Special Assessment	Hotels	3,982	-	(153)	3,829	164	15	2019
Special Assessment	Church Street Incentive (1)	1,630	-	-	1,630	-	10	2019
Special Assessment	55 West Public Plaza (2)	2,000	-	-	2,000	-	12	2019
Special Assessment	55 West Construction	7,000	-	-	7,000	-	(3)	2015
Special Assessment	The Plaza Construction	14,000	-	-	14,000	-	(3)	2007
Special Assessment	The Paramount at Lake Eola	-	2,000	-	2,000	-	08	2017
Capital Improvement	Parks Initiative	27,450	-	(2,033)	25,417	2,033	15	2019
Capital Improvement	Narcoossee Rd. Construction	14,248	-	(1,107)	13,141	1,167	20	2015
Capital Improvement	City Hall Garage	6,372	-	(621)	5,751	664	15	2013
Capital Improvement	LYMMO Construction	665	-	(322)	343	344	10	2007
Capital Improvement	John Young Parkway Construc	2,292	-	(274)	2,018	290	15	2012
Capital Improvement	Lee Vista Project	4,241	-	(307)	3,934	328	15	2015
Capital Improvement	FY03-04 Projects	26,000	-	(1,100)	24,900	1,100	20	2025
Capital Improvement	Real Estate Acquisition	-	8,500	-	8,500	273	20	2026
Disaster Fund	Hurricane Working Capital	20,000	-	(20,000)	-	-	-	-
CRA	Housing Incentives	11,288	-	(715)	10,573	765	13	2016
CRA	Parramore Charter School	1,050	-	(183)	867	196	10	2010
CRA	Parramore Housing/Office	11,744	-	(421)	11,323	451	18	2021
CRA	I/4 Conroy Road Project	950	-	(585)	365	-	(3)	2007
CRA	The Plaza Cornerstone Project	3,500	-	-	3,500	-	18	2022
CRA	Expo Center Renovation	4,200	-	(280)	3,920	280	15	2020
Centroplex	Arena Construction	6,737	-	(1,517)	5,220	1,623	20	2009
Parking	Administration Garage Constru	2,549	-	(219)	2,330	235	20	2014
Parking	Courthouse Garage Constructi	8,971	-	(215)	8,756	230	20	2016
Parking	Jefferson St. Garage Construct	-	21,200	-	21,200	-	18	2025
Fire Academy	Pumper Truck/Trailer	293	-	(42)	251	42	10	2012
Total Primary Government		<u>198,387</u>	<u>31,758</u>	<u>(32,481)</u>	<u>197,664</u>	<u>12,711</u>		
Component Unit:								
CFA	Tinker Field Renovation	775	-	(125)	650	134	20	2011
CFA	Citrus Bowl Skybox	735	-	(41)	694	46	25	2015
CFA	Citrus Bowl Administration Bldg	379	-	(53)	326	57	20	2011
CFA	Citrus Bowl Land Acquisition	263	-	(37)	226	39	20	2011
Total Component Unit		<u>2,152</u>	<u>-</u>	<u>(256)</u>	<u>1,896</u>	<u>276</u>		
Total		<u>\$ 200,539</u>	<u>\$31,758</u>	<u>\$ (32,737)</u>	<u>\$ 199,560</u>	<u>\$ 12,987</u>		

(1) Interest only; principal amortization starts in FY2008-2009 for 10 years.

(2) Interest only; principal amortization starts in FY2007-2008 for 12 years.

(3) Interest only; balloon payment in the year stated on the maturity column.

(4) Interest only; principal amortization starts in FY2007-2008 for 15 years.

Relendable Proceeds Analysis:

Amount available 9/30/05	\$ 7,696
Proceeds from Bonds and Loans	29,449
User Funds' Debt Service Payments	41,409
Increase in Reserve and Other Investment Activities	(1,911)
Investment Income Earned	1,268
New Loans	(31,758)
Debt Service Payments and Refunding of debt	(36,200)
Administrative Expenses and Other Fees	(504)
Amount Available 9/30/06	<u>9,449</u>
Bond Principal Payment due 10/1/06	<u>(5,620)</u>
Amount Available 10/1/06	<u>\$ 3,829</u>

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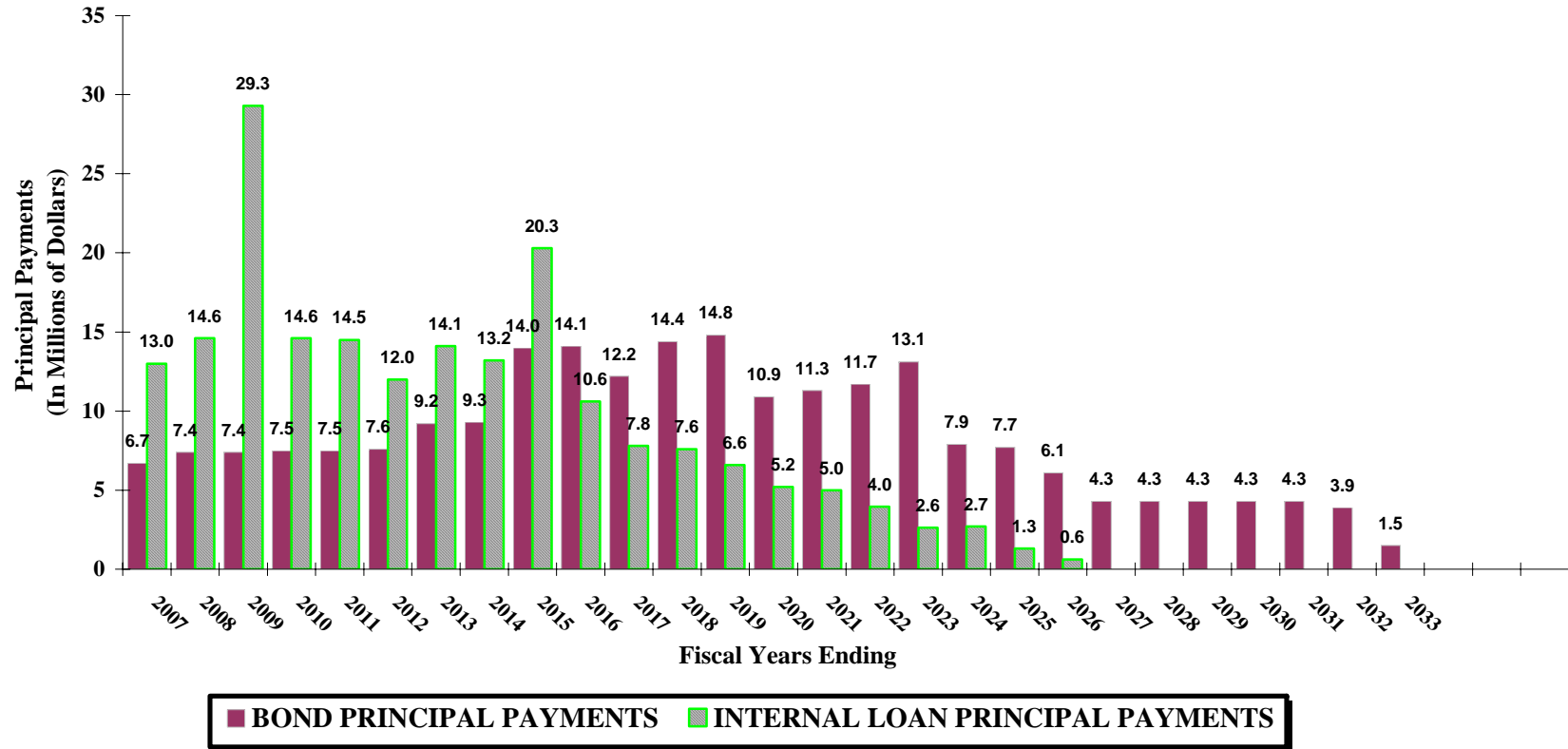
The Internal Loan Fund has been funded with a combination of fixed (including medium term notes) and variable rate Non-Self Sufficient Debt, thus providing the City with the stability of fixed rate debt and the lower cost of variable rate debt. While new money bonds are always associated with a particular project, in actuality each represents debt issued for the Internal Loan Fund (the Covenant Program) and equally and separately there is a loan from the Internal Loan Fund to the specific project. All internal loans are based on a blended cost of money interest charge that is based on a weighted average blending of the long term fixed rate (which were improved by the Covenant Program Refunding), short term variable rate (including related carry and hedging costs) and the medium term rate costs.

Loans under the Internal Loan Fund program have shorter maturities than the Non-Self Sufficient Debt which funded the program. This permits the City to lend portions of the loan repayments to fund other projects. As a requirement of the Internal Loan Fund, in light of the Program's intention to mismatch loan amortizations with external debt amortizations, City staff reports to the City Council annually as to how loan amortizations will be used to meet external debt amortization requirements. The bar chart which follows on page A-27 compares total loan amortization (as of September 30, 2006) with the related external debt amortization. The City Council is able to amend loan amortization terms (to either lengthen or shorten) at will.

Under IRS restrictions, the excess loan amortization may be used to (a) lend to fund new projects or (b) reduce the amount of debt outstanding. Over the next five years, the City anticipates the great majority of the excess loan amortizations will be re-utilized and be available to lend for new projects. The schedule on page A-28 compares the cumulative relendable proceeds to the external debt outstanding principal balance.

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**CITY OF ORLANDO
BANKING FUND LOAN/BOND AMORTIZATION SCHEDULE
AS OF SEPTEMBER 30, 2006**



CITY OF ORLANDO, FLORIDA

**INTERNAL LOAN FUND
CALCULATION OF RELENDABLE PROCEEDS AND NET DEBT OUTSTANDING
AS OF September 30, 2006**

	External Debt		Internal Loan Principal Payments c	Bond Cost/ Discount Amortization d	Relendable Proceeds		Net External Debt Outstanding b-e
	Principal Payments a	Balance Outstanding b			Annual c+d-a	Cumulative e	
Beg. Bal.		\$227,811,338				\$9,449,077	(1)
9/30/2007 (2)	6,717,134	221,094,204	12,988,225	191,391	6,462,482	15,911,559	205,182,645
9/30/2008	7,352,134	213,742,070	14,566,738	200,846	7,415,450	23,327,009	190,415,061
9/30/2009	7,412,134	206,329,936	29,316,308	(5) 272,460	22,176,634	45,503,643	160,826,293
9/30/2010	7,467,134	198,862,802	14,633,301	281,866	7,448,033	52,951,676	145,911,126
9/30/2011	7,542,134	191,320,668	14,472,849	274,810	7,205,525	60,157,201	131,163,467
9/30/2012	7,607,134	183,713,534	12,003,664	350,554	4,747,084	64,904,285	118,809,249
9/30/2013	9,182,134	174,531,400	14,055,546	342,743	5,216,155	70,120,440	104,410,960
9/30/2014	9,267,134	165,264,266	13,166,155	337,087	4,236,108	74,356,548	90,907,718
9/30/2015 (3)	14,019,134	151,245,132	20,255,187	(6) 331,423	6,567,476	80,924,024	70,321,108
9/30/2016	14,104,132	137,141,000	10,621,037	321,428	-3,161,667	77,762,357	59,378,643
9/30/2017 (4)	12,209,000	124,932,000	7,790,059	266,930	-4,152,011	73,610,346	51,321,654
9/30/2018	14,442,000	110,490,000	7,642,453	215,408	-6,584,139	67,026,207	43,463,793
9/30/2019	14,832,000	95,658,000	6,631,907	167,066	-8,033,027	58,993,180	36,664,820
9/30/2020	10,901,000	84,757,000	5,163,830	119,184	-5,617,986	53,375,194	31,381,806
9/30/2021	11,321,000	73,436,000	5,036,136	69,457	-6,215,407	47,159,787	26,276,213
9/30/2022	11,741,000	61,695,000	3,951,471	23,671	-7,765,858	39,393,929	22,301,071
9/30/2023	13,096,000	48,599,000	2,626,364	16,503	-10,453,133	28,940,796	19,658,204
9/30/2024	7,876,000	40,723,000	2,715,623	9,111	-5,151,266	23,789,530	16,933,470
9/30/2025 (4)	7,662,000	33,061,000	1,300,958	6,426	-6,354,616	17,434,914	15,626,086
9/30/2026	6,092,000	26,969,000	622,420		-5,469,580	11,965,334	15,003,666
9/30/2027	4,307,000	22,662,000			-4,307,000	7,658,334	15,003,666
9/30/2028	4,307,000	18,355,000			-4,307,000	3,351,334	15,003,666
9/30/2029	4,307,000	14,048,000			-4,307,000	-955,666	15,003,666
9/30/2030	4,307,000	9,741,000			-4,307,000	-5,262,666	15,003,666
9/30/2031	4,307,000	5,434,000			-4,307,000	-9,569,666	15,003,666
9/30/2032	3,927,000	1,507,000			-3,927,000	-13,496,666	15,003,666
9/30/2033	1,507,000	0			-1,507,000	-15,003,666	15,003,666

NOTES:

- (1) Beginning Balance
- (2) Sunshine State Governmental Financing Commission loans principal amortized @ \$900,000 in FY2005-2006, \$1,097,134 in FY2006-2007, \$3,797,134 in FY2007-2008 thru FY2011-2012 and \$5,297,134 in FY2012-2013 thru FY2015-2016.
- (3) SSGFC Tax-exempt Series H principal amortized over 10 years @ \$1,851,000 per year starting in FY2014-2015 thru FY2023-2024.
- (4) Principal amortization for the 2002 Bond issue starts; next principal amortization is in FY 2024-25 thru FY 2031-32.
Principal amortization for the 2004 Bond issue starts; next principal amortization is in FY 2024-25 thru FY 2032-33.
- (5) Includes \$14M balloon payment on The Plaza construction loan.
- (6) Includes \$7M balloon payment on the 55 West Parking Garage.
- (7) At this point, the reserve of \$17,238,925 as of September 30, 2006 exceeds outstanding debt.

CITY OF ORLANDO, FLORIDA

MANAGEMENT OF THE SYSTEM

The Mayor is the Chief Executive Officer with ten departments reporting to him (Centroplex, Economic Development, Families, Parks & Recreation, Finance, Fire, General Administration, Housing, Police, Public Works, and Transportation). The Chief Administrative Officer assists him in the day-to-day oversight of city operations. Separately, under the Mayor's Chief of Staff, there are five offices (Audit Services & Management Support, City Clerk, Communications, Human Relations, and Neighborhood & Community Affairs).

Mayor Buddy Dyer is a native of Central Florida, born in Orlando and raised in the nearby City of Kissimmee. Following graduation from high school, he was awarded a scholarship to Brown University where his studies were concentrated on civil engineering. Upon graduation, Mayor Dyer returned to Orlando to work as an environmental engineer, later enrolling in the University of Florida Law School, where he was named editor-in-chief of the University of Florida Law Review. Following graduation from law school, Mayor Dyer began his legal career with the Orlando law firm of Winderweede, Haines, Ward & Woodman. Prior to becoming Mayor, Buddy Dyer served the Orlando area for ten years as State Senator in the Florida Legislature. Mayor Dyer was first elected on February 25, 2003, to fill a remaining one-year term. Mayor Dyer was re-elected on March 9, 2004 to a full four-year term, commencing June 1, 2004.

Financial and Budgetary Support Systems

The Chief Financial Officer (CFO) is responsible for the oversight of the City's financial affairs. This includes the functions of accounting, accounts payable, accounts receivable, operating and capital budgeting, financial forecasting, financial reporting, debt management, investment management, investor relations, payroll, pension management and risk management. In addition, the CFO provides counseling to various Departments and Business Units and is an active participant in strategic planning activities.

The City has been recognized for both its CAFR and its annual budget document. A Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City by the GFOA for each fiscal year since 1978. The City was also an early participant in the GFOA's Distinguished Budget Presentation Awards program and received the budget award for its budget document for fiscal years 1984 through 1989. Due to perceived problems with consistency in the budget awards program at the time, the City elected to discontinue participation but maintain internally the high standards which had been recognized. In light of substantial changes to the program recently, the City resumed its participation beginning with its fiscal year 2004 Budget document. The City has been awarded the Distinguished Budget Presentation Award for its budget document for fiscal years 2004, 2005, and 2006.

Rebecca W. Sutton, C.P.A., was appointed Chief Financial Officer on December 5, 2005. Before joining the City, she served the State of Florida as its Deputy Chief Financial Officer from September 2002 to December 2005; and as Deputy Secretary/CIO for the Department of Management Services from December 2001 to September 2002. Prior to her service with the State, Ms. Sutton worked for American Management Systems (AMS) implementing ERP-like system projects for large state and local governments. Before joining AMS, she served as the Controller for the City of Dallas and the Director of Finance for Carrollton, Texas. Ms. Sutton began her career as an auditor for state and local governments for a worldwide accounting firm.

Donnie R. Jones, C.P.A., was appointed City Treasurer in November 2006. Prior to joining the City, Mr. Jones, worked over eight years in the Institutional Trust Division of a large Mid-Western Bank as Vice-President and Manager and served over 19 years as the Chief Financial Officer/Auditor of the City of Norwood, Ohio.

CITY OF ORLANDO, FLORIDA

**NON-SELF SUFFICIENT PROPRIETARY DEBT
ORANGE COUNTY CIVIC FACILITIES AUTHORITY**

The Civic Facilities Authority (CFA) was created as a separate legal entity by Legislative Special Act in 1972 and is charged with the activities of the Citrus Bowl football stadium and the Tinker Field baseball facility. In 1973, the CFA issued the 1973 CFA Bonds. The City is primarily responsible for the budget, debt, deficit and management of the CFA in accordance with the 1976 tri-party agreement between the CFA, the City and Orange County. The City, by this agreement, assumed responsibility for completing the expansion of the Citrus Bowl and the rights and responsibilities to operate and manage the CFA facilities. In addition, the City agreed to fund the difference between CFA revenues and total revenue bond debt service and operating requirements of the CFA. This pledge of non ad valorem revenue is effectively the same pledge as the covenant to budget and appropriate and the CFA debt is included in those coverage schedules.

On October 1, 1976, the City issued \$2,800,000 of Guaranteed Entitlement Bonds, the proceeds of which were used to refinance the construction loans made for the benefit of the CFA under the Operation and Management Agreement. Under the terms of that agreement, amounts expended by the City for the expansion of the Citrus Bowl (including bonds used to finance such construction) are required to be repaid by the CFA. In addition, the City's annual debt service payments on the 1976 Bonds made on behalf of the CFA are regarded as loans to the CFA. On October 1, 2005, the 1976 Bonds were retired.

By agreement between the CFA and Orange County, which related to the issuance of the 1973 CFA Bonds and was reaffirmed in the 1976 tri-party agreement, the County contributes \$200,000 annually toward the 1973 CFA Bonds debt service. This contribution is also treated as a loan. As a result of treating the City and County contributions as loans, unrestricted net assets of the CFA reflect a negative balance.

The maximum annual debt service reflected in the table entitled "Calculation of Covenant Revenues and Anti-Dilution Test Limitation" (see page A-20) includes the maximum debt service on the CFA Bonds. The debt service requirements (see pages A-6 and A-7) reflect the total obligation without considering the County's annual payment.

**Schedule of Guaranteed Entitlement Revenue Bonds, Series 1976, Coverage (a)
Last Three Fiscal Years**

<u>Fiscal Year</u>	<u>Revenue Available for</u>			<u>Debt Service Requirement</u>	
	<u>Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2004	\$1,969,237	180,000	22,424	202,424	9.73
2005	\$1,969,237	190,000	11,500	201,500	9.77
2006	\$1,969,237	200,000	0	200,000	9.85

(a) Paid off on October 1, 2005.

**Schedule of Civic Facilities Revenue Bonds, Series 1973, Coverage
Last Three Fiscal Years**

<u>Fiscal Year</u>	<u>Revenue Available for</u>			<u>Debt Service Requirement</u>	
	<u>Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2004	513,613	210,000	103,613	313,613	1.64
2005	509,101	220,000	89,101	309,101	1.65
2006	508,744	235,000	73,744	308,744	1.65

CITY OF ORLANDO, FLORIDA



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The VUE

The VUE is a 35-story residential condominium tower located off of beautiful Lake Eola. Currently under construction, the 375 unit building is now the second tallest building in Downtown Orlando.



CITY OF ORLANDO, FLORIDA

**WASTEWATER SYSTEM FUND
BOND DISCLOSURE SUPPLEMENT**

**SUMMARY INFORMATION
As of September 30, 2006**

Individual Bond Issues:	<u>Outstanding</u>	<u>Ratings Moody's/S&P(1)</u>	<u>Insurance/Liquidity Provider</u>	<u>Paying Agent</u>	<u>Final Maturity</u>
Fixed Rate:					
Wastewater System Refunding					
Revenue Bonds, Series 1997C	7,700,000	N/A	AMBAC	The Bank of New York	10/1/2014
Wastewater System Refunding					
Revenue Bonds, Series 2002A	39,110,000	N/A	AMBAC	Bank One Trust Company,N.A.	10/1/2014
Wastewater System Refunding					
Revenue Bonds, Series 2003A	20,375,000	N/A	AMBAC	U.S. Bank Trust, N.A.	10/1/2011
Wastewater System Refunding					
Revenue Bonds, Series 2006A	<u>18,240,000</u>	N/A	MBIA	J.P. Morgan Trust Company,N.A.	10/1/2014
Sub-Total	<u>85,425,000</u>				
Variable Rate:					
Wastewater System Refunding					
Revenue Bonds, Series 1997A				Paying Agent:	10/1/2015
(Muni-CPIs)	<u>32,090,000</u>			SunTrust Bank of Central Florida, N.A.	
Sub-Total	<u>32,090,000</u>			Remarketing Agent:	
				Goldman, Sachs, & Co.	
Total Debt Outstanding	<u>\$ 117,515,000</u>				
Reserved for Debt Service:	<u>\$ 16,538,033</u>				
Revenue Pledge:					
Primary:					
Wastewater System Gross Revenues					
Available Impact Fee Revenues					
Secondary:					
Utilities Services Tax Revenues					
State Revolving Fund:	<u>\$ 12,508,082</u>	N/A	N/A	N/A	
Defeased Debt:	<u>Outstanding</u>	<u>Call Date or Final Maturity</u>			
Sewer Revenue Bonds, Series 1978	\$ 2,240,000	4/1/2007			

(1) Issues are rated based on credit enhancements (bond insurance), and do not reflect the underlying System rating of Aa3 and AA- from Moody's and S&P, respectively.

CITY OF ORLANDO, FLORIDA

INTRODUCTION

The Wastewater System consists of a network of approximately 760 miles of gravity sewers, over 200 lift stations, approximately 170 miles of force mains, three service areas, and three wastewater treatment plants.

The System currently provides treatment capacity to the City and a number of other jurisdictions (portions of unincorporated Orange and Seminole Counties, and the Cities of Casselberry, Maitland and Winter Park) servicing approximately 280,000 residents. The System has historically been divided into the easterly and westerly subsystems. The easterly subsystem is served by the 40 million gallons per day ("MGD") facility known as the Iron Bridge Regional Water Reclamation Facility (the "Iron Bridge Plant"), and the 7.5 MGD Water Conserv I Water Reclamation Facility (the "Conserv I Plant"). The westerly subsystem is served by a 25 MGD facility known as the Water Conserv II Water Reclamation Facility (the "Conserv II Plant"). The map on the following page more clearly defines the related service areas for the City's three wastewater treatment plants.

The City established a base of old customers as of 1983. Capacity revenues collected from the old customers are used only for improvements to the System. Capacity fees collected from new customers are used only for expansions to the System. Commodity fees are strictly used for operating and maintenance expenses. The capacity fee includes a debt service element and a capital expansion element. The debt service element (Senior Bonds) is a calculated percentage of the improvement revenues (old customers) and the expansion revenues (new customers). The capital expansion element is the remaining percentage of the improvement and expansion revenues. The City uses the debt service element of the capacity fee paid by new customers, along with the (one-time) Impact Fee charge recognized in a particular year and earnings on Impact Fee balances, to meet the expansion portion of the debt service element.

City/County Territorial Agreement

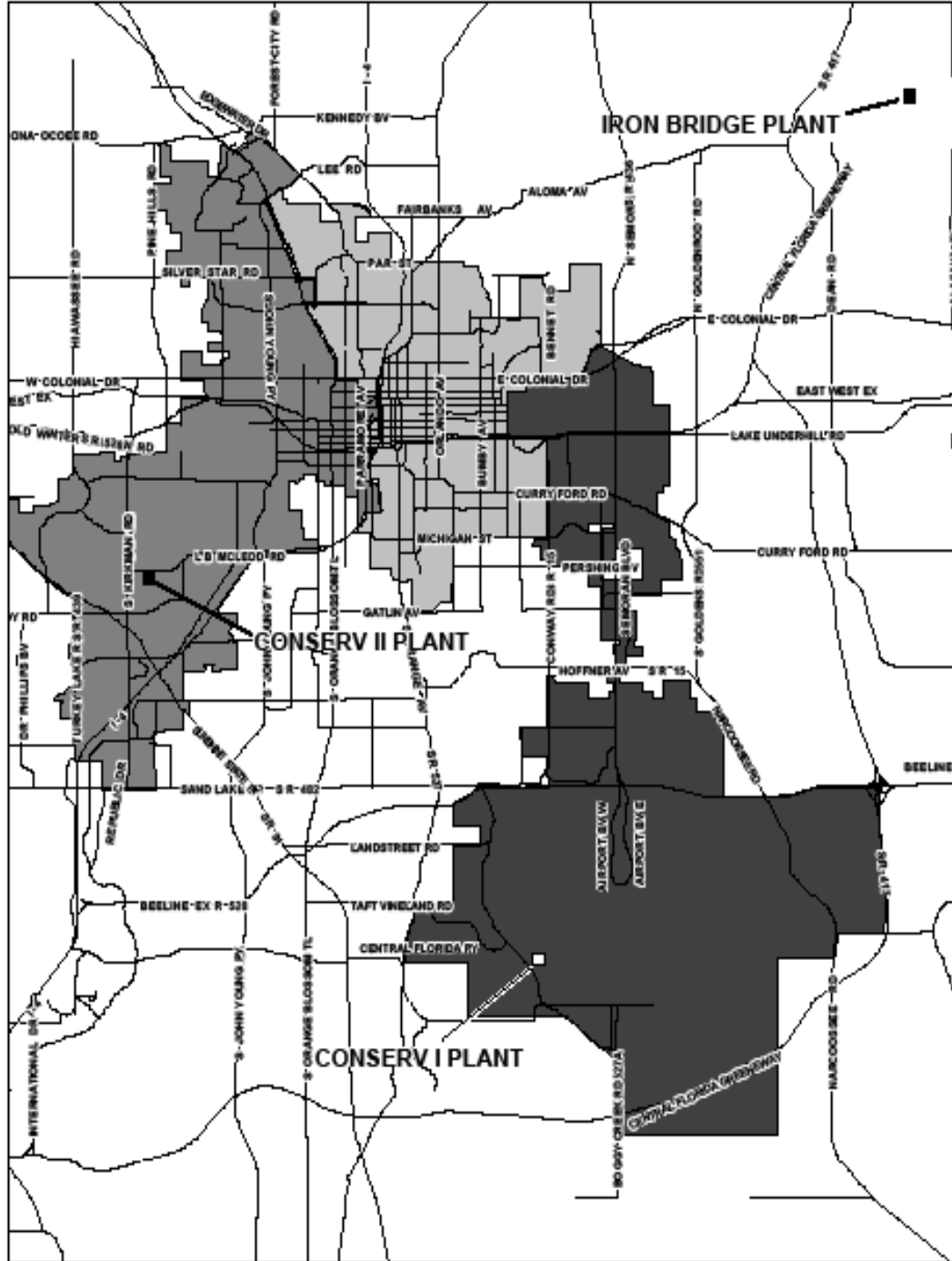
On May 4, 1994, a Wastewater Service Territorial Agreement was entered into between the City of Orlando and Orange County in order to define the City's service area and to prevent unrestrained growth by annexation. Pursuant to the agreement, the City agreed to annex and/or provide wastewater service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




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

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

CITY OF ORLANDO, FLORIDA

SEWER SERVICE AREAS WITHIN ORLANDO CITY LIMITS



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

CITY OF ORLANDO, FLORIDA

OUTSTANDING INDEBTEDNESS

Outstanding Bond Issues

As of September 30, 2006, the Wastewater System had a total of five outstanding bond issues that are described below.

The Series 1997A Bonds were issued to current refund the Series 1990A Waste Water System Refunding Revenue Bonds. The Bonds were the first Muni CPI Bonds issued in the United States. The Bonds pay a floating rate of interest that is adjusted semi-annually based upon changes in the Consumer Price Index, plus a fixed spread rate. The City swapped the interest payments to another floating rate structure that pays the Bond Market Association Index rate minus nine basis points. The Swap agreement will expire on October 1, 2007, on which date there also is a mandatory tender for the outstanding bonds. The Bonds are multi-modal, and the City shall determine the next interest rate mode at least seven days prior to the mandatory tender date.

The Series 1997C Bonds, originally issued to advance refund the Series 1991A Waste Water System Refunding Revenue Bonds, were partially refunded by the Waste Water Series 2006A Bonds.

The Series 2002A Bonds were issued to current refund the Series 1986A Waste Water System Refunding Revenue Bonds and the Series 1993A Waste Water System Refunding Revenue Bonds maturing October 1, 2003 through October 1, 2014. The Bonds are callable at par on October 1, 2012.

The Series 2003A Bonds were issued to current refund the Series 1993B Waste Water System Refunding Revenue Bonds. The Bonds are not callable prior to maturity.

The Series 2006A Bonds were issued to current refund a portion of the Series 1997C Waste Water System Refunding Revenue Bonds maturing October 1, 2009 through 2014. The bonds are not callable prior to maturity.

The following table shows the debt service requirements for the Wastewater System's individual bond issues which are outstanding at September 30, 2006.

DEBT SERVICE REQUIREMENTS

Year Ending	Series <u>1997A (1)</u>	Series <u>1997C</u>	Series <u>2002A</u>	Series <u>2003A</u>	Series <u>2006A</u>	Total <u>Debt</u>
2007	4,389,254	2,751,265	4,514,400	3,748,344	372,907	15,776,170
2008	4,402,877	2,751,532	4,427,175	3,740,950	729,600	16,052,134
2009	4,423,294	2,748,769	4,370,081	3,736,519	729,600	16,008,263
2010	4,439,675	-	4,292,699	3,730,134	3,424,600	15,887,108
2011	4,460,966	-	4,179,413	3,726,966	3,422,400	15,789,745
2012	4,480,939	-	4,092,663	3,716,156	3,420,700	15,710,458
2013	4,503,366	-	7,894,131	-	3,414,400	15,811,897
2014	4,526,844	-	7,783,363	-	3,413,300	15,723,507
2015	4,554,792	-	7,701,000	-	3,417,000	15,672,792
2016	4,585,458	-	-	-	-	4,585,458
	<u>\$ 44,767,465</u>	<u>\$ 8,251,566</u>	<u>\$ 49,254,925</u>	<u>\$ 22,399,069</u>	<u>\$ 22,344,507</u>	<u>\$ 147,017,532</u>

(1) Interest was computed at 110% of the greater of (a) the CPI-U used for the October 1 payment (5.244%) or (b) the daily average in the CPI-U over the twelve month period ending August 31, 2006 (2.565%) and assumed Spreads as follows: 1.23% (2006); and 1.25% (2007). The Muni CPIs maturing on October 1, 2015 are assumed to be remarketed on October 1, 2007 at a spread of 1.25%. Therefore, the computed interest rates ranged from 6.998% to 7.018%.

CITY OF ORLANDO, FLORIDA

REVENUES OF THE SYSTEM

Rate Structure

The City allocates costs among all users by using a capacity/commodity method the City has utilized since 1984. This method distinguishes between capacity (capital) costs and commodity (operating) costs. Capital costs are identified and allocated to each user through a fixed monthly capacity charge based on Equivalent Residential Connections (ERC's). For residential users (both single and multifamily), a dwelling unit is equal to one ERC. One ERC is equal to 7,000 gallons per month. For commercial customers, the number of ERC's is determined based on a 12-month moving average of flows. In addition, operating, maintenance and equipment replacement costs are recovered through a usage-based commodity charge. Each user is billed based on each 1,000 gallons of actual water use.

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

Black and Veatch Corporation performed a review of the rates in early 2004 and concluded that it would be necessary for the City to increase both capacity and commodity rates to avoid detrimentally impacting the Wastewater Reserve Account. The revenue derived from the capacity charge increase has been pledged to repay state revolving fund loans, which were secured to help fund the wastewater capital program. The revised rates were adopted by City Council on August 23, 2004 and became effective on September 1, 2004. The commodity, or usage, charge was increased to \$2.65 per 1,000 gallons for In-City residential and commercial users and will automatically increase by 2.5% each September. The capacity charge for In-City residential and commercial users was increased to \$12.16 per ERC.

The City's rate structure includes a fifty (50) percent surcharge for Out-of-City customers as authorized under Florida Statutes, Section 180.191. This rate differential is based on the higher cost of servicing Out-of-City customers and in consideration of the contribution in taxes paid by the In-City customers, particularly through the Utilities Services Tax which is a surcharge levied on In-City utilities bills. Approximately half of the System's customers reside outside the corporate limits of the City. However, most of these are served through wholesale agreements with other governmental entities and are billed by those entities under their own rate structures. Of the individual customers billed directly by the City, approximately 3% reside outside the corporate limits of the City.

CITY OF ORLANDO, FLORIDA

Operating Revenues

Operating revenues are derived from the rates charged for wastewater treatment and related services provided by the System. The current rate schedule adopted by the City Council and the associated average monthly rates for 2006 are as follows:

	<u>Fixed Charge Per ERC</u>	<u>Charge Per 1,000 Gallons</u>	<u>Average Monthly Bill</u>
Single-family (1)			
In-City	\$ 12.16	\$2.72	\$29.84
Out-of-City	18.24	4.18	45.41
Multi-family (2)			
In-City			
One Bedroom or Efficiency	12.16	2.72	23.58
Two or more Bedrooms	12.16	2.72	28.48
Out-of-City			
One Bedroom or Efficiency	18.24	4.18	35.80
Two or more Bedrooms	18.24	4.18	43.32
Commercial (3)			
In-City	12.16	2.72	267.78
Out-of-City	18.24	4.18	407.66

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

Source: City of Orlando Finance Department.

Impact Fees

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

Impact Fees are \$9.00 per gallon per day (“GPD”) of capacity, or \$2,250 for a single-family residence assuming 250 GPD of capacity. Impact fee rates remain unchanged from 1999 levels; however, impact fee rates decreased in 1997 and again in 1999 to reflect the improved debt efficiency of the System's bond program. Additionally, effective January 1, 1997, the City reduced the assumed number of gallons per day used to calculate the total Impact Fee by 10% (e.g., single family residence decreased from 315 GPD to 284 GPD) to reflect the results of the System's conservation programs and the increased efficiency of indoor water plumbing fixtures in newly constructed housing. This allocation was further reduced in 2002 to the current level of 250 GPD, again as a result of the use of conservation fixtures in newer homes.

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

CITY OF ORLANDO, FLORIDA

The City has adopted Impact Fees for the years 2002 through 2006 as follows:

<u>Year</u>	<u>\$ Per GPD(1)</u>	<u>Single Family</u>	<u>Multi-Family</u>	<u>Commercial (based on 1,000 GPD)</u>
2002	9.00	\$ 2,250	\$1,710	\$9,000
2003	9.00	2,250	1,710	9,000
2004	9.00	2,250	1,710	9,000
2005	9.00	2,250	1,710	9,000
2006	9.00	2,250	1,710	9,000

- (1) In addition to the Impact Fee, the City charges a fee for wastewater collection system oversizing and extension of \$1.15 per gallon per day of capacity.

CITY OF ORLANDO, FLORIDA

The following table sets out the historical Impact Fee Account flow of funds for fiscal years 2002 through 2006 and the budgeted Impact Fee Account flow of funds for fiscal year 2007.

Impact Fee Account Flows (In Thousands)

	Actual (Historical) As of September 30,					Budgeted
	2002	2003	2004	2005	2006	2007
Beginning Balance	\$ 53,570	\$ 54,991	\$ 28,210	\$ 13,713	\$ 16,350	\$ 12,291
<u>Plus:</u>						
Impact Fee Revenue Realized	5,586	3,664	4,658	5,520	3,111	5,082
Capacity Charge Revenue (Expansion Portion)	3,254	3,276	4,962	7,108	7,186	6,841
Interest Earnings	3,259	2,730	986	1,236	2,466	591
Total Increases	12,099	9,670	10,606	13,864	12,763	12,514
<u>Less:</u>						
Contribution to Senior Debt Service	10,678	10,524	10,509	10,739	11,034	11,815
Contribution to Subordinate Debt Service	0	0	0	0	0	699
Contribution to Construction Funds	-	25,927	14,594	488	5,788	0
Total Decreases	10,678	36,451	25,103	11,227	16,822	12,514
Ending Balance	\$ 54,991	\$ 28,210	\$ 13,713	\$ 16,350	\$ 12,291	\$ 12,291
Balance Reserved for Redemption of Bonds or Capital Projects	42,978	16,202	2,640	4,630	22	22
Plus Stabilization Account Balance (1)	12,013	12,008	11,073	11,720	12,269	12,269
Ending Balance	\$ 54,991	\$ 28,210	\$ 13,713	\$ 16,350	\$ 12,291	\$ 12,291

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

Source: City's Finance Department

Comparative Wastewater Rates and Impact Fees

The System's rates and Impact Fees were compared with those of other Florida counties and municipalities, including neighboring communities, which compete with the City for development. A review of the comparative rates suggests that the City's monthly rates compare favorably to those of competing jurisdictions. A review of the comparative Impact Fees suggests that the City's fees also compare favorably to those competing jurisdictions. See "IMPACT FEES" herein for a more complete description.

CITY OF ORLANDO, FLORIDA

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

Comparative In-City Single-Family Monthly Rates September 30, 2006

	Fixed Charge	Rate per 1,000 Gals	Average Monthly Bill (1)	-Maximum- Charge	Gallons(2)
Orlando	\$ 12.16	\$2.72	\$29.84	\$50.24	14
Orange County	13.96	3.17	34.56	58.34	14
Seminole County	11.50	2.63	28.60	50.95	15
Brevard County	13.97	2.96	32.21	49.49	12
Escambia County	8.75 (3)	4.77	30.22	70.76	15
Gainesville	2.75	3.16	23.29	34.35	10
Hillsborough County	12.75	4.10	39.40	45.55	8
Kissimmee	6.91 (3)	3.45	22.44	N/A	N/A
Ocala	32.23	1.80 (4)	47.87	55.63	(5)

- (1) Assumes 6,500 gallons average monthly usage.
- (2) In 1,000's.
- (3) Includes allowance of 2,000 gallons.
- (4) Based on 100 cubic feet.
- (5) Maximum Charge is based on 1,300 cubic feet or 9,724 gallons.

Source: City of Orlando survey of above entities.

Wastewater Impact Fees for Single-Family Residences as of September 30, 2006

	Impact Fee and/or Other (1)	Connection Fees/ Other (2)	Total
Orlando	\$2,250	\$288	\$2,538
Orange County	2,487	-0-	2,487
Seminole County	2,100	80	2,180
Brevard County	2,257	250	2,507
Escambia County	1,602	550	2,152
Gainesville	1,217	-0-	1,217
Hillsborough County	2,955 (3)	-0-	2,955
Kissimmee	2,316	-0-	2,316
Ocala	4,988 (4)	156	5,144

- (1) Includes pollution control charges, ordinance fees, transmission fees, storage fees, inspection fees, front footage fees (assumes a house with 100 front feet), and capacity reservation fees.
- (2) Deposits, sewer collection system charge, water installation, pump station, basic connection fees, lateral collection system connection fees, etc.
- (3) Represents impact fee for new residential development; a lower fee of \$1,900 is charged for conversion from septic tank.
- (4) Represents an average of impact fees based on average square footage for zone 1 (\$1,566), zone 2 (\$2,021) and zone 3 (\$2,376) service areas, plus the maximum of \$30 per front foot, assuming 100-foot frontage.

Source: City of Orlando survey of above entities.

CITY OF ORLANDO, FLORIDA

UTILITIES SERVICES TAX

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

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

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

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

The following table sets forth the amount of Utilities Services Tax collected by the City for the last five years and budgeted for 2007.

CITY OF ORLANDO, FLORIDA

Utilities Services Tax Actual (Historical) and Budgeted Revenues (In Thousands)

	<u>Actual (Historical) As of September 30,</u>					<u>Budgeted</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Electricity	\$17,774	\$20,176	\$20,648	\$21,564	\$22,446	\$22,041
Telephone/ Telecommunications	20,970(1)	16,963(1)	16,845(1)	17,133(1)	17,785(1)	17,230
Other	459	586	614	679	714	673
Total Utilities Services Tax	<u>\$39,203</u>	<u>\$37,725</u>	<u>\$38,107</u>	<u>\$39,376</u>	<u>\$40,945</u>	<u>\$39,944</u>

Source: City's Finance Department.

- (1) Assumes the proration of the Communications Services Tax, which replaces the tax on telecommunications services (See B-10).

Local Communications Services Tax

The Communications Services Tax Simplification Act, enacted by Chapter 2000-260, Laws of Florida, as amended by Chapter 2001-140, Laws of Florida, and now codified in part as Chapter 202, Florida Statutes (the "Communications Services Tax Act") established, effective October 1, 2001, a communications services tax on the sale of communications services as defined in Section 202.11, Florida Statutes, and as of the same date repealed Section 166.231(9), Florida Statutes, which previously granted municipalities the authority to levy a utility services tax on the purchase of telecommunication services. Florida Statute Section 202.19 provides that counties and municipalities may levy a discretionary communications services tax (the "local communications services tax") on communications services, the revenues from which may be pledged for the repayment of current or future bonded indebtedness. The City set the rates for its local communication services tax pursuant to a Resolution bearing Documentary No. 33876-A, adopted by the City Council on June 18, 2001.

Prior to the effective date of the Communications Services Tax Act, the City exercised the option to levy a utility services tax at the rate of seven percent (7%) on the purchase of telecommunications services which originated or terminated within the City, excluding the variable usage charges for cellular mobile telephone or telecommunications service, specialized mobile radio and pagers and paging services. Telecommunications service was defined to be local telephone service, toll telephone service, telegram or telegraph service, teletypewriter, facsimile or computer exchange service, private communication service, cellular mobile telephone or telecommunication service and specialized mobile radio, pagers and paging service but excluding Internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer service. Pursuant to an Ordinance bearing City Documentary No. 33876 enacted by the City Council on June 18, 2001, the City repealed its utility services tax on the purchase of telecommunications services effective October 1, 2001 to coordinate with the effective date of the local communications services tax.

One effect of the Communications Services Tax Act was to replace the former utility services tax on telecommunication services, as well as revenues from franchise fees on cable and telecommunication service providers, with the local communications services tax. This change in law was intended to be revenue neutral to the counties and municipalities. The local communications services tax is applied to a broader base of communications services than the former utility services tax on telecommunications.

Communication services are defined as the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. The term does not include:

- (a) Information services.
- (b) Installation or maintenance of wiring or equipment on a customer's premises.
- (c) The sale or rental of tangible personal property.

CITY OF ORLANDO, FLORIDA

- (d) The sale of advertising, including, but not limited to, directory advertising.
- (e) Bad check charges.
- (f) Late payment charges.
- (g) Billing and collection services.
- (h) Internet access service, electronic mail service, electronic bulletin board service, or similar on-line services.

Effective October 1, 2001, any sale of communications services charged to a service address in the City became subject to the City's local communications services tax at a rate of 5.3%. The rate of the local communications services tax was reduced to 5.0% on October 1, 2002. The City on May 17, 2004 enacted an ordinance raising the tax rate to 5.1% effective January 1, 2005. The City elected not to charge permit fees related to the installation and maintenance of wires on its rights-of-way and thus is entitled to a 0.12% "add on," for a total tax rate (also effective January 1, 2005) of 5.22%. The Communications Services Tax Act further provides that, to the extent that a provider of communications services is required to pay a tax, charge, or other fee under any franchise agreement or ordinance with respect to the services or revenues that are also subject to the tax, such provider is entitled to a credit against the amount of such tax payable to the State in the amount of such tax, charge, or fee with respect to such service or revenues. It also provides that the City may exceed the maximum permissible rate in order to maintain its collection of the same annual dollar amount from and after October 1, 2001 that it received for fiscal period ending September 30, 2001.

The proceeds of said local communication services tax less the Florida Department of Revenue's cost of administration is deposited in the local communication services tax clearing trust fund and distributed monthly to the appropriate jurisdictions. The City deposits to the Utility Services Tax Fund a portion of its monthly local communications services tax revenues in an amount which fairly approximates that amount previously deposited therein in the form of the utility services tax on telecommunications services. Such portion of the local communications services tax revenues so deposited to the Utility Services Tax Fund is treated as Covenant Revenues to the same extent as all other utility services tax revenues continuing to be deposited to the Utility Services Tax Fund under the terms and conditions of the Covenant Ordinance and all applicable resolutions supplemental thereto.

Amendment of Senior Bond Ordinance to Reflect Change in CST Statute

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

Release of and Changes Regarding the Utilities Services Tax

Pursuant to a resolution the City adopted on February 12, 1996 and the 1997 Supplemental Ordinance, the holders of the Bonds, by acceptance of their respective Bonds, shall be deemed to have consented to and approved amendments to the Senior Bond Ordinance, effective upon the consent of the holders of all Bonds outstanding thereunder (the "Effective Date"), that fully release the utilities services tax from the lien and pledge thereof.

CITY OF ORLANDO, FLORIDA

Without limiting the generality of the foregoing, the holders of the Bonds shall be deemed to have consented to the following amendments which they acknowledge are conceptual and descriptive in nature only and that such consent and approval shall apply to definitive provisions amending the Senior Bond Ordinance that embody the intent, and that are not inconsistent with, the general descriptions of the amendments set forth below.

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

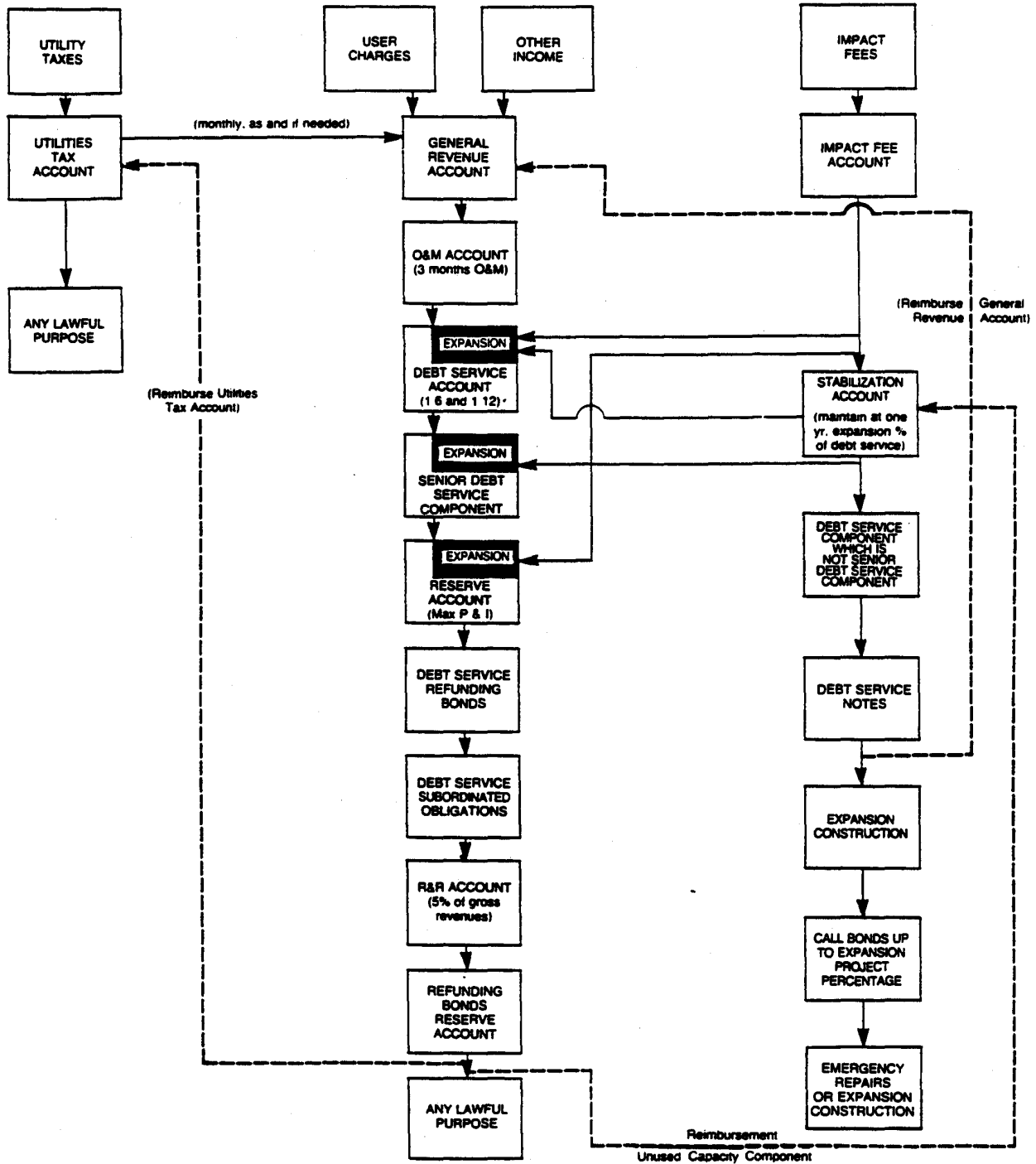
- (a) the deletion of the City's covenants concerning the pledge, collection, receipt and disbursement of the Utilities Services Tax;
- (b) the revision of the rate covenant to delete references to the Utilities Services Tax, to delete the first rate covenant that would require Gross Revenues to be at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

Notwithstanding the foregoing, the City may elect to retain the obligation to reimburse the Utilities Services Tax Account with respect to Utilities Services Tax revenues used to pay debt service on the Bonds prior to the Effective Date. Also, notwithstanding the foregoing, the City has agreed not to amend the Senior Bond Ordinance to release the Utilities Services Tax from the lien and pledge thereof if such release would result in a reduction or withdrawal of any credit rating assigned at the request of the City to any of the Senior Bonds then Outstanding without regard to any credit enhancement. The foregoing amendments have been consented to by the Owners of the Series 1997A, 1997C, 2002A, 2003A, and 2006A Bonds. Nonetheless, the release of the Utilities Services Tax will not occur until the City takes action to amend the Senior Bond Ordinance to effectuate such release and receives confirmation that such release will not result in a reduction or withdrawal of any credit rating on any of the Senior Bonds then Outstanding. As of this date, the City has not taken any of the actions necessary to effectuate the release of the Utilities Services Tax.

CITY OF ORLANDO, FLORIDA

FLOW OF FUNDS CHART

The following chart depicts the flow of the Wastewater System Gross Revenues, the Impact Fees and the Utilities Services Tax.



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SYNOPSIS OF WASTEWATER SYSTEM REVENUE BOND COVENANTS

The Senior Bonds provide for an independent determination of the Expansion and Improvement portions of the construction to be financed from Impact Fees (including the debt service component of the new customer capacity charges and present customer capacity charges, respectively). The revenue stream order of pledge and backup support is (a) system revenues backup the Impact Fees (related to the expansion portion of any series of bonds) and (b) the Utilities Services Tax revenues backup the System revenues. The flow of funds provides for a repayment of any backup draws required if, and when, the related revenues become available.

The following four rate covenant commitments are required with regard to the Senior Bonds:

1. The sum of the Gross Revenues and the Utilities Services Tax to be received in such Bond Year shall be at least equal to 100% of the Cost of Operation and Maintenance for such Bond Year plus the Maximum Bond Service Requirement;
2. The sum of the Gross Revenues and Available Impact Fees to be received in such Bond Year shall be at least equal to 100% of the Cost of Operation and Maintenance in such Bond Year plus the Maximum Bond Service Requirement;
3. The sum of the Gross Revenues, the Available Impact Fees and the Utilities Services Tax to be received in such Bond Year shall be at least equal to 100% of the Cost of Operation and Maintenance for such Bond Year plus 125% of the Maximum Bond Service Requirement; and
4. The sum of the Gross Revenues, the Available Impact Fees and the Utilities Services Tax to be received in such Bond Year shall be at least equal to 100% of the Cost of Operation and Maintenance for such Bond Year plus the Maximum Bond Service Requirement, plus the amounts required to be deposited in such Bond Year into the Reserve Account and Renewal and Replacement Account, all in accordance with the Senior Bond Ordinance.

For a summary of the calculation of the historical debt service coverages, see page B-19.

FINANCIAL PERFORMANCE

The following four pages display recent financial performance information for the Wastewater Fund.

CITY OF ORLANDO, FLORIDA

**STATEMENT OF NET ASSETS
WASTEWATER SYSTEM FUND**

	SEPTEMBER 30				
	2002	2003	2004	2005	2006
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 101,824,309	\$ 82,006,465	\$ 74,328,890	\$ 71,847,062	\$ 77,369,433
Accounts Receivable (Net)	3,688,034	4,532,060	4,163,022	5,295,481	4,426,487
Due From Other Governments	516,275	3,167,148	9,408,290	13,234,024	8,147,197
Inventories	289,534	235,406	272,112	257,277	351,351
Prepaid Items	3,325,925	-	-	10,205,000	-
Total Current Assets	109,644,077	89,941,079	88,172,314	100,838,844	90,294,468
Non-Current Assets:					
Restricted:					
Cash and Cash Equivalents	14,042,604	15,300,967	19,420,916	3,754,924	19,040,201
Investments	29,397,816	28,403,776	27,546,015	28,395,238	28,807,381
Capital Assets:					
Land	27,651,764	27,651,764	27,651,764	27,659,824	27,659,824
Buildings	156,731,296	157,560,694	157,601,901	158,250,479	159,334,595
Improvements Other Than Buildings	94,388,140	100,191,072	102,255,545	105,355,514	112,840,006
Equipment	106,792,272	111,186,039	111,284,270	111,457,496	119,417,508
Wastewater and Stormwater Lines and Pumpstations	209,864,542	223,386,900	229,961,387	248,203,632	268,192,058
Less Accumulated Depreciation	(291,244,674)	(310,282,580)	(329,257,230)	(343,608,599)	(356,986,557)
Construction in Process	36,378,601	33,752,359	45,849,734	46,122,765	49,888,409
Unamortized Bond Costs	656,417	810,570	837,019	690,221	1,824,082
Total Non-Current Assets	384,658,778	387,961,561	393,151,321	386,281,494	430,017,507
Total Assets	494,302,855	477,902,640	481,323,635	487,120,338	520,311,975
LIABILITIES					
Current Liabilities:					
Accounts Payable	10,111,513	6,393,851	7,436,424	7,236,335	10,082,304
Accrued Liabilities	308,085	320,935	406,304	162,099	183,493
Accrued Interest Payable	3,037,745	2,544,206	2,179,741	-	1,456,316
Compensated Absences	133,972	113,968	118,394	101,731	112,948
Advance Payments	11,839,191	13,123,709	15,436,178	19,084,770	27,569,757
Current Portion of Loans Payable	-	-	-	-	482,069
Current Portion of Bonds Payable	8,405,000	8,865,000	9,925,000	10,205,000	10,640,000
Total Current Liabilities	33,835,506	31,361,669	35,502,041	36,789,935	50,526,887
Non-Current Liabilities:					
Compensated Absences	1,540,677	1,310,629	1,361,533	1,244,907	1,298,908
Loans from Other Funds	-	-	-	-	-
Loans Due After One Year	-	-	-	-	12,026,013
Bonds Payable After One Year	145,244,812	135,282,185	126,307,480	116,602,296	105,690,387
Total Non-Current Liabilities	146,785,489	136,592,814	127,669,013	117,847,203	119,015,308
Total Liabilities	180,620,995	167,954,483	163,171,054	154,637,138	169,542,195
NET ASSETS					
Invested in Capital Assets, net of related debt	204,953,958	216,505,970	226,425,177	243,999,991	269,869,802
Restricted:					
Debt Service	12,000,000	12,000,000	11,072,857	11,719,711	12,269,036
Capital Projects	42,991,114	16,209,928	2,640,593	4,631,137	-
Renewal and Replacement	2,702,544	4,672,821	7,319,283	2,653,532	2,293,009
Unrestricted	51,034,244	60,559,438	70,694,671	69,478,829	66,337,933
Total Net Assets	\$ 313,681,860	\$ 309,948,157	\$ 318,152,581	\$ 332,483,200	\$ 350,769,780

CITY OF ORLANDO, FLORIDA

**STATEMENT OF CASH FLOWS
WASTEWATER SYSTEM FUND**

	FOR THE YEAR ENDED SEPTEMBER 30				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Increase (Decrease) in Cash and Cash Equivalents:					
Cash Flows from Operations:					
Receipts from Customers	\$ 39,269,851	\$ 37,781,070	\$ 40,964,331	\$ 48,372,948	\$ 60,610,214
Payments to Suppliers	(17,560,227)	(20,677,158)	(17,573,194)	(22,142,487)	(21,395,713)
Payments to Employees	(9,017,761)	(9,054,613)	(9,244,258)	(9,262,212)	(9,048,212)
Payments to Internal Service Funds and Administrative Fees	(3,482,462)	(4,164,293)	(4,457,907)	(7,808,365)	(7,743,424)
Net Cash Provided by (Used in) Operating Activities	<u>9,209,401</u>	<u>3,885,006</u>	<u>9,688,972</u>	<u>9,159,884</u>	<u>22,422,865</u>
Cash Flows from Noncapital Financing Activities:					
Transfers In	177,414	164,291	-	-	19,970
Transfers (Out)	(526,065)	(2,709,287)	(919,240)	(269,987)	(87,274)
Net Cash Flows from Noncapital Financing Activities	<u>(348,651)</u>	<u>(2,544,996)</u>	<u>(919,240)</u>	<u>(269,987)</u>	<u>(67,304)</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Bonds, Loans and Advances	-	46,970,000	25,041,309	-	30,874,051
Additions to Property, Plant and Equipment	(19,028,525)	(22,324,547)	(21,285,424)	(22,755,332)	(40,468,171)
Principal Paid on Bonds, Interfund Loans, Loans & Leases	(7,985,000)	(6,663,798)	(6,775,477)	(9,925,000)	(8,307,123)
Payments for Advance Refunded Bonds	-	(50,405,000)	(26,871,794)	-	(21,190,441)
Payments <held in> released from Escrow by Fiscal Agent	-	-	-	(10,205,000)	10,205,000
Interest Paid on Bonds, Interfund Loans, Loans and Leases	(7,044,623)	(6,998,691)	(4,979,422)	(6,276,857)	(3,201,507)
Capital Contribution Other Governments, Developers and Funds	1,879,231	5,007,175	6,890,342	3,424,482	6,821,124
Impact Fees Received	-	-	12,525,758	16,748,045	19,172,223
Bond Issuance Cost Paid	8,196,491	8,682,042	(271,852)	-	(1,115,662)
Net Cash Flows from Capital and Related Financing Activities	<u>(23,982,426)</u>	<u>(25,732,819)</u>	<u>(15,726,560)</u>	<u>(28,989,662)</u>	<u>(7,210,506)</u>
Cash Flows from Investing Activities:					
Purchases of Investments	(48,970,292)	(62,685,465)	(58,844,802)	(30,072,199)	(89,192,295)
Proceeds from Sales and Maturities of Investments	49,093,009	63,675,030	59,694,212	29,222,976	88,780,152
Interest on Investments	6,101,949	4,843,763	2,549,792	2,801,168	5,482,152
Net Cash Flows from Investing Activities	<u>6,224,666</u>	<u>5,833,328</u>	<u>3,399,202</u>	<u>1,951,945</u>	<u>5,070,009</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,897,010)	(18,559,481)	(3,557,626)	(18,147,820)	20,215,064
Cash and Cash Equivalents at Beginning of Year	<u>124,763,923</u>	<u>115,866,913</u>	<u>97,307,432</u>	<u>93,749,806</u>	<u>76,194,570</u>
Cash and Cash Equivalents at End of Year	<u>\$ 115,866,913</u>	<u>\$ 97,307,432</u>	<u>\$ 93,749,806</u>	<u>\$ 75,601,986</u>	<u>\$ 96,409,634</u>
Classified As:					
Current Assets	\$ 101,824,309	\$ 82,006,465	\$ 74,328,890	\$ 71,847,062	\$ 77,369,433
Restricted Assets	14,042,604	15,300,967	19,420,916	3,754,924	19,040,201
Totals	<u>\$ 115,866,913</u>	<u>\$ 97,307,432</u>	<u>\$ 93,749,806</u>	<u>\$ 75,601,986</u>	<u>\$ 96,409,634</u>

CITY OF ORLANDO, FLORIDA

WASTEWATER SYSTEM FUND SUMMARY OF HISTORICAL OPERATIONS (In Thousands)

	Actual (Historical) As of September 30,					Budgeted
	2002	2003	2004	2005	2006	2007(1)
Operating Revenues:						
User Charges	\$ 34,311	\$ 35,606	\$ 37,006	\$ 47,908	\$ 48,862	\$ 51,706
New Customer Capacity Charge - Capital	3,441	3,507	2,153	2,534	2,552	2,100
Fees and Other	783	2,163	7,677	2,889	3,240	1,107
Operating Revenues	<u>38,535</u>	<u>41,276</u>	<u>46,836</u>	<u>53,331</u>	<u>54,654</u>	<u>54,913</u>
Total Operating Revenue	<u>38,535</u>	<u>41,276</u>	<u>46,836</u>	<u>53,331</u>	<u>54,654</u>	<u>54,913</u>
Operating Expenses:						
Salaries, Wages and Employee Benefits	11,813	11,896	12,749	12,316	12,536	14,527
Contractual Services, Materials, Supplies and Other Expenses	20,171	21,272	19,918	26,750	27,879	25,746
Total Operating Expenses	<u>31,984</u>	<u>33,168</u>	<u>32,667</u>	<u>39,066</u>	<u>40,415</u>	<u>40,273</u>
Total Operating Expenses	<u>31,984</u>	<u>33,168</u>	<u>32,667</u>	<u>39,066</u>	<u>40,415</u>	<u>40,273</u>
Net Operating Income	<u>6,551</u>	<u>8,108</u>	<u>14,169</u>	<u>14,265</u>	<u>14,239</u>	<u>14,640</u>
Non-Operating Revenues						
Interest on Investment:						
Operations	1,392	922	372	512	801	535
Capital (2)	1,447	1,187	1,183	873	2,215	2,345
Impact Fee	3,259	2,730	986	1,236	2,466	591
Total Interest Revenues	<u>6,098</u>	<u>4,839</u>	<u>2,541</u>	<u>2,621</u>	<u>5,482</u>	<u>3,471</u>
Impact Fees:						
Expansion	5,586	3,664	4,658	5,520	3,111	5,082
Collection	703	457	593	471	390	300
New Customer Capacity Charge - Debt Service	3,254	3,276	4,962	7,108	7,186	6,841
Total Impact Fee Revenues	<u>9,543</u>	<u>7,397</u>	<u>10,213</u>	<u>13,099</u>	<u>10,687</u>	<u>12,223</u>
Total Non-Operating Revenues	<u>15,641</u>	<u>12,236</u>	<u>12,754</u>	<u>15,720</u>	<u>16,169</u>	<u>15,694</u>
Income Before Extraordinary Losses, Depreciation and Interest Expense	<u>\$ 22,192</u>	<u>\$ 20,344</u>	<u>\$ 26,923</u>	<u>\$ 29,985</u>	<u>\$ 30,408</u>	<u>\$ 30,334</u>

Source: Historical information from the City's annual audited financial statements.

(1) Based on 2006-2007 Wastewater Budget.

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

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

	Actual (Historical) As of September 30,					Budgeted
	2002	2003	2004	2005	2006	2007(1)
Net Revenues						
Net Operating Revenues	\$ 6,551	\$ 8,108	\$ 14,169	\$ 14,265	\$ 14,239	\$ 14,640
Interest Income-Operations	1,392	922	372	512	801	535
Interest Income-Capital	1,087	692	906	873	2,215	1,759
Total	<u>9,030</u>	<u>9,722</u>	<u>15,447</u>	<u>15,650</u>	<u>17,255</u>	<u>16,934</u>
Impact Fees:						
Expansion	5,586	3,664	4,658	5,520	3,111	5,082
New Customer Capacity-Debt Service	3,254	3,276	4,962	7,108	7,186	6,841
Interest Income	3,259	2,730	986	1,236	2,466	591
Total	<u>12,099</u>	<u>9,670</u>	<u>10,606</u>	<u>13,864</u>	<u>12,763</u>	<u>12,514</u>
Legally Available Impact Fees (2)	10,374	9,669	9,815	10,539	10,864	12,514
Utilities Services Tax (3)	39,203	37,725	38,107	39,376	40,945	39,944
R&R Contribution	1,417	1,663	1,253	2,407	1,370	1,765
Total Debt Service	14,428	14,179	13,651	14,658	15,110	17,405
Senior Debt Service (4)	14,428	14,179	13,651	14,658	15,110	17,405
Refunding Bonds	-	-	-	-	-	-
Sunshine State Loan	-	-	-	-	-	-
Rate Covenant #1 (3) (5) (1.0 Required)	1.70	1.69	1.84	1.74	1.74	1.65
Rate Covenant #2 (3) (5) (1.0 Required)	1.08	1.10	1.23	1.20	1.19	1.18
Rate Covenant #3 (3) (5) (1.25 Required)	1.79	1.76	1.91	1.81	1.81	1.74
Rate Covenant #4 (3) (5) (1.0 Required)	1.87	1.83	2.00	1.85	1.89	1.82
Coverage from all Sources to all Debt Service (includes Refunding & Internal Loans)(3)(6)	4.06	4.03	4.64	4.47	4.57	3.99

Source: Historical information from the City's annual audited financial statements.

- (1) Based on 2006-2007 Wastewater Budget.
- (2) Represents Impact Fees in an amount equal to the lesser of the Expansion Project Percentage of debt service or actual amount collected.
- (3) As described herein, the City has reserved the right to release the pledge on the Utilities Services Tax upon the occurrence of certain events. To the extent that the Utilities Services Tax pledge is released in the future as described in the "Release of and Changes Regarding Utilities Services Tax" section herein, the City will be required to satisfy Rate Covenant tests #2, #3 and #4 above at all times without taking into account Utilities Services Tax revenues.
- (4) For historical coverage schedules, the actual paid is compared to actual sources available.
- (5) For a description of the rate covenant tests, see "Synopsis of Wastewater System Revenue Bond Covenants" herein.
- (6) Calculated by all available sources less O&M expenses divided by all debt service including the Internal Loan Fund.

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WASTEWATER SYSTEM

The City's wastewater program has won numerous awards over the years, including the Water Environment Federation's Outstanding Achievement Award in 1992. In 1994 and again in 2001, the System won the Florida Water Environment Association's David York Water Reuse Award for the Water Conserv II Water Reuse System. The Conserv I Plant won the United States Environmental Protection Agency ("USEPA") Region 4 Wastewater Management Excellence Award for Municipal Water Use Efficiency in 1999. The Water Conserv II program also won the coveted Water Reuse Association's 2001 International Project of the Year. In 1995, the Iron Bridge Plant won the prestigious Phelps Award, which is given annually by the Florida Water Environment Association to the best-operated advanced wastewater treatment facility in the State of Florida.

The System is operated as an Enterprise Fund by the Wastewater Division within the Department of Public Works. The Director of Public Works is principally responsible for the design and planning of the present and future wastewater system. As of September 2006, the City's Division of Wastewater had 202 full-time employees. The Florida Department of Environmental Protection ("FDEP") specifically requires that certain types of plants have certified wastewater treatment plant operators on duty twenty-four hours a day, seven days a week. The City is in full compliance with this requirement. Currently, 52% of the Division's job positions are covered by a bargaining agreement between the City and the Laborers International Union of North America, Local #678 and another 36% are covered by a bargaining agreement between the City and the Service Employees International Union, Local # 8. The Division has never been subject to a strike by its public employees and its contracts with the unions prohibit strikes, slowdowns, or other work stoppages. In addition, Florida Statutes specifically prohibit strikes by public employees. The City has a full-time professional labor relations staff and characterizes its relationship with the System's employees as good.

Customer Analysis

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

	Average Number Of Bills	Average Number of ERC's			Average Monthly Usage (gallons)
		Old	New	Total	
Single-Family	43,539	27,696	15,329	43,025	6,500
Multi-Family	22,664	20,362	20,179	40,541	6,000
Commercial & Industrial	6,645	26,753	27,639	54,392	60,000
Total	<u>72,848</u>	<u>74,811</u>	<u>63,147</u>	<u>137,958</u>	

As of September 30, 2006

Source: City of Orlando Finance Department

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Available Treatment Capacity

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

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

	Actual				Projected		
	2003	2004	2005	2006	2007	2008	
City:							
Permitted Capacity	49.4	49.4	49.4	49.4	49.4	59.4	(2)
Actual/Projected Demand (1)	<u>29.9</u>	<u>31.1</u>	<u>34.9</u>	<u>29.4</u>	<u>30.1</u>	<u>30.9</u>	
Remaining Capacity	<u>19.5</u>	<u>18.1</u>	<u>14.5</u>	<u>20.0</u>	<u>19.3</u>	<u>28.5</u>	
Total System:							
Permitted Capacity	72.5	72.5	72.5	72.5	72.5	82.5	(2)
Actual/Projected Demand (1)	<u>40.8</u>	<u>45.5</u>	<u>49.7</u>	<u>42.0</u>	<u>43.1</u>	<u>44.2</u>	
Remaining Capacity	<u>31.7</u>	<u>27.0</u>	<u>22.8</u>	<u>30.5</u>	<u>29.4</u>	<u>38.3</u>	

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

(2) This increased capacity is anticipated with the studies being conducted at the Conserv II Plant. It is anticipated that the facility can be rerated from 25 MGD to 35 MGD.

Note: The flow values for 2004 are elevated due to heavy rainfall from three (3) hurricanes.
The flow values for 2005 remain elevated due to several large storms.

Source: City of Orlando Wastewater Division.

Water Reuse Initiative

The City's Wastewater System is one of the statewide leaders in water reuse (the application of System effluent as an alternative water source for non-potable uses) with almost 80% of its effluent directed to reuse. The Conserv I and Conserv II Plants direct 100% of their effluent into reuse, while the Iron Bridge Plant currently directs 50% of its effluent into reuse. The reuse system consists of pumps, pipelines and turnout devices to transport treated effluent to users for landscape irrigation, cooling water, and other permitted uses. The City enacted an ordinance in 2002 that requires reclaimed water piping to be installed in new residential and commercial developments if the development falls within a designated reclaimed water service area. In these areas, the City is planning to deliver reclaimed water at a pressure which is useable for irrigation by both residential and commercial customers.

The St. John's River Water Management District has asked the City to consider developing a regional reclaimed water system in coordination with several other governmental and private utility companies. The City is constructing a reclaimed water transmission main that will link the Conserv I reuse system with the Iron Bridge Plant as part of a regional reclaimed water initiative. The City has received approximately \$3 million in federal grant funding for the regional system and will be the recipient of an additional \$6 million in grant monies from the St. Johns River Water Management District. The capital cost of the reclaimed water system will be shared proportionally, based upon flows, with the participating entities: Seminole County, Orange County, and the Orlando Utilities Commission. The reclaimed water system is expected to have a future demand in excess of 30 MGD. This

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will increase the overall effluent disposal capacity of the Iron Bridge Plant and will serve to divert flow from the Little Econlockhatchee River outfall and the wetlands project, reducing the nutrient loading on the St. John's River.

Biosolids Disposal

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

Interconnect Systems

To the extent possible, the City has designed and developed interconnecting systems, which allow for the System to redirect flows from one plant to another. The City has the capability to redirect 4.0 MGD of wastewater flow both to and from the Conserv I Plant and the Iron Bridge Plant. In addition, the City has developed an interconnect system which allows 2.0 to 3.0 MGD of wastewater to be redirected between the Conserv II Plant and the Iron Bridge Plant. Finally, the City has the ability to redirect 0.75 MGD from the Conserv II Plant to Orange County's 30.5 MGD South Water Reclamation Facility.

WATER CONSERV I SERVICE AREA

The Conserv I Plant serves residential and commercial developments along the S.R. 436 corridor and around the Orlando International Airport in southeast Orlando. The Conserv I Plant includes wastewater transmission facilities, a 7.5 MGD advanced wastewater treatment plant, and an effluent disposal system utilizing head-induced lateral percolation basins ("percolation basins") and reclaimed water irrigation. The wastewater transmission facilities currently include 56 lift stations and approximately ten miles of force mains from 36-inches to 48-inches in diameter. The treatment capacity of the Conserv I Plant is sufficient to meet wastewater demands in the Conserv I service area until 2010. However, the City plans to close the Conserv I Plant in 2008 and redirect its raw sewage to the Iron Bridge Plant for treatment (see "Growth Potential and Limitations").

The Conserv I treatment facilities were constructed on approximately 187 acres of City-owned land in the southwest corner of the Orlando International Airport which has been leased to the Greater Orlando Aviation Authority ("GOAA"). By amendment to the original lease to GOAA, the City was given the right to build the Conserv I Plant and approximately 400 acres of percolation basins on designated sites. The amendment allows the City to utilize the percolation basin sites until September 30, 2026, with provisions for certain extensions of the Agreement. The amendment also gives GOAA the right to take back the percolation basin sites for airport purposes and request demolition/removal of the percolation basins at any time during the term of the lease.

The Conserv I Plant utilizes the following proven processes:

- Pretreatment by screening and grit removal
- Flow equalization
- Activated sludge
- Secondary clarification
- Dual media filtration
- Chlorination
- Sludge thickening and transport to Conserv II/Iron Bridge for digestion or lime stabilization, dewatering, and disposal
- Chemical addition

During the first ten years of operation of the Conserv I Plant, the primary means of effluent reuse was groundwater recharge through a system of 15 percolation basins located on the Orlando International Airport property near the treatment plant. Each percolation basin consists of an excavated trench, which was backfilled with gravel topped with a layer of sand, surrounded by earthen berms. Normal operating water levels in the percolation

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basins range from 8 to 10 feet above the sand layer. Based on the results of tests conducted after construction, the capacity of the percolation basins was expected to be approximately 6 MGD depending on the water levels in the percolation basins, the number of percolation basins operating, the amount of deposition (algae and silt) onto the sand layer, and environmental factors such as rainfall.

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

Within the last ten years, the City has constructed a network of reclaimed water lines from the Conserv I Plant to serve a significant number of customers in the areas around and including the Orlando International Airport. Major users of reclaimed water include the airport, three golf courses and several subdivisions that all utilize the reclaimed water for landscape and green space irrigation. Currently all of the wastewater that is treated by the Conserv I Plant is used by the reclaimed water customers. The percolation basins are used only during severe or prolonged rainfall periods when irrigation is not possible.

Available Treatment Capacity

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

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

	Actual				Projected	
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City:(1)						
Permitted Capacity	7.5	7.5	7.5	7.5	7.5	7.5
Actual/Projected Demand (2)(3)	<u>2.6</u>	<u>3.7</u>	<u>4.0</u>	<u>4.1</u>	<u>4.2</u>	<u>4.3</u>
Remaining Capacity	<u>4.9</u>	<u>3.8</u>	<u>3.5</u>	<u>3.4</u>	<u>3.3</u>	<u>3.2</u>

(1) The City is the sole user of the Conserv I Plant system (there are no wholesale customers).

(2) Wastewater flows based on calendar year annual average daily flow.

(2) Beginning in 1993, flows were (and are) being diverted to Iron Bridge Plant through the Interconnect System. Future flows are projected to increase at a rate of 2.5% per annum

Notes: The 2004 flow values are elevated due to heavy rainfall from three (3) hurricanes.

The 2005 flow values remain elevated due to several large storms

Source: City of Orlando Wastewater Division.

Performance Standards and Compliance

Under guidelines established by the FDEP, a treatment facility's operating permit stipulates various numerical performance standards, which state the upper limits of acceptable performance. The following table demonstrates the current standards and actual performance against those standards for the Conserv I Plant for the twelve-month period ending September 30, 2006.

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	CONSERV I PLANT			
	Effluent Flow MGD(3)	CBOD(1) Average mg/l (4)	TSS(2) Average mg/l	Nitrate Average mg/l
October 2005	3.29	1.8	<1.00	5.2
November	3.37	1.6	<1.00	4.7
December	3.41	1.3	1.01	3.3
January 2006	3.76	1.4	1.02	3.8
February	3.89	1.5	1.05	3.6
March	4.99	1.5	<1.00	2.8
April	5.80	2.1	<1.00	1.5
May	5.44	1.7	1.07	2.2
June	4.07	1.7	1.15	3.3
July	3.77	1.4	1.13	3.8
August	4.25	1.5	1.27	3.1
September 2006	3.39	2.6	1.25	4.5
Average	4.12	1.7	<1.08	3.5
FDEP Standards (5) (6)	7.50	20.0	5.00	10.0

(1) CBOD - Carbonaceous Biochemical Oxygen Demand.

(2) TSS - Total Suspended Solids.

(3) Fluctuations in flow over the course of twelve months are due to intra-system flow diversion and seasonal rainfall fluctuation.

(4) mg/l - milligrams per liter.

(5) States the upper limits of acceptable performance as determined by FDEP.

(6) States the Annual, Monthly, Weekly and Daily upper limits of acceptable performance as determined by FDEP.

Source: City of Orlando Wastewater Division.

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

Growth Potential and Limitations

The City received a letter from GOAA on May 15, 1998, which requested the removal of the percolation basins over a twelve-year period. Two subsequent letters received from GOAA in 1998-99 extended the take-down schedule for removal of the percolation basins by several years. Over the past few years, GOAA has provided and revised their recapture timeline three times, each delaying further the RIB recapture schedule (currently significant recapture by 2010). Construction of the project to redirect the Conserv I Plant flows to the Iron Bridge Plant began in 2005, with completion expected in 2008. This schedule will allow the City to both meet the demands for increased capacity and vacate the RIB property in advance of GOAA's reclamation efforts.

WATER CONSERV II SERVICE AREA

The Water Conserv II facilities include a 25 MGD treatment plant (the "Conserv II Plant") and a 50 MGD Water Conserv II Water Reuse System Project (which is a joint project between the City and Orange County).

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

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

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

Available Treatment Capacity

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

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

	<u>Actual</u>				<u>Projected</u>	
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City:						
Permitted Capacity	21.2	21.2	21.2	21.2	21.2	31.2 (2)
Actual/Projected Demand (1)	<u>13.0</u>	<u>13.7</u>	<u>14.4</u>	<u>13.9</u>	<u>14.2</u>	<u>14.6</u>
Remaining Capacity	<u>8.2</u>	<u>7.5</u>	<u>6.8</u>	<u>7.3</u>	<u>7.0</u>	<u>16.6</u>
Total System:						
Permitted Capacity	25.0	25.0	25.0	<u>25.0</u>	<u>25.0</u>	<u>35.0</u>
Actual/Projected Demand (1)	<u>13.6</u>	<u>15.0</u>	<u>15.9</u>	<u>15.4</u>	<u>15.8</u>	<u>16.2</u>
Remaining Capacity	<u>11.4</u>	<u>10.0</u>	<u>9.1</u>	<u>9.6</u>	<u>9.2</u>	<u>18.8</u>

- (1) Wastewater flows based on calendar year annual average daily flow. Reductions in flow are associated with changes in inflow and infiltration amounts due to city maintenance efforts and decreased rainfall. Future flow is projected to increase at a rate of 2.5% per annum.
- (2) It is anticipated that the permitted capacity for the Conserv II facility will be increased from 25 mgd to 35 mgd
 Note: The 2004 flow values are elevated due to heavy rainfall from three (3) hurricanes.

Source: City of Orlando Wastewater Division

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Performance Standards and Compliance

The following table compares the performance of the Conserv II Plant for the twelve-month period ending September 30, 2006 to the principal FDEP effluent numerical standards placed on the Conserv II Plant's operation:

	CONSERV II PLANT			
	Effluent Flow MGD(3)	CBOD(1) Average mg/l (4)	TSS(2) Average mg/l	Nitrate Nitrogen mg/l
October 2005	15.81	1.6	1.0	6.6
November	14.68	1.3	0.5	7.9
December	15.58	1.2	0.5	6.7
January 2006	14.31	1.4	0.6	6.7
February	15.02	1.3	0.7	6.9
March	13.33	1.6	0.8	4.8
April	13.71	1.7	0.7	5.5
May	14.04	1.2	0.6	4.0
June	15.38	1.4	0.7	3.6
July	17.32	1.5	0.7	4.2
August	16.86	1.9	1.0	5.8
September 2006	18.14	2.1	0.9	6.7
Average	15.35	1.5	0.7	5.8
FDEP Standards (5) (6)	25.00	20.0	5.0	10.00

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

Source: City of Orlando Wastewater Division

The FDEP Operating Permit for the Conserv II Plant was renewed on September 23, 2005 and will expire on September 22, 2010. The NPDES "No Discharge" Permit from USEPA (now administered by FDEP) had an expiration date of April 30, 1996. The FDEP, upon the City's request, has deactivated the NPDES "No Discharge" Permit, so renewal of this permit is not required.

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

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

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Major Wholesale Customers and Interlocal Agreements

The City has interlocal agreements with both Orange County and the City of Winter Park to provide wastewater treatment capacity within the Conserv II Plant. The agreement to serve Orange County was intended to terminate on January 1, 2000 with the capacity reverting to the City; however, the City and Orange County have agreed to an extension until January of 2010 due to needed construction within the County's system. The following schedule indicates both the committed capacity and the average flows into the Conserv II Plant for the twelve-month period ending September 30, 2006:

WHOLESALE CUSTOMERS (In MGD)

	<u>Average</u> <u>Flows</u>	<u>Contractually</u> <u>Committed</u> <u>Capacity</u>	<u>Available</u> <u>Capacity</u>
Orange County	1.152	2.800	1.648
City of Winter Park	<u>0.319</u>	<u>1.000</u>	<u>0.681</u>
TOTAL	<u>1.471</u>	<u>3.800</u>	<u>2.329</u>

Source: City of Orlando Wastewater Division.

Water Reuse Contracts

The Water Conserv II Water Reuse System Project is beneficial to both the City and Orange County (each of which will have 25 MGD of the ultimate 50 MGD capacity in the Project) in that it reduces the level of nutrient removal required at the treatment plants. At the same time, these nutrients are provided to the grove owners and other customers and thereby reduce the amount of nutrients required from other sources, such as fertilizer. Since 1986, the City and Orange County have entered into 110 agreements with citrus growers, landscape nurseries, golf courses, homeowners and other customers who have committed to take in excess of 40 MGD of reclaimed water to be dispersed over approximately 11,000 acres. While the terms of each individual agreement may vary in some respects, the major provisions of the agreements, summarized below, do not differ materially. In the opinion of the City Attorney, such agreements constitute covenants, which run with the land and will bind all future owners of the land throughout the term of the agreements subject, however, to governmental rights of eminent domain.

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

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

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

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

Properties served by the Water Conserv II Water Reuse System Project in Lake County require a conditional use permit ("CUP") under the County's Zoning Code. Participating customers must obtain a CUP for those parcels that are included in the agreements. All of the participating customers in Lake County have received their CUPs. The City and Orange County have agreed to comply with the conditions set forth in the CUPs, including the implementation of a groundwater-monitoring program. Groundwater monitoring wells have been installed at alternate application sites that have been approved by FDEP and Lake County. Samples are collected quarterly and routinely analyzed for specific parameters.

The City and Orange County purchased approximately 500 acres of land southeast of the Distribution Center in 1992, for the expansion of the RIB system for the Water Conserv II Water Reuse System Project. Through the efforts primarily of Orange County staff, proposals were sought for a private company to construct a 36-hole championship golf course, which would incorporate a number of RIB's into the facility. On February 7, 1994, the City and Orange County entered into a 30-year lease agreement with Team Classic Golf Services, Inc. Under the terms of the agreement, Team Classic would construct and operate the golf facility (Orange County National Golf Course) which has, as one of its requirements, the ability to dispose of up to 5 million gallons of reclaimed water per day. This concept increases the diversification of effluent disposal techniques while minimizing capital costs to the City and Orange County. Construction of this golf facility was completed in February 1999.

In 2000, the City and Orange County purchased 2,400 acres of land from Hi-Acres in Lake County. These parcels, which were under previous grower's agreement for irrigation, will provide further flexibility for the wet weather disposal capacity for the Water Conserv II Water Reuse System Project. The land will be used in the future for some combination of RIB systems and agricultural irrigation. The first series of RIBs to be constructed on the property were completed in late 2004.

City Contracts

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

Growth Potential and Limitations

The ability to expand the Conserv II Plant treatment capacity is directly related to the ability to continue to find additional customers to be connected to the distribution network or to the development of additional RIBs.

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

As with the Conserv I system, the City has been working with the St. Johns River Water Management District to evaluate the possibility of developing a regional reclaimed water irrigation system in western Orange and eastern Lake Counties. The City and Orange County have met with several public and private utility providers in the area to ascertain potential reclaimed water needs. From preliminary discussions, it appears that the area may have an immediate demand as high as 12 MGD for irrigation quality water.

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IRON BRIDGE SERVICE AREA

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

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

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

40 MGD Facility

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

Two different effluent outfalls service the Iron Bridge Plant. The original facility had an NPDES permitted discharge of 24 MGD which provided for both concentration and total pounds per day restrictions on the effluent discharged to the Little Econlockhatchee River. To allow for expansion of the Iron Bridge Plant, the City designed and constructed a 20 MGD Wetlands treatment facility on a 1,200-acre site near Christmas, Florida. A 16-mile, 48-inch force main was constructed to transmit the treated effluent from the Iron Bridge Plant to the head of the cell-oriented wetlands. The Wetlands were developed with a series of cells divided by earthen berms and planted with different wetland vegetation to create three separate wetlands communities, which provide the nitrogen and phosphorous removal. The Wetlands have been operating well within the anticipated performance guidelines since it became operational in September 1987. An indication of the positive performance of the Wetlands is the fact that FDEP increased the permitted capacity of the Wetlands from the initial level of 8 MGD to 20 MGD during the 1990's and in 2001 re-rated the capacity of the Wetlands from 20 MGD to 35 MGD.

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Available Treatment Capacity

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

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

	Actual				Projected	
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City:						
Permitted Capacity	20.7	20.7	20.7	20.7	20.7	20.7
Actual/Projected Demand (1)	<u>14.3</u>	<u>14.0</u>	<u>16.5</u>	<u>11.4</u>	<u>11.7</u>	<u>12.0</u>
Remaining Capacity	<u>6.4</u>	<u>6.7</u>	<u>4.2</u>	<u>9.3</u>	<u>9.0</u>	<u>8.7</u>
Total System:						
Permitted Capacity	40.0	40.0	40.0	40.0	40.0	40.0
Actual/Projected Demand (1)	<u>24.6</u>	<u>26.8</u>	<u>29.8</u>	<u>22.5</u>	<u>23.1</u>	<u>23.7</u>
Remaining Capacity	<u>15.4</u>	<u>13.2</u>	<u>10.2</u>	<u>17.5</u>	<u>16.9</u>	<u>16.3</u>

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

Note: The 2004 and 2005 flow values are elevated due to heavy rainfall from three (3) hurricanes and the heavy 2005 storms.

Source: City of Orlando Wastewater Division

Performance Standards and Compliance

Each of the outfalls for the treated effluent from the Iron Bridge Plant (the Little Econlockhatchee River and the constructed Wetlands) has separate performance standards/limitations. The FDEP has issued an operating permit rating the treatment facility to 40 MGD. The City's NPDES permit from the USEPA, which was based on the original wasteload allocation requirements and the projected degree of treatment which would take place in the Wetlands, has also been revised. FDEP recently issued the City a new five-year combined Operating NPDES Permit with an effective date of April 23, 2003, and an expiration date of April 23, 2008.

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The following tables demonstrate the standards and actual performance against FDEP's standards for the Iron Bridge Plant for both of its outfalls (the Little Econlockhatchee River Outfall and the Wetlands Outfall into the St. Johns River) for the twelve-month period ended September 30, 2006.

IRON BRIDGE PLANT									
Little Econlockhatchee River Outfall									
Effluent(1)	CBOD(2)			TSS(3)		TN(4)		TP(5)	
Flow	Average		Average		Average		Average		
MGD	mg/l(6)	lbs/day	mg/l	lbs/day	mg/l	lbs/day	mg/l	lbs/day	
<hr/>									
October 2005	9.10	1.21	90	0.7	52	2.37	190	0.37	27
November	6.90	0.90	51	0.8	44	2.16	128	0.49	28
December	7.00	1.00	58	1.0	58	2.41	141	0.42	25
January 2006	7.30	1.44	87	2.3	136	2.14	129	0.36	22
February	8.70	1.70	122	3.1	229	1.86	134	0.35	25
March	11.80	1.57	156	0.9	87	1.73	167	0.50	50
April	9.60	0.98	78	0.6	48	1.32	105	0.50	39
May	8.10	0.87	59	0.5	37	2.10	144	0.16	11
June	8.20	0.80	55	0.5	37	1.91	129	0.19	13
July	9.80	0.82	67	1.1	96	1.55	126	0.24	20
August	6.10	1.90	83	3.1	132	1.55	77	0.41	21
September	7.50	1.38	88	1.5	99	1.50	96	0.42	27
2006									
Average	8.34	1.21	83	1.3	88	1.88	131	0.37	26
FDEP Stds (7)	28.00	4.28	1,000	17.2	4,000	3.08	720	0.75	220

(1) Fluctuations in flow over the course of twelve months are due to intrasystem flow diversion and seasonal rainfall fluctuation.

(2) CBOD - Carbonaceous Biochemical Oxygen Demand

(3) TSS - Total Suspended Solids

(4) TN - Total Nitrogen

(5) TP - Total Phosphorous

(6) mg/l - milligrams per liter

(7) States the upper limits (annual average) of acceptable performance as determined by FDEP.

Source: City of Orlando Wastewater Division

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IRON BRIDGE PLANT

	ST. JOHNS RIVER WETLANDS OUTFALL					LITTLE ECON RIVER AND ST. JOHNS RIVER COMBINED OUTFALLS(1)	
	Influent	Eff TN(2)		Eff TP(3)		TN(2)	TP(3)
	Flow MGD	Average mg/l(4)	Average lbs/day	Average mg/l	Average lbs/day	Average lbs/day	Average lbs/day
October 2005	21.2	0.72	127	0.09	16	316	43
November	19.8	0.78	129	0.10	16	254	45
December	16.0	0.75	100	0.13	17	233	47
January 2006	14.2	0.76	90	0.17	20	215	43
February	14.0	0.81	95	0.22	26	225	51
March	11.0	0.94	86	0.19	17	243	67
April	10.9	0.94	85	0.10	9	215	56
May	10.3	1.07	92	0.13	11	236	22
June	9.8	1.32	108	0.11	9	237	22
July	11.3	0.94	89	0.06	5	227	26
August	12.9	1.10	118	0.10	10	188	30
September 2006	18.1	0.87	131	0.10	15	227	42
Average	14.1	0.92	104	0.0.13	14	235	41
FDEP Standards (5)	35.00	2.31	674	0.20	58	780	220

(1) The average lbs/day is measured on a daily total basis and thus, the sum of the average total per outfall may not always equal the average combined totals.

(2) TN - Total Nitrogen

(3) TP - Total Phosphorous

(4) mg/l - milligrams per liter

(5) States the upper limits (annual average) of acceptable performance as determined by FDEP.

Source: City of Orlando Wastewater Division.

Major Wholesale Customers and Interlocal Agreements

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

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DISTRIBUTION OF IRON BRIDGE CAPACITY

<u>Contributor</u>	<u>28 MGD</u>		<u>Expansion-12MGD</u>		<u>Total</u>	
	<u>MGD</u>	<u>%</u>	<u>MGD</u>	<u>%</u>	<u>MGD</u>	<u>%</u>
City of Orlando	14.6625	52.367	6.00	50.00	20.662	51.656
Seminole County	3.2555	11.627	5.25	43.75	8.506	21.265
Orange County	0.3750	1.339	0.00	00.00	0.375	0.937
City of Casselberry	3.3950	12.125	0.00	00.00	3.395	8.487
City of Maitland	1.1000	3.928	0.00	00.00	1.100	2.75
City of Winter Park	<u>5.2120</u>	<u>18.614</u>	<u>0.75</u>	<u>6.25</u>	<u>5.962</u>	<u>14.905</u>
TOTAL	<u>28.0000</u>	<u>100.000</u>	<u>12.00</u>	<u>100.00</u>	<u>40.000</u>	<u>100.000</u>

Source: City of Orlando Wastewater Division.

The following schedule reflects the average daily flows, over the twelve-month period ended September 30, 2006, of the various participants in the Iron Bridge Plant:

<u>Contributor</u>	<u>Available Capacity (MGD)</u>	<u>Average Influent Flow (MGD)</u>	<u>Remaining Capacity (MGD)(1)</u>
City of Orlando	20.662	11.371	9.291
Seminole County	8.506	3.036	5.470
Orange County	0.375	0.000	0.375
City of Casselberry	3.395	2.350	1.045
City of Maitland	1.100	0.789	0.311
City of Winter Park	<u>5.962</u>	<u>4.921</u>	<u>1.041</u>
TOTAL	<u>40.000</u>	<u>22.467</u>	<u>17.533</u>

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

Source: City of Orlando Wastewater Division.

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

Growth Potential and Limitations

In 1998, the City completed an evaluation of the condition of the mechanical components in the RBC (original) plant. As these components were approaching 20 years of service, they showed signs of advanced deterioration. The City demonstrated, through a full-scale pilot project, that the biological nutrient removal (BNR) facilities could be modified to accept the full 40 MGD currently permitted. As a result of the pilot testing program in January 2001, FDEP issued a permit modification rerating the BNR facilities to 40 MGD. The RBC plant has been shut down, resulting in an annual O&M savings of over \$250,000. Construction of the permanent modifications to the BNR facility were initiated in 2006.

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

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CAPITAL IMPROVEMENT PLAN

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

Conserv I Plant

The raw sewage flows from the Conserv I Plant are being redirected for treatment to the Iron Bridge Plant. The reclaimed water produced by the Iron Bridge Plant will be returned to the Conserv I service area to satisfy the irrigation needs of the Orlando International Airport, commercial customers and various residential developments in the area.

A number of capital improvement projects will need to be constructed to redirect these flows. These projects include improvements to several pumping stations, construction of a 36-inch force main, and the construction of a reclaimed water transmission system from the Iron Bridge Plant to the Conserv I Service Area. Current estimated costs are as follows:

Capital Cost Conserv I Service Area (in millions)	
	<u>Estimate</u>
Pumping station improvements	\$ 4.5
36 inch forcemain	\$25.0
Reclaimed water main	\$31.4

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

Percolation Basin Demolition (in millions)	
	<u>Estimate</u>
Plant improvements	\$2.6
Percolation basin demolition	\$2.1

Conserv II Plant

The Conserv II Plant has the capacity to meet the City's needs well beyond the next fifteen years. However, there are a number of processes and systems that will require upgrading or replacement due to their age and deteriorating condition. Improvements will include a new master pump station, influent flow equalization, a new electrical distribution system, reclaimed water pumping and storage facilities and upgrades to several treatment processes. Current estimated costs for these improvements are as follows:

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Capital Costs Conserv II Plant (in millions)

	Estimate
Master pump station and EQ	\$12.3
Electrical upgrades	\$ 5.7
Reclaimed water pumping	\$ 1.3
Plant upgrades	\$ 6.5

The citrus irrigation and RIB system (the effluent disposal solution) will require additional extensions to the distribution system and participant turnouts, as well as future RIB development. These improvements are required in order to expand the effluent disposal capacity of the system which serves the City's Conserv II Plant and the County's 30.5 MGD South Water Reclamation Facility. Since the RIB system is used to complement and expand the treatment capacity of the irrigation system, the development plan of the Distribution Center (a joint use facility of the City and the County) calls for the aggregate capacity of the two to exceed the 50 MGD design capacity of the distribution network. The ability to expand beyond the 50 MGD capacity of the distribution network (25 MGD each for the City and County) is primarily dependent upon the ability to expand the distribution network system and the irrigation and RIB capacity thereof. The City and Orange County will continue to work together and share in the cost to expand the effluent disposal capacity of the distribution system.

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

Current estimated costs are as follows:

Capital Costs Conserv II Expansion Program (in millions)

	<u>Estimate*</u>
Distribution System (including user turn outs)	\$ 1.6
RIB Construction	\$ 3.0

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

Iron Bridge

As discussed earlier, the City is constructing modifications that will allow the biological nutrient removal facilities to be rerated to 40 MGD. This will significantly lower the cost of replacing the RBCs and result in better overall treatment results. The anticipated cost of this program is \$42 million and will be shared proportionally with the City's partners in the original plant.

Collection System Improvements

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

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

	<u>Estimate</u>
Growth Related	\$ 30.5
Rehabilitation	\$ 23.4

Financing and Project Costs by Fiscal Year

Based on the most recent update to the project planning and projection model and management's appraisal of the most likely circumstances, the City has applied for, and been selected to receive, State Revolving Fund (SRF) loans to provide approximately \$50 million to assist in funding the wastewater capital program. The SRF program offers loans at an attractive rate (less than 3% interest), a payback period of up to 20 years and allows early repayment with no penalty. The proposed capital program will allow the City to maintain the appropriate levels of capacity availability and thus ensure the City's ability to meet the growth demands of the System. These projections are based on assumptions regarding participation in the projects by various other governmental entities, growth in the number of customers and the related revenue streams, a conservatively overstated development agenda and other assumptions which are all subject to future changes in circumstances. The City will continue to monitor its model, on at least a quarterly basis, to insure that initiatives are undertaken on a timely manner, which will allow the City to continue to meet its related growth requirements.

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

SUMMARY OF CAPITAL PROJECT COSTS (in millions)

	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011 and Beyond	Total
Treatment Plant Expansion	\$ 10.1	\$ 0.8	\$ 1.4	\$ 0.0	\$ 0.0	\$ 12.3
Treatment Plant Improvements	28.9	14.8	9.1	2.2	3.0	58.0
Sewer Expansion	3.5	12.8	7.4	1.4	0.0	25.1
Sewer Improvements	0.8	2.0	1.8	0.6	0.0	5.2
Reclaimed Water Improvements	<u>34.0</u>	<u>7.5</u>	<u>0.8</u>	<u>0.8</u>	<u>0.0</u>	<u>43.1</u>
TOTAL	<u>\$ 77.3</u>	<u>\$ 37.9</u>	<u>\$ 20.5</u>	<u>\$ 5.0</u>	<u>\$ 3.0</u>	<u>\$ 143.7</u>

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MANAGEMENT OF THE SYSTEM

The Mayor is the Chief Executive Officer with ten departments reporting to him (Centroplex, Economic Development, Families, Parks & Recreation, Finance, Fire, General Administration, Housing, Police, Public Works, and Transportation). The Chief Administrative Officer assists him in the day-to-day oversight of city operations. Separately, under the Mayor's Chief of Staff, there are five offices (Audit Services & Management Support, City Clerk, Communications, Human Relations, and Neighborhood & Community Affairs).

Mayor Buddy Dyer is a native of Central Florida, born in Orlando and raised in the nearby City of Kissimmee. Following graduation from high school, he was awarded a scholarship to Brown University where his studies were concentrated on civil engineering. Upon graduation, Mayor Dyer returned to Orlando to work as an environmental engineer, later enrolling in the University of Florida Law School, where he was named editor-in-chief of the University of Florida Law Review. Following graduation from law school, Mayor Dyer began his legal career with the Orlando law firm of Winderweedle, Haines, Ward & Woodman. Prior to becoming Mayor, Buddy Dyer served the Orlando area for ten years as State Senator in the Florida Legislature. Mayor Dyer was first elected on February 25, 2003, to fill a remaining one-year term. Mayor Dyer was re-elected on March 9, 2004 to a full four-year term, commencing June 1, 2004.

Alan R. Oyler, P.E., became the Director of Public Works in January 2005 after serving as the Deputy Director since June 2003. Prior to assuming the role of Deputy Director, Mr. Oyler was the Bureau Chief of Wastewater Engineering and Support. Mr. Oyler came to the City in 1982 and has worked in various capacities on wastewater related projects since that time. From 1984 to 1989, Mr. Oyler served as project manager for collection system expansion projects and the Conserv I treatment plant. Upon his promotion to Assistant Chief of the Wastewater Bureau in 1989, Mr. Oyler became the coordinator for all wastewater capital facilities projects. Mr. Oyler holds a Bachelor of Science degree in Engineering and is licensed as a Professional Engineer in the state of Florida. Mr. Oyler's historical involvement in the development of the wastewater system provides a unique and valuable base of knowledge to the City.

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

Robert B. Cadle, P.E. became the Wastewater Division Manager in September 2004. Mr. Cadle originally came to the City in November 1999 as one of the wastewater capital program Project Managers, primarily focusing on the City's treatment plant modification projects. For almost 20 years prior to joining the City, Mr. Cadle was involved with planning, designing and implementing numerous City of Orlando wastewater projects as a consulting engineer. Mr. Cadle holds both a Bachelor of Science and a Master of Science degree in Environmental Engineering and a Professional Engineering Certificate from the State of Florida. Mr. Cadle is uniquely familiar with the development of the City's Wastewater System.

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

Financial and Budgetary Support Systems

The Chief Financial Officer (CFO) is responsible for the oversight of the City's financial affairs. This includes the functions of accounting, accounts payable, accounts receivable, operating and capital budgeting,

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financial forecasting, financial reporting, debt management, investment management, investor relations, payroll, pension management and risk management. In addition, the CFO provides counseling to various Departments and Business Units and is an active participant in strategic planning activities.

The City has been recognized for both its CAFR and its annual budget document. A Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City by the GFOA for each fiscal year since 1978. The City was also an early participant in the GFOA's Distinguished Budget Presentation Awards program and received the budget award for its budget document for fiscal years 1984 through 1989. Due to perceived problems with consistency in the budget awards program at the time, the City elected to discontinue participation but maintain internally the high standards which had been recognized. In light of substantial changes to the program recently, the City resumed its participation beginning with its fiscal year 2004 Budget document. The City has been awarded the Distinguished Budget Presentation Award for its budget document for fiscal years 2004, 2005 and 2006.

Rebecca W. Sutton, C.P.A., was appointed Chief Financial Officer on December 5, 2005. Before joining the City, she served the State of Florida as its Deputy Chief Financial Officer from September 2002 to December 2005; and as Deputy Secretary/CIO for the Department of Management Services from December 2001 to September 2002. Prior to her service with the State, Ms. Sutton worked for American Management Systems (AMS) implementing ERP-like system projects for large state and local governments. Before joining AMS, she served as the Controller for the City of Dallas and the Director of Finance for Carrollton, Texas, Ms. Sutton began her career as an auditor for state and local governments for a world wide accounting firm.

Donnie R. Jones, C.P.A., was appointed City Treasurer in November 2006. Prior to joining the City, Mr. Jones, worked over eight years in the Institutional Trust Division of a large Mid-Western Bank as Vice President and Manager and served over 19 years as the Chief Fiscal Officer/Auditor of the City of Norwood, Ohio.

A large, detailed bronze sculpture of a woman with long hair, holding a large globe. The sculpture is set in a modern building courtyard with glass facades and a blue sky. The woman's arms are outstretched, and the globe is positioned behind her head. The sculpture is surrounded by other bronze elements, including a large, curved archway above it. The background shows the grid-like structure of the building's facade and the clear blue sky.

The Plaza

The Plaza is one of the largest mixed-use projects under construction in the southeast.

Consisting of three buildings, the Plaza will have a 12-screen theater, 50,000 square feet of retail and 390,000 square feet of office space.

CITY OF ORLANDO, FLORIDA

CITY OF ORLANDO

**PARKING SYSTEM FUND
BOND DISCLOSURE SUPPLEMENT**

**SUMMARY INFORMATION
For the year ended September 30, 2006**

Individual Bond Issues:	<u>Outstanding</u>	<u>Rating</u>	<u>Insurance Provider</u>	<u>Paying Agent</u>	<u>Final Maturity</u>
Fixed Rate:					
Parking Facilities Revenue					
Bonds, Series 2004	<u>\$ 12,385,000</u>	N/A	FGIC	The Chase Manhattan	10/1/2012
Reserved for Debt Service:	<u>\$ 1,527,385</u>				

Revenue Pledge:

Primary:

Gross Revenues of the Parking System after deducting 100% of the cost of operations and maintenance and adding net Enforcement Revenues.

Secondary:

Occupational License Tax revenues - \$1,500,000 each fiscal year.

Internal Loan Fund Loan:	<u>\$ 32,285,102</u>	N/A	N/A	N/A	2025
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CITY OF ORLANDO, FLORIDA

PARKING SYSTEM FUND INTRODUCTION

The City began its parking operations pursuant to a 1949 Special Act of the Florida Legislature. Prior to 1980, the City was primarily involved with acquiring land for off-street surface parking, as well as managing a number of on-street spaces within the approximately 1,400 acre Parking District. During this period, the City's parking operations were managed by the Orlando Parking Advisory Commission (the "Commission") which was appointed by the City Council.

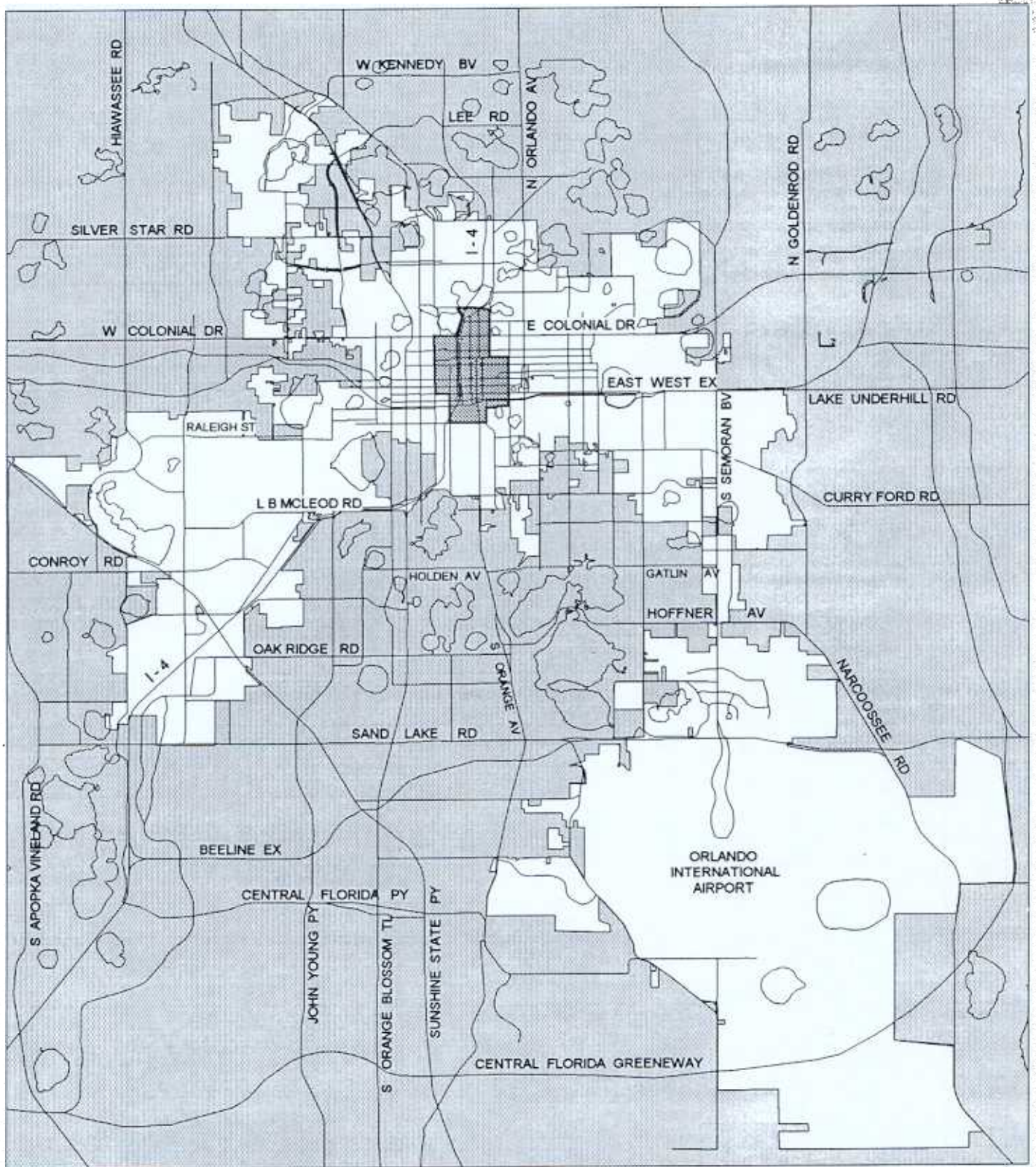
The Commission was abolished during the 1981-1982 fiscal year and management of the City's parking operations was transferred to the Parking Systems Section of the Transportation Engineering Bureau of the City, a unit within the City's Department of Public Works. The Parking System quickly began planning for the development of structured parking and raising rates to a level that would support the new facilities. In another change to enhance the financial health of the System, enforcement revenues related to the System were dedicated to the Parking System Fund. The Central Boulevard Garage, opened in May 1984, was the City's first parking structure. In July 2005, the City formed the Transportation Department and moved the Parking Division into this newly created department.

The following schedule summarizes the changes in the types and number of units that have occurred within the Parking System during the period between 1980 and 2005:

	<u>2006</u>	<u>1980</u>
On-Street	924	1,110
Surface Parking	1100	2,556
Garage Structures	<u>3361</u>	<u>-</u>
Total	5,385	3,666

Description of Parking District

The Parking System serves the City's Parking District. The maps shown on pages C-3 and C-4 depict (a) the parameters of the Parking District within the 111 square miles of the City and (b) the location within the Parking District of the surface lots and parking garages which make up the Parking System and certain of the surface lots and parking garages which are a part of the City Units.



City of Orlando
Downtown Bonding District (Parking) Boundaries
 Prepared by GIS Base Mapping Program - February 15, 1995
 Department of Public Works

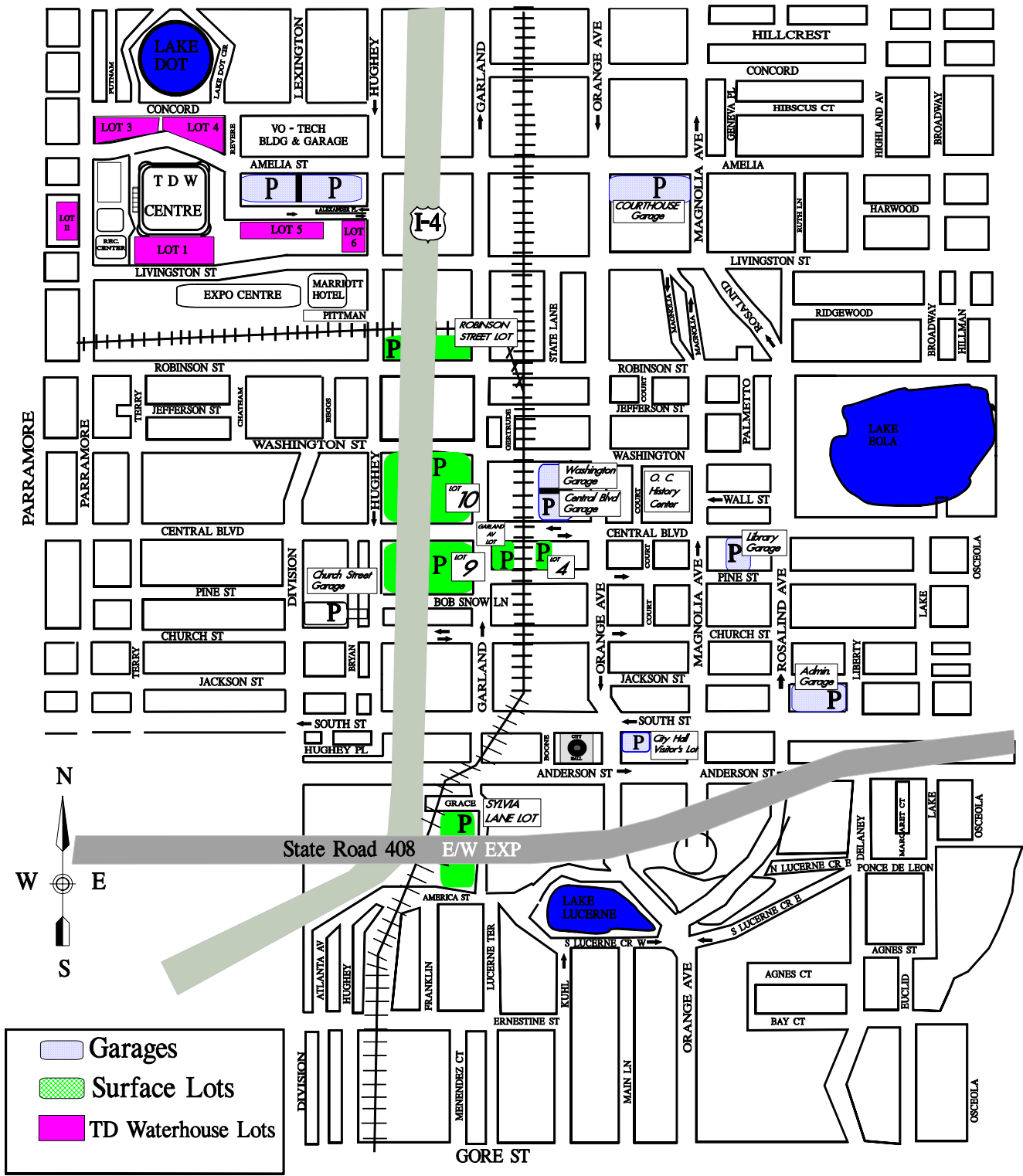


Bonding District
Orange County



CITY OF ORLANDO

PARKING DIVISION



CITY OF ORLANDO, FLORIDA

Operation of Non-System Units and City Units.

In light of restrictions placed historically on the use of parking structures financed with the proceeds of tax-exempt bonds, the Parking Division has entered into a number of user right agreements ("Parking Agreements") which allow private sector businesses to contribute a proportionate share of the capital costs and thereby acquire use rights related to parking spaces within the Parking Facilities. (see Non-System Units on page C-15). The Parking Division has entered into such Parking Agreements both with private sector and other public entities and anticipates the addition of more such Non-System Units within the Parking Facilities. The Parking Division plans, manages and directs the operation of all such Non-System Units and the City Units.

The Orlando Centroplex contracts with the Parking Division of the City to provide staff to manage the use of several surface lots and the 1,116 Transportation Grant Funded Units within the Centroplex Facilities. The contract between the Parking Division and Orlando Centroplex is designed to ensure that the Parking Division recovers all operational costs incurred in supporting the parking effort in connection with events at the Centroplex Facilities. The Centroplex parking garage units are Transportation Grant Funded Units and revenue from these units are not considered Gross Revenues of the Parking System, other than the contract for operating expenses described in the previous sentence. All charges to patrons of events within the Centroplex Facilities for parking in the Transportation Grant Funded Units are retained wholly to support mass transit operations of the City.

Downtown Transit System.

The Lymmo is a no fee circulator that is subsidized by the City. Operating subsidies are provided annually from contributions by the General Fund, the CRA and the Parking System. To the extent that the Parking System will be used as a funding source for the system, the Senior Bond Ordinance relegates any such payment obligation to a subordinate lien status. See "Summary of Historical Debt Service Coverages" herein. Any payments to the system will be made from Net Revenues after all monthly funding obligations with respect to the Bonds and any junior lien bonds have been fully satisfied. During 2005-2006, the related operating subsidy to the Lymmo system was \$838,292 from the CRA Downtown District and \$50,000 from Centroplex.

OUTSTANDING INDEBTEDNESS

As of September 30, 2006, the Parking System had one outstanding bond issue and four outstanding internal loans.

The Series 2004 Bonds were issued to refund the Parking System's Series 1994 Bonds. The Series 2004 Bonds are not callable prior to maturity. The debt service schedule for the Series 2004 Bonds is shown in the table below.

**CITY OF ORLANDO, FLORIDA
PARKING FACILITIES REFUNDING REVENUE BONDS - SERIES 2004
STATEMENT OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2006**

Year Ending September 30	Interest Rate - %	Interest		Principal Due October 1	Total Debt Service
		Due October 1	Due April 1		
2007	2.00	\$ 173,130	\$ 156,730	\$ 1,640,000	\$ 1,969,860
2008	3.00	156,730	131,605	1,675,000	1,963,335
2009	2.50	131,605	110,042	1,725,000	1,966,647
2010	2.40	110,043	88,862	1,765,000	1,963,905
2011	2.63	88,863	65,106	1,810,000	1,963,969
2012	3-4.00 (1)	65,107	33,531	1,855,000	1,953,638
2013	3.125-4(2)	33,531	0	1,915,000	1,948,531
		\$ 759,009	\$ 585,876	\$ 12,385,000	\$ 13,729,885

(1) \$1,105,000 at 3% interest and \$750,000 at 4% interest.

(2) \$1,090,000 at 3.125% interest and \$825,000 at 4% interest.

CITY OF ORLANDO, FLORIDA

Parking System Internal Loan Fund – The loans provide for the Parking System's share in the original and expanded Courthouse (\$4,536,500 and \$6,000,000) and County Administration (\$5,500,000) garages, respectively.

On February 7, 2006, the Parking System Fund borrowed \$21,200,000 to finance the construction of the 1,045 space Jefferson Street Garage.

PARKING SYSTEM REVENUES

Establishment of Parking Rates

Chapter 39 of the City Code grants the Parking Division Manager, subject to the approval of the City Council, the power to fix, alter, charge and collect rates and other charges for the Parking Facilities for the purposes of construction, improvement, repair, maintenance and operation of the Parking Facilities and payment of the principal of and interest on its obligations.

The rates set by the Parking Division Manager are determined by taking into consideration parking demand, financial requirements of the Parking Division, rates set by any competing facilities, and with respect to the Parking System, the rate covenant under the Senior Bond Ordinance.

Enforcement of Parking Fines

The Parking Division has adopted an aggressive policy with respect to the enforcement and collection of penalties for non-payment of parking fines. The Parking Division employs in-house enforcement staff who patrols the parking meters and off-street lots on a daily basis. Tickets for basic parking fines range from \$15 to \$30. These fines, if not paid in the specified time frame, increase in accordance with the schedule depicted on page C-8 hereof. In addition, the Parking Division utilizes several approaches, including the "Denver Boot" to immobilize automobiles and the denial of state license tags, to collect three or more unpaid parking fines. The Parking Division has also utilized in-state and out-of-state collection agencies to collect any outstanding fines.

All on-street meters are enforced six days a week from 8:00 a.m. to 6:00 p.m., while the off-street lots are enforced twenty-four hours a day, seven days a week.

PARKING RATES
As of September 30, 2006

	<u>D A I L Y</u>				<u>MONTHLY PERMIT</u>		<u>OTHER</u>
	<u>Hourly</u>	<u>Early Bird (1)</u>	<u>Evening Rate</u>	<u>Daily Maximum</u>	<u>Monthly</u>	<u>Roof Level</u>	<u>Event Fee (2)</u>
GARAGES							
Central Boulevard (3)	\$ 1.00	\$ 4.50	\$ 4.00 (4)	\$ 10.00	\$ 85.00	\$ 45.00	\$ 5.00
Church Street (3)	1.00	4.50	4.00 (4)	10.00	45.00	-	5.00
Library (3)	1.00	4.50	4.00 (5)	10.00	85.00	45.00	5.00
Administration (3)	1.00	4.50		10.00	55.00	45.00	5.00
Courthouse & Courthouse Expansion (3)	1.00	4.50		10.00	65.00	-	5.00
METER RATES ON STREET							
Low Demand	0.50	-	-	2.50		-	-
High Demand	0.75	-	-	3.50		-	-
Low Demand (bagging)	-	-	-	7.00 (6)		-	-
High Demand (bagging)	-	-	-	10.00 (6)		-	-
METER RATES OFF-STREET							
Lot #9	0.75	-	-	N/A	-	-	-
Lot #10	0.50	-	-	N/A	-	-	-
Lot #4	0.75	-	-	N/A	-	-	-
PARKING PERMITS							
Lot #10	-	-	-	-	55.00	-	-
Garland Lot	-	-	-	-	80.00	-	-
PRIVATE GARAGES							
Citrus Center	2.00	-	-	15.00	105.00	-	5.00
Sun Trust	3.00	-	-	15.00	up to 175	-	5.00
Capital Plaza	4.00	-	-	15.00	75.00/145.00	-	5.00
Signature Plaza	2.00	-	-	15.00	90.00/120.00	-	5.00
City Commons	2.00	-	3.00 (4)	12.00	65.00/120.00	-	3.00

(1) Before 7:00 a.m.

(2) Flat fee

(3) Attended facility

(4) Flat fee after 5:00 p.m.

(5) \$3.50 maximum; \$4.00 Evening Rate after 9:00 p.m.

(6) Meter bagging

CITY OF ORLANDO, FLORIDA

**PARKING FINES
As of September 30, 2006**

<u>VIOLATIONS</u>	<u>FINE(1)</u>	<u>DELINQUENT FEE(2)</u>
Overtime	\$ 15.00	\$15.00
No Parking	\$ 30.00	\$15.00
Fire Hydrant	\$ 30.00	\$15.00
Permit Area	\$ 30.00	\$15.00
Handicap	\$250.00	\$15.00
Boot Fee	\$100.00	N/A

- (1) A \$7.00 surcharge is placed on fines by State Statute to cover cost of the City's School Crossing Guard Programs.
- (2) Delinquent fee represents additional payment due after 14 calendar days from date of ticket.

SECONDARY REVENUE PLEDGE

Occupational License Tax Revenues

The Occupational License Tax authorized by Chapters 166 and 205, Florida Statutes, is comprised of the proceeds of the tax levied and collected by the City pursuant to Sections 205.033 and 205.043, Florida Statutes and Chapter 36 of the City Code, as amended and supplemented, imposing, levying and collecting the Occupational License Tax upon every person exercising the privilege of engaging in or managing any business, profession or occupation within its jurisdiction, subject to certain statutory exemptions. "Person" is defined as any individual, firm, partnership, joint venture syndicate, or other group or combination acting as a unit, association, corporation, estate, trust, business trust, trustee, executor, administrator, receiver, or other fiduciary. Rates for the Occupational License Tax are established by the action of the Mayor and the City Council. Under Chapter 36 of the City Code, each business is classified by occupation or profession and must pay a levy based upon this classification at amounts less than or equal to the ceiling imposed by the Florida Legislature.

Collection of the Occupational License Tax is based on an invoice delivered by the City to the taxpayer. The levy of the Occupational License Tax begins on September 1 of each fiscal year and such taxes are due and payable at that time. The Occupational License Tax becomes delinquent if left unpaid after October 1 of each fiscal year. Delinquent penalties are assessed as follows: 10% of the tax accruing on October 1 with an additional 5% per month accrued thereafter until January 1. The maximum penalty is 25% of the initial levy. The following is a schedule of Occupational License Tax revenues collected during the last five fiscal years ending September 30:

**OCCUPATIONAL LICENSE TAX
COLLECTION RECORD**

<u>Fiscal Year Ended September 30</u>	<u>Amount Collected</u>	<u>Number of Licenses</u>
2002	\$5,131,494	19,813
2003	\$5,152,125	20,600
2004	\$5,096,469	22,941
2005	\$6,024,718	20,804
2006	\$7,023,709	21,009

Source: City's Finance Department

The City has a limited, secondary commitment of \$1,500,000 from Occupational License Tax that can be released if the Parking System Revenues exceed 150% of the debt service coverage for two consecutive fiscal years. However, the release will not occur unless the City receives written confirmation from the ratings agencies that such release will not result in a downgrade or withdrawal of their respective ratings.

CITY OF ORLANDO, FLORIDA

FINANCIAL PERFORMANCE

The following presents the Parking System Fund's financial statements and the summary of Debt Service Coverages for the last five years.

CITY OF ORLANDO, FLORIDA STATEMENT OF NET ASSETS PARKING SYSTEM FUND

	September 30				
	2002	2003	2004	2005	2006
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 11,896,041	\$ 12,395,679	\$ 13,739,448	\$ 9,556,065	\$ 12,963,213
Accounts Receivable (Net)	124,745	800,056	216,816	240,211	653,263
Due From Other Governments	90,974	49,061	-	-	-
Prepaid Items	-	-	-	1,610,000	-
Total Current Assets	12,111,760	13,244,796	13,956,264	11,406,276	13,616,476
Non-Current Assets:					
Restricted:					
Cash and Cash Equivalents	9,876,140	3,491,793	3,335,299	1,961,325	19,449,518
Investments	2,293,067	2,323,387	1,516,323	1,555,066	1,527,385
Capital Assets:					
Land	13,004,855	13,004,855	13,004,855	16,581,347	17,856,497
Buildings	59,413,069	66,437,548	66,587,060	66,587,060	66,547,060
Improvements Other Than Buildings	3,497,489	3,497,489	3,496,844	2,728,109	2,943,028
Equipment	1,372,535	1,407,723	1,272,454	1,278,801	1,586,249
Less Accumulated Depreciation	(31,581,353)	(34,313,524)	(36,894,500)	(38,762,888)	(41,129,840)
Construction in Process	930,786	-	417,115	624,430	8,408,790
Unamortized Bond Costs	182,626	151,584	269,199	211,064	159,617
Total Non-Current Assets	58,989,214	56,000,855	53,004,649	52,764,314	77,348,304
Total Assets	71,100,974	69,245,651	66,960,913	64,170,590	90,964,780
LIABILITIES					
Current Liabilities:					
Accounts Payable	997,090	639,085	694,240	492,354	2,376,519
Accrued Liabilities	76,169	83,557	104,387	48,329	42,533
Accrued Interest Payable	447,152	418,235	199,680	-	173,130
Compensated Absences	26,551	19,818	21,926	23,918	25,536
Advance Payments	92,023	68,030	72,791	80,831	68,138
Current Portion of Loans Payable	354,434	379,245	405,793	434,200	464,591
Current Portion of Bonds Payable	1,345,000	1,405,000	1,045,000	1,610,000	1,640,000
Total Current Liabilities	3,338,419	3,012,970	2,543,817	2,689,632	4,790,447
Non-Current Liabilities:					
Compensated Absences	305,335	227,904	252,144	275,052	293,664
Loans from Other Funds	12,304,340	11,925,095	11,519,302	11,085,102	31,820,511
Bonds Payable After One Year	17,299,903	15,905,968	13,870,467	12,287,360	10,671,160
Total Non-Current Liabilities	29,909,578	28,058,967	25,641,913	23,647,514	42,785,335
Total Liabilities	33,247,997	31,071,937	28,185,730	26,337,146	47,575,782
NET ASSETS					
Invested in Capital Assets, net of related debt	23,477,051	22,893,754	22,828,788	25,386,327	26,676,864
Restricted:					
Renewal and Replacement	2,366,333	2,427,270	2,486,567	2,547,101	2,247,549
Unrestricted	12,009,593	12,852,690	13,459,828	9,900,016	14,464,585
Total Net Assets	\$ 37,852,977	\$ 38,173,714	\$ 38,775,183	\$ 37,833,444	\$ 43,388,998

CITY OF ORLANDO, FLORIDA

CITY OF ORLANDO, FLORIDA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PARKING SYSTEM FUND

	For the Year Ended September 30				
	2002	2003	2004	2005	2006
Operating Revenues					
User Charges	\$ 3,207,201	\$ 3,684,543	\$ 3,501,771	\$ 3,705,616	\$ 4,431,929
Fees	4,964,287	5,180,067	4,706,399	5,488,032	5,626,114
Parking Fines	2,037,787	2,206,008	1,676,466	1,631,383	1,914,658
Other	48,545	110,946	40,103	85,304	174,094
Total Operating Revenues	<u>10,257,820</u>	<u>11,181,564</u>	<u>9,924,739</u>	<u>10,910,335</u>	<u>12,146,795</u>
Operating Expenses					
Salaries, Wages and Employee Benefits	3,092,190	3,182,002	3,431,524	3,357,138	3,231,790
Contractual Services, Materials and Supplies	4,248,467	4,429,662	3,798,366	4,129,380	4,520,019
Depreciation Expense	2,564,446	2,737,507	2,724,785	2,644,820	2,480,797
Insurance and Other Expenses	524,556	849,499	881,605	1,745,298	1,862,748
Total Operating Expenses	<u>10,429,659</u>	<u>11,198,670</u>	<u>10,836,280</u>	<u>11,876,636</u>	<u>12,095,354</u>
Operating Income (Loss)	<u>(171,839)</u>	<u>(17,106)</u>	<u>(911,541)</u>	<u>(966,301)</u>	<u>51,441</u>
Non-Operating Revenues (Expenses)					
Income on Investments	769,287	866,405	424,197	394,414	1,252,009
Interest Expense	(1,187,461)	(1,315,879)	(1,169,430)	(861,393)	(1,361,191)
Gain (Loss) on Sale of Capital Assets	-	-	1,534,200	(255,395)	1,975,003
Total Non-Operating Revenues (Expenses)	<u>(418,174)</u>	<u>(449,474)</u>	<u>788,967</u>	<u>(722,374)</u>	<u>1,865,821</u>
Income (Loss) Before Transfers	<u>(590,013)</u>	<u>(466,580)</u>	<u>(122,574)</u>	<u>(1,688,675)</u>	<u>1,917,262</u>
Transfers					
Transfers In	2,420,076	2,296,974	2,224,043	2,311,936	5,138,292
Transfers (Out)	(1,594,433)	(1,509,657)	(1,500,000)	(1,565,000)	(1,500,000)
Total Transfers	<u>825,643</u>	<u>787,317</u>	<u>724,043</u>	<u>746,936</u>	<u>3,638,292</u>
Change in Net Assets	235,630	320,737	601,469	(941,739)	5,555,554
Net Assets - Beginning	<u>37,617,347</u>	<u>37,852,977</u>	<u>38,173,714</u>	<u>38,775,183</u>	<u>37,833,444</u>
Net Assets - Ending	<u>\$ 37,852,977</u>	<u>\$ 38,173,714</u>	<u>\$ 38,775,183</u>	<u>\$ 37,833,444</u>	<u>\$ 43,388,998</u>

CITY OF ORLANDO, FLORIDA

Summary of Historical Debt Service Coverages Parking System Fund As of September 30

	2002	2003	2004	2005	2006
Revenues:					
User Charges	\$ 3,207,201	\$ 3,684,543	\$ 3,501,771	\$ 3,705,616	\$ 4,431,929
Fees	4,964,287	5,180,067	4,706,399	5,488,032	5,626,114
Less: Non-System Units	(417,602)	(446,063)	(457,460)	(424,561)	(545,334)
Less: Non-System Units-Surface Parking (1)	(477,156)	(451,490)	(375,750)	(361,938)	(471,826)
Less: Centroplex Garage Revenues	(992,630)	(1,148,862)	(1,033,892)	(1,137,116)	(1,445,058)
Other Revenues	48,545	110,946	40,103	85,304	174,094
Sub-Total	6,332,645	6,929,141	6,381,171	7,355,337	7,769,919
Enforcement:					
Revenues	2,037,787	2,206,008	1,676,466	1,631,383	1,914,658
Expenses	(657,520)	(770,193)	(688,990)	(672,751)	(704,301)
Net Enforcement Revenues	1,380,267	1,435,815	987,476	958,632	1,210,357
Total Revenues	7,712,912	8,364,956	7,368,647	8,313,969	8,980,276
Expenses:					
Operating Expenses	9,772,139	10,428,477	10,147,290	11,203,885	11,391,053
Less: Depreciation	(2,564,446)	(2,737,507)	(2,724,785)	(2,644,820)	(2,480,797)
Less: Non-System Units	(417,602)	(446,063)	(457,460)	(424,561)	(545,334)
Less: Non-System Units-Surface Parking (1)	(477,156)	(451,490)	(375,750)	(361,938)	(471,826)
Less: Centroplex Garage Expenses	(631,092)	(671,212)	(632,969)	(565,970)	(607,367)
Less: Transit Payment	(1,286,193)	(1,104,549)	(1,061,741)	(1,374,586)	(1,466,183)
Total	4,395,650	5,017,656	4,894,585	5,832,010	5,819,546
Non-Operating Revenues (Expenses):					
Net Operating Transfers In (Out) (2)	-	-	-	(65,000)	-
Income on Investment	777,119	869,487	421,913	389,156	1,226,901
Total Non-Operating Revenues	777,119	869,487	421,913	324,156	1,226,901
Total Revenues from Operations	4,094,381	4,216,787	2,895,975	2,806,115	4,387,631
Secondary Revenue Pledge (3)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total Available for Debt Service	\$ 5,594,381	\$ 5,716,787	\$ 4,395,975	\$ 4,306,115	\$ 5,887,631
Debt Service:					
Bonds/Senior Lien	\$ 2,184,305	\$ 2,181,470	\$ 2,101,850	\$ 1,423,460	\$ 1,956,260
Banking Fund Loan	612,482	822,778	832,558	861,833	1,425,331
Total Debt Service	\$ 2,796,787	\$ 3,004,248	\$ 2,934,408	\$ 2,285,293	\$ 3,381,591
Debt Service coverage from Operations on the Senior Lien Obligation:					
Test	135 %	135 %	135 %	135 %	135 %
Actual	187 %	193 %	138 %	197 %	224 %
Including Secondary Revenue:					
Test	135 %	135 %	135 %	135 %	135 %
Actual	256 %	262 %	209 %	303 %	301 %
Debt Service coverage from Operations on the Total Debt Service:					
Test	146 %	140 %	99 %	123 %	130 %

(1) Represents surface parking revenue/expense reimbursements for lots managed by the Parking System Division on behalf of the Centroplex Garage facilities.

(2) Net of CRA contribution to support the Centroplex Garage Operation.

(3) Represents Occupational License Fee revenue

CITY OF ORLANDO, FLORIDA

CITY OF ORLANDO, FLORIDA STATEMENT OF CASH FLOWS PARKING SYSTEM FUND

	September 30				
	2002	2003	2004	2005	2006
Increase (Decrease) in Cash and Cash Equivalents:					
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 10,240,442	\$ 10,524,173	\$ 10,561,801	\$ 10,894,980	\$ 11,721,050
Payments to Suppliers	(4,172,976)	(4,673,089)	(4,171,522)	(4,928,565)	(3,404,373)
Payments to Employees	(2,314,319)	(2,520,146)	(2,505,588)	(2,468,422)	(2,262,224)
Payments to Internal Service Funds and Administrative Fees	(768,599)	(1,671,667)	(1,290,401)	(2,009,738)	(1,997,914)
Net Cash Provided by (Used in) Operating Activities	2,984,548	1,659,271	2,594,290	1,488,255	4,056,539
Cash Flows from Noncapital Financing Activities:					
Transfers In	2,420,076	2,296,974	2,224,043	2,311,936	5,138,292
Transfers (Out)	(1,594,433)	(1,509,657)	(1,500,000)	(1,565,000)	(1,500,000)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	825,643	787,317	724,043	746,936	3,638,292
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Bonds, Loans and Advances	6,000,000	-	14,915,467	-	21,200,000
Additions to Capital Assets	(991,222)	(6,134,217)	(574,522)	(4,054,216)	(9,655,722)
Principal Paid on Bonds, Interfund Loans, Loans and Leases	(1,621,248)	(1,699,434)	(379,245)	(1,450,793)	(2,044,200)
Payments released from Escrow by Fiscal Agent	-	-	-	(1,610,000)	1,610,000
Payments for Advance Refunded Bonds	-	-	(17,310,968)	-	-
Interest Paid on Bonds, Interfund Loans, Loans and Leases	(1,202,629)	(1,333,731)	(1,387,985)	(1,034,180)	(1,164,261)
Bond Issuance Cost Paid	-	-	(159,266)	-	-
Proceeds from Sale of Property, Plant and Equipment	-	-	1,534,200	970	1,975,003
Net Cash Flows from Capital and Related Financing Activities	2,184,901	(9,167,382)	(3,362,319)	(8,148,219)	11,920,820
Cash Flows from Investing Activities:					
Purchases of Investments	(2,628,823)	(6,941,820)	(11,507,081)	(6,142,176)	(4,708,347)
Proceeds from Sales and Maturities of Investments	2,630,771	6,911,500	12,314,145	6,103,433	4,736,028
Interest on Investments	769,287	866,405	424,197	394,414	1,252,009
Net Cash Flows Provided by Investing Activities	771,235	836,085	1,231,261	355,671	1,279,690
Net Change in Cash and Cash Equivalents	6,766,327	(5,884,709)	1,187,275	(5,557,357)	20,895,341
Cash and Cash Equivalents at Beginning of Year	15,005,854	21,772,181	15,887,472	17,074,747	11,517,390
Cash and Cash Equivalents at End of Year	\$ 21,772,181	\$ 15,887,472	\$ 17,074,747	\$ 11,517,390	\$ 32,412,731
Classified As:					
Current Assets	\$ 11,896,041	\$ 12,395,679	\$ 13,739,448	\$ 9,556,065	\$ 12,963,213
Restricted Assets	9,876,140	3,491,793	3,335,299	1,961,325	19,449,518
Totals	\$ 21,772,181	\$ 15,887,472	\$ 17,074,747	\$ 11,517,390	\$ 32,412,731

CITY OF ORLANDO, FLORIDA

THE PARKING SYSTEM

The Parking Facilities have a dominant position in the overall parking scheme of the City. The Parking Division controls, sets and collects rates for approximately 6,501 parking spaces in the downtown area (5,385 Parking System Units and 1,116 Transportation Grant Funded Units). While there are private facilities which service the Downtown area, the Parking Facilities comprise approximately 60% of the available parking spaces within the Downtown area. In addition, the rates within the Parking System are, and traditionally have been, lower than the rates charged by private operators.

Existing Facilities

The following schedule reflects the existing parking structures, surface lots and on-street metered spaces which are part of the Parking System, the Non-System Units and the city Units (including Transportation Grant Funded Units) along with certain pertinent information with respect to such facilities:

Total Units	Date Opened	Construction Costs	Parking System	Non- System Units	City Units (1)	Total Units
Garage Structures:						
Central Blvd. Garage	May-84	\$ 4,697,528	605	-	-	605
Washington Street Garage	Oct-87	4,647,779	277	225	-	502
Centroplex I	Oct-87	3,615,197	-	-	603	603
Church Street Garage	Oct-89	11,556,532	637	419	-	1,056
Library Garage	Jul-91	6,391,348	481	101	-	582
Centroplex II	Jul-91	5,955,415	-	-	513	513
City Commons Garage	Apr-92	-	-	-	684	684
Admin. Center Garage	Jun-97	10,916,248	260	600	-	860
Courthouse Garage	Sep-97	5,536,500	501	250	-	751
Courthouse Garage-Expansion	Aug-03	7,188,359	600	150	-	750
Sub-Total		60,504,906	3,361	1,745	1,800	6,906
Surface Lots:						
#4	Mar-05	41,300	72			72
#9	Nov-61	570,046	381			381
#10	Nov-61	570,046	476			476
Garland Lot	Sep-00	74,214	142			142
Robinson Street	Sep-90	106,000	29			29
Centroplex A-1	Sep-89				839	839
Centroplex A-3	Sep-89				578	578
Centroplex A-4	Sep-89				164	164
Centroplex A-5	Sep-89				73	73
Centroplex A-6	Sep-89				116	116
City Hall Lot A	Jan-88				84	84
Sub-Total		1,361,606	1,100	-	1,854	2,954
On-Street Metered Spaces:		-	924	-	-	924
GRAND TOTAL		\$ 61,866,512	5,385	1,745	3,654	10,784

(1) The City Units include Centroplex I and Centroplex II which are Transportation Grant Funded Units. The balance of the City Units are used primarily for employee parking and event parking.

CITY OF ORLANDO, FLORIDA

The following is a brief description of the garage structures and the surface lots that comprise the Parking System:

Garage Structures:

Central Boulevard Garage - The Central Boulevard Garage is located near the intersection of Orange Avenue and Central Boulevard and was opened in 1984. This facility consists of six-levels containing 605 parking spaces, approximately 2,500 square feet of retail spaces and over 10,200 square feet of office space housing the Parking Division's offices and the Computer Signal System Center. This cast-in-place post-tension structure features two glass-enclosed elevators with open stairwells. Gate attendants are assisted by revenue control equipment to handle ingress/egress to/from the facility. The facility was built in the center of downtown and mainly handles monthly, as well as transient, parkers of the surrounding areas.

Church Street Garage - The Church Street Garage is located at the corner of Church Street and Hughey Avenue and is adjacent to the Orlando Police Department Headquarters. Six store fronts on Church Street house office space, retail area and a restaurant. This facility provides parking support for long-term office space leases in the downtown area, as well as short-term parking needs. Of the total 1,056 spaces, 637 are part of the Parking System and 419 are reserved as Non-System Units for the Orlando Police Department for employees and police vehicles.

Library Garage - The Library Garage is located on Central Boulevard across from the Orange County Public Library and was built on land acquired as a result of a land swap among three parties, including Orange County. Orange County's land was exchanged for 89 Non-System Units in the Library Garage. This facility is a seven-level structure which houses four small retail shops and 582 parking spaces, many of which are devoted to short-term parking for the library patrons and 101 of which are Non-System Units. This facility also features revenue control equipment which maintains statistical and financial information.

Washington Street Garage - The Washington Street Garage is located near the intersection of Orange Avenue and Washington Street and opened in 1987. This is a six level facility containing a total of 502 spaces. This facility provides parking support for long-term office space leases in the downtown area. The 502 spaces consist of 225 Non-System Units and 277 Parking System units.

Administration Center Garage - The Administration Center Garage is located at the corner of South Street and Rosalind Avenue and was opened in June 1997. This is a six level facility which contains a total of 860 spaces with ingress off Liberty Avenue and egress on Jackson Street. There are 600 Non-Systems Units and the remaining 260 spaces are Parking System Units. This facility also houses the Orange County Tax Collectors Office.

Courthouse Garage - The Courthouse Garage is located adjacent to the Orange County Courthouse. This seven level facility was opened in September 1997 and has 751 spaces of which 250 are Non-System Units. This facility supports all visitor parking (short-term) to the County Courthouse.

Courthouse Garage Expansion - The expansion of the Courthouse Garage added an additional 750 spaces of which 150 are Non-System Units. This expansion was needed to meet the parking demand created by the growth of the Orange County Courthouse. This facility opened in August of 2003.

Surface Lots

Lot 4 is located at 78 West Central Blvd at the site of the old Lynx Bus Station. Lot 4 contains 72 spaces and is primarily used by visitors to the businesses that front Orange Avenue

CITY OF ORLANDO, FLORIDA

Lots 9 and 10 are located under I-4 and were built as part of the Interstate Program. Lot 9 contains 381 spaces and is primarily utilized by visitors to the Church Street Station area. Lot 10 is located north of Lot 9, contains another 476 spaces and has a mix of long and short-term parking to serve customers and employees of the downtown area.

The Garland Lot is located at 109 West Pine Street between Pine St. and Central Blvd and consists of 142 spaces. This facility provides parking support for office space in the downtown area.

The Robinson Street Lot is located under I-4, consists of 29 metered spaces and is predominantly used for short-term parking by visitors to the State Office Building.

Physical Condition of the Parking System

Under the Senior Bond Ordinance the City covenants to maintain the Parking System and all parts of it in good condition and to operate the same in an efficient and economical manner, making expenditures for equipment, maintenance and repairs and for renewals and replacements as may be proper for its economical operation and maintenance.

The Parking System is inspected and its operations reviewed annually by the City or, at the option of the City, by a qualified independent consultant, provided that at least every three years such inspection and review must be performed by a Qualified Independent Consultant. Immediately following such inspection, a written report on the condition of the Parking System and manner of operations is filed with the City. An inspection and review in April 2004, by a Qualified Independent Consultant concluded that, in general, the City's parking facilities were in "good condition.". A copy of the report as it relates to the Parking System Enterprise Fund is available upon request for inspection at City Hall, and is mailed to any Bondholder at their request. If reports indicate the Parking System is not in good condition, then to the extent funds in the General Revenue Account or the Renewal and Replacement Account are available, the City, under the provisions of the Senior Bond Ordinance, has covenanted to immediately make or cause to be made such repairs as shall be necessary to place it in good condition.

In May 2006, all mechanical parking meters were replaced with electronic meters to facilitate immediate rate adjustments as well as inventory and auditing procedures. The maintenance staff of the Parking Division monitors and cleans the facilities regularly while landscaping maintenance is handled on a contractual basis. These crews monitor and maintain the facilities daily. Major support is provided by the City's Facilities Management Bureau which handles painting, plumbing, minor concrete repairs and other work, as required. Periodically, with the assistance of a consulting staff, the Parking Division inspects the Parking Facilities for crack repairs, sealant and/or resurfacing. Due to the relatively young age of the facilities within the Parking System and the Parking System's regular maintenance and housekeeping programs, the City believes that facilities within the Parking System are in very good physical condition.

Non-System Units

Simultaneous with the construction of the Washington Street Garage, the City developed a program to create Non-System Units under which a private sector permit holder, by paying an estimated construction cost per space initially and a pro-rata share of the on-going operating and maintenance costs (the "Non-System Unit Payments"), can acquire a 50-year or life of the garage permit for privileges specified in a Parking Agreement between the private sector permit holder (the "Parker") and the City. This program was intended to provide private sector financing for a portion of the garage construction costs and to enhance the related building owners' opportunity to compete in the local office space market by providing adequate parking support for long-term office space leases. The Parkers do not acquire ownership rights but do obtain permits associated with the particular office building which could be transferred with the building to a subsequent purchaser pursuant to the Parking Agreement. All such Non-System Units are excluded from the Parking System and Non-System Unit Payments are not included in the Gross Revenues of the Parking System.

CITY OF ORLANDO, FLORIDA

The Parking Agreement grants to the Parker the exclusive right and license to use and to authorize its tenants, invitees and employees who work in the subject building to use the designated spaces within the subject facility for a term equal to the useful life of the facility (as determined by the City) but not less than 50 years. In return, the Parker must pay a basic payment as well as its pro rata share of the operational, repair and maintenance expenses (the "Non-System Units O&M Expenses") on a monthly per parking space basis. The basic payment due from the Parker is based upon the estimated total construction costs (including, but not limited to, land acquisition cost) taken from the most recent project cost analysis in existence at the time the Parking Agreement is executed but is subject to adjustments based on the finalized total construction cost as determined by the City at the conclusion of the project. The Non-System Units O&M Expenses assessed to the Parker include the specific cost associated with the long-term Parkers, but exclude specific costs necessitated solely by the short-term parkers and the office and retail tenant space, if any, in the facility. Such Non-System Units O&M Expenses are not included in the Cost of Operation and Maintenance of the Parking System. Failure of the Parker to pay the Non-System Units O&M Expenses can result in the loss of the Parker's license to use the designated spaces.

The City reserves the right to relocate the designated spaces during the life of the Parking Agreement within the subject facility on a temporary basis for maintenance or repair purposes or on a permanent basis subject to the Parker's approval or to another nearby facility within the Parking Facilities, as deemed necessary by the City. Designated spaces within the subject facility may only be used by the Parker, its employees and invitees, the employees of any tenant of the subject building and the employees of the Parker or any tenant of the Parker working in a building other than the subject building owned by the Parker and located within the downtown area. The Parker has the right to assign the right to park in the parking spaces only to the owners or the tenants of the subject building or any subsequently approved building owned by the Parker and its employees.

Competing Facilities

In the Senior Bond Ordinance, the City covenants not to construct, operate, maintain or participate in the ownership, management or operation of any parking facility, system or enterprise that is not part of the Parking System unless the City shall have received a report from a Qualified Independent Consultant to the effect that the operation of such parking facility, system or enterprise will not materially adversely affect the ability of the City to comply with the rate covenants set forth in the Senior Bond Ordinance or otherwise impair the operating efficiency of the Parking System.

Capital Improvement Plan

The 55 West project involves the redevelopment of the Church Street Market project located between Orange Avenue and the CSX railroad. The Development will include approximately 400 residential condominium units, 21,500 sq. ft. of office condominium, and 105,000 sq. ft. of retail space and replace the City's 380 parking spaces as part of a 1,072-space parking structure.

The agreement provides for the Developer to replace the Parking System 380-space at no cost to the City, and to pay an interim rent during construction replacing the monthly net income to the System, and after construction a \$50,000 annual lease payment for the air rights. In April 2005, the developer broke ground on the project.

To meet the needs of an ever increasing demand for parking spaces downtown, the City is building the 1,045-space Jefferson Street Garage on what used to be Lot 6, a 182-space surface parking lot. The Jefferson Street Garage is bounded by the CSX railroad to the west, Jefferson St. to the north, and Washington St. to the south. The construction of the garage began in January, 2006 with a projected completion date in July, 2007. To finance this project, the Parking System Fund borrowed \$21.2 million from the Internal Loan Fund.

CITY OF ORLANDO, FLORIDA
MANAGEMENT OF THE PARKING SYSTEM

Organization

The Mayor is the Chief Executive Officer with ten departments reporting to him (Centroplex, Economic Development, Families, Parks & Recreation, Finance, Fire, General Administration, Housing, Police, Public Works, and Transportation). The Chief Administrative Officer assists him in the day-to-day oversight of city operations. Separately, under the Mayor's Chief of Staff, there are five offices (Audit Services & Management Support, City Clerk, Communications, Human Relations, and Neighborhood & Community Affairs).

Mayor Buddy Dyer is a native of Central Florida, born in Orlando and raised in the nearby City of Kissimmee. Following graduation from high school, he was awarded a scholarship to Brown University where his studies were concentrated on civil engineering. Upon graduation, Mayor Dyer returned to Orlando to work as an environmental engineer, later enrolling in the University of Florida Law School, where he was named editor-in-chief of the University of Florida Law Review. Following graduation from law school, Mayor Dyer began his legal career with the Orlando law firm of Winderweede, Haines, Ward & Woodman. Prior to becoming Mayor, Buddy Dyer served the Orlando area for ten years as State Senator in the Florida Legislature. Mayor Dyer was first elected on February 25, 2003, to fill a remaining one-year term. Mayor Dyer was re-elected on March 9, 2004 to a full four-year term, commencing June 1, 2004.

Roger Neiswender became the the Director of Transportation in April 2005. He has thirty-three years experience working with the public and private sectors in the area of local government operations, planning, transportation, and economic development. Mr. Neiswender is a former County Administrator in both Seminole and Orange Counties. He has provided his transportation planning, public involvement, finance, and intergovernmental coordination expertise to numerous public and private clients. Mr. Neiswender graduated in 1967 from the University of Tennessee with a Bachelor of Business Administration degree. He received his Masters of Urban Planning in 1971 from the University of Tennessee. Mr. Neiswender has resided in College Park for the past twelve years and has been a resident of Florida for 35 years.

Samuel G. Vennero has been the Parking Division Manager (formerly called the Parking Bureau Chief) since 1990, and previously served as Parking System Manager for ten years. Before coming to Orlando as Parking System Manager, Mr. Vennero was Parking System Manager for the City of Peoria, Illinois for two years. Prior to joining the City of Peoria he was Project Planner/Auditor for the Public Parking Authority of Pittsburgh, Pennsylvania. Mr. Vennero has a Bachelors of Science Degree in Accounting and an Associates Degree in Business Administration from Robert Morris College. Mr. Vennero has supervised the design and construction of all of the City's Parking System garage facilities. He served as Chairman of the International Parking Institute for the years 2001 to 2003.

The City believes that the unique combination of the backgrounds of the Mayor, the Director of Transportation and the Parking Division Manager forge a framework for the effective management of the Parking System.

Parking Division

The Parking Division is responsible for enforcement, collection of fines, analysis of parking needs, and the on-going monitoring program of the activity of the parking supply under its control. The Parking Division also plans and manages parking improvements and coordinates all parking activities with other City departments and outside entities in order to ensure adequate and convenient parking for the public. The Parking Division is organized into thirteen programs: Parking Administration, Parking Violations, Surface Parking, Central Garage, Church Street Garage, Market Garage, Administration Garage, Courthouse Garage, Courthouse Garage Expansion, Library Garage, Centroplex I Garage, Centroplex II Garage, Centroplex Parking and Event Parking.

Program Descriptions. The Parking Administration program directs the operation of the Parking Division, plans and manages parking improvements, coordinates all parking activities with other City departments and outside entities, processes all revenues and expenditures, manages garage access, and conducts parking analysis studies. The Parking Violations program processes all parking tickets issued by Parking Enforcement Officers, the Orlando Police Department, and the Airport Officers. The Parking Enforcement Program is responsible for enforcing all State laws and City ordinances pertaining to parking, with emphasis placed on metered and unmetered spaces

CITY OF ORLANDO, FLORIDA

located in the Parking District and the Orlando Regional Hospital area. The Parking Enforcement Officers also assist the Orlando Police Department in locating unwanted, abandoned or stolen vehicles and make recommendations as to where parking problems may exist.

The Surface Parking program is responsible for providing secure and efficient collection of parking meter revenue from all zones; installing and removing meters where needed; and performing repairs on over 2,000 parking meters. The Event Parking program operates all surface lots at the Citrus Bowl and Amway Arena, which are not part of the Centroplex Program, in concurrence with all events at the Citrus Bowl and Tinker Field.

The Library Garage program is responsible for the operations and maintenance of the Library Garage facility.

The Centroplex Garage I program is responsible for the operation and maintenance of Centroplex Garage I facility. The Centroplex Garage II program is responsible for the operation and maintenance of the Centroplex Garage II facility. The goal of this program is to entice the general public and patrons from the Downtown area to park and ride into the core and other targeted areas. The Centroplex Parking program is responsible for handling the operations for event parking at the Centroplex site.

The Central Boulevard Garage Operations program is responsible for the operation and maintenance of the Central Boulevard Garage facility.

The Church Street Garage Operations program is responsible for the operation and maintenance of the Church Street Garage Facility. This program also strives to provide continual service to all retail areas within the Church Street Garage in accordance with the Parking System's contractual obligations.

The Courthouse Garage and Expansion Operation program is responsible for the operation and maintenance of the Courthouse Garage.

The Administration Center Garage Operation is responsible for the maintenance and operation of the Administration Center Garage.

Employees. As of September 30, 2006, the Parking Division had 91 full-time employees. Approximately 58% of the Parking Division positions are covered by the bargaining agreement between the City and the Laborers International Union of North America, Local #678. Approximately 9% of the Parking Division positions are covered by the bargaining agreement between the City and the Orange County Police Benevolent Association, Inc. (PBA) Approximately 27% employees are covered by the bargaining agreement between the City and the Service Employees International Union. The remaining 6% are non-bargaining employees. The City has a full-time professional labor relations staff which characterizes its relationship with the Parking Division employees as good.

Financial and Budgetary Support Systems

The Chief Financial Officer (CFO) is responsible for the oversight of the City's financial affairs. This includes the functions of accounting, accounts payable, accounts receivable, operating and capital budgeting, financial forecasting, financial reporting, debt management, investment management, investor relations, payroll, pension management and risk management. In addition, the CFO provides counseling to various Departments and Business Units and is an active participant in strategic planning activities.

The City has been recognized for both its CAFR and its annual budget document. A Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City by GFOA for each Fiscal Year since 1978. The City was also an early participant in the GFOA's Distinguished Budget Presentation Awards program and received the budget award for its budget document for Fiscal Years 1984 through 1989. Due to perceived problems with consistency in the budget awards program at the time, the City elected to discontinue participation but maintain internally the high standards which had been recognized. In light of substantial changes to the program recently, the City resumed its participation beginning with its fiscal year 2004 Budget document.

CITY OF ORLANDO, FLORIDA

The City has been awarded the Distinguished Budget Presentation Award for its budget document for fiscal years 2004 and 2005.

Rebecca W. Sutton, C.P.A., was appointed Chief Financial Officer on December 5, 2005. Before joining the City, she served the State of Florida as its Deputy Chief Financial Officer from September 2002 to December 2005; and as Deputy Secretary/CIO for the Department of Management Services from December 2001 to September 2002. Prior to her service with the State, Ms. Sutton worked for American Management Systems (AMS) implementing ERP-like system projects for large state and local governments. Before joining AMS, she served as the Controller for the City of Dallas and the Director of Finance for Carrollton, Texas. Ms. Sutton began her career as an auditor for state and local governments for a worldwide accounting firm.

Donnie R. Jones, C.P.A., was appointed City Treasurer in November 2006. Prior to joining the City, Mr. Jones, worked over eight years in the Institutional Trust Division of a large Mid-Western Bank as Vice President and Manager and served over 19 years as the Chief Fiscal Officer/Auditor of the City of Norwood, Ohio.



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The Solaire

A part of the Plaza development, the Solaire will have 310 residential condominium units and is scheduled to open in 2007.

**CITY OF ORLANDO, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY
BOND DISCLOSURE SUPPLEMENT**

**SUMMARY INFORMATION
As of September 30, 2006**

DOWNTOWN DISTRICT

Individual Bond Issues:	<u>Outstanding</u>	<u>Rating</u>	<u>Insurance Provider</u>	<u>Paying Agent</u>	<u>Maturity</u>
Fixed Rate:					
Community Redevelopment Agency Tax Increment Revenue Refunding Bonds Series 2004	\$ 7,085,000	N/A	Ambac	U.S. Bank Trust, NA	10/1/2010
Community Redevelopment Agency Tax Increment Revenue Refunding and Revenue Bonds Series 2002	<u>9,910,000</u>	N/A	Ambac	Wells Fargo	10/1/2016
Total Debt Outstanding	<u>\$ 16,995,000</u>				
Reserved for Debt Service:	<u>\$ 5,013,287</u>				

Revenue Pledge:

Primary:
Tax Increment Revenues - Downtown District
Secondary:
N/A

Internal Loan Fund Loans (Outstanding as of 9/30/06):

Parramore Housing/Office Complex	\$ 11,323,311				2021
Market Rate Housing	10,572,422				2016
Expo Centre Renovation	3,920,000				2020
Premiere Trade Plaza	3,500,000				2022
Nap Ford Community School	868,187				2010
	<u>\$ 30,183,920</u>				

REPUBLIC DRIVE (UNIVERSAL BOULEVARD)

Individual Bond Issues:	<u>Outstanding</u>	<u>Rating</u>	<u>Insurance Provider</u>	<u>Paying Agent</u>	<u>Maturity</u>
Fixed Rate:					
Tax Increment Revenue Refunding Bonds (Republic Drive (Universal Boulevard)/I-4 Interchange Project) Series 2002	<u>\$ 40,755,000</u>	N/A	Ambac	Wells Fargo	4/1/2025
Reserved for Debt Service:	<u>\$ 3,620,825</u>				



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DOWNTOWN DISTRICT

CITY OF ORLANDO, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY - DOWNTOWN DISTRICT

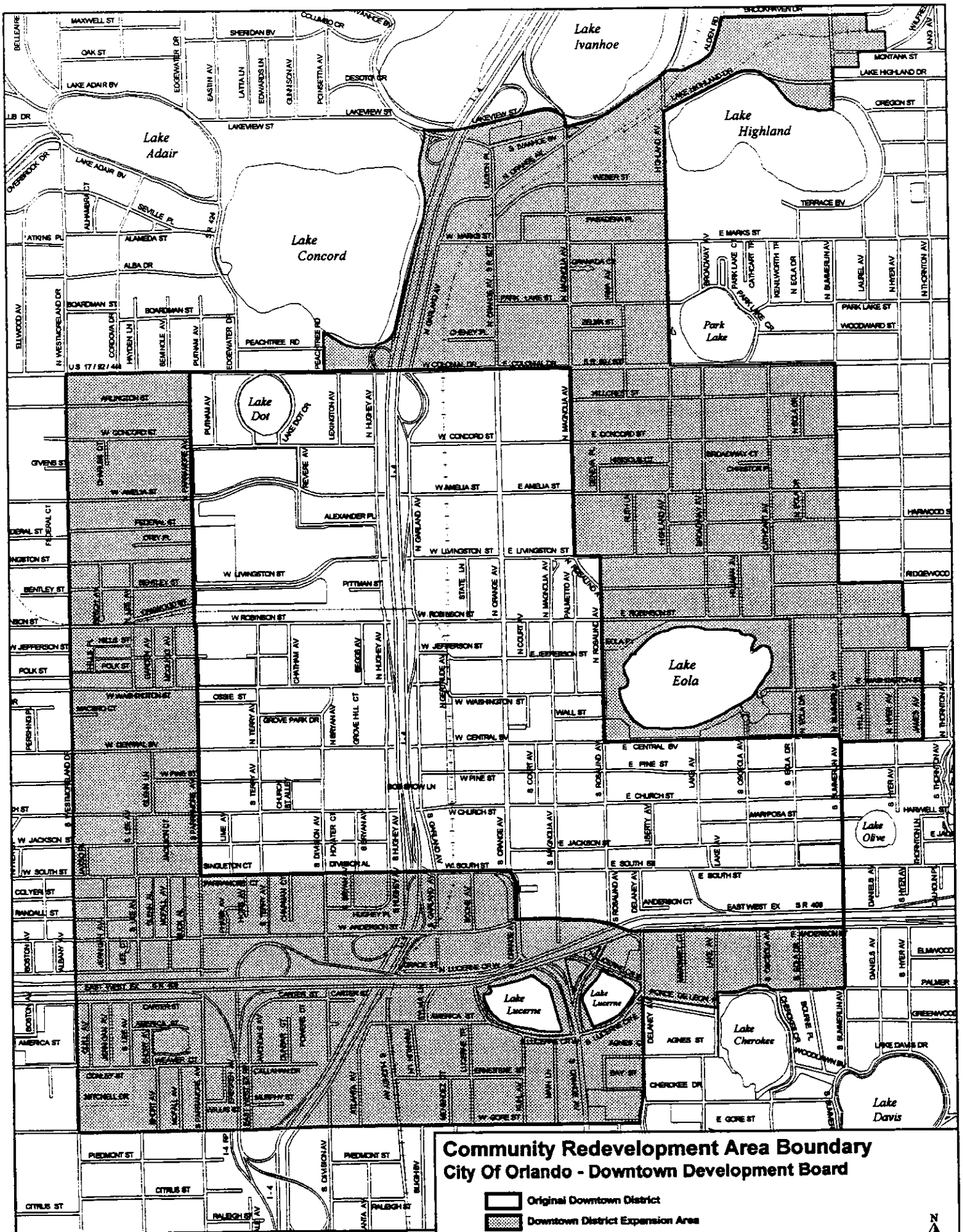
INTRODUCTION

The City of Orlando, Florida Community Redevelopment Agency (the “Agency”) was created in February 1980 and expanded in March 1982 by resolution of the City Council, after a finding by the City Council that there existed within the Downtown area of the City slum or blighted areas. Chapter 163, Part III, Florida Statutes, as amended (the “Redevelopment Act”) authorizes a municipality, after finding that there exists within the municipality slum or blighted areas and that there is a need to create a community redevelopment agency to carry out the redevelopment of the slum or blighted areas, to create a community redevelopment agency.

Pursuant to the Act, the City Council designated itself as the Agency. After a number of public meetings and public hearings, the City Council adopted a resolution in July 1982 approving a Downtown Orlando Redevelopment Area Plan (the “Original Redevelopment Plan”) which provided a framework for new development and reuse of existing land and facilities in a portion of the downtown area which was found to be blighted (“the Original Downtown District”). The Original Downtown District consisted of approximately 569 acres in the heart of the downtown area of the City. The Original Redevelopment Plan outlined a set of programs to be carried out over an initial ten-year time frame with projects being undertaken on a year-by-year basis to meet the identified program areas of need which included upgrading the aging infrastructure system (water, sewer, etc.), improvement of traffic circulation, creation of additional opportunities for housing development, enhancement of the pedestrian environment and additions to the Parking System. All of the programs set forth in the Original Plan have been accomplished.

In March 1990, the Agency expanded the Original Downtown District to include adjacent areas in need of redevelopment. Despite significant growth within the Original Downtown District, the Agency found that existing conditions of “blight” in this expanded area could potentially interfere with the orderly accommodation of new growth, as well as act as a deterrent to private investment, which would continue to lead to conditions of “blight” in this area. This adjacent expanded area, which consists of 1,051 acres, is referred to herein as the “Downtown District Expansion Area.” The City, on March 26, 1990 found that this adjacent area consisted of “blighted” areas within the meaning of the Act; that the rehabilitation, conservation or redevelopment, or combination thereof, of this expanded area was necessary in the interest of public health, safety, morals or welfare of the residents of the City; that the Original Downtown District and the Downtown District Expansion Area should function as a single redevelopment area (the Downtown District). The Original Downtown District and the Downtown District Expansion Area (see Map on page D-5) are herein collectively referred to as the “Downtown District.” The City is not prohibited by the Redevelopment Act from declaring other areas to be areas of “slum or blight” within the meaning of the Redevelopment Act.

The City has established two additional Community Redevelopment Areas: (a) Republic Drive (Universal Boulevard) Tax Increment District and, (b) Conroy Road Tax Increment District. The City issued \$45,620,000 Tax Increment Revenue Refunding Bonds for the Republic Drive (Universal Boulevard) Tax Increment District on August 27, 2002 (included as part of this document beginning on page D-27) and issued \$32,840,000 Special Assessment Bonds for the Conroy Road Tax Increment District on December 9, 1998 (See Section E of this document).



CITY OF ORLANDO, FLORIDA

COMMUNITY REDEVELOPMENT AGENCY - DOWNTOWN DISTRICT

The Redevelopment Act provides that upon creation of a community redevelopment agency, a municipality shall establish, on behalf of the community redevelopment agency, a community redevelopment trust fund. "Taxing Authorities," as defined in the Redevelopment Act, which levy ad valorem taxes on real property subject to taxation located within a Community Redevelopment Area, are required by January 1 of each year to deposit into the Community Redevelopment Area's corresponding Trust Fund an amount as described herein under "Tax Increment Revenues."

The taxing authorities that are required to make annual deposits to the Community Redevelopment Trust Fund and are currently doing so for the Downtown District are the City, Orange County, and the Downtown Development Board (DDB).

OUTSTANDING INDEBTEDNESS

Outstanding Bonds

As of September 30, 2006, the Agency's Downtown District has two outstanding tax increment revenue bond issues that are described below.

The 2002 Bonds were issued to current refund the Agency's Series 1991A Bonds and to reimburse the Agency for expenditures for the acquisition and construction of certain redevelopment projects. The 2002 Bonds are callable at par on October 1, 2012.

The 2004 Bonds were issued to current refund the Agency's Tax Increment Revenue Bonds, Series 1993. The 2004 Bonds are not callable.

The schedule on the following page reflects the annual debt service requirements and the forecasted debt service coverage based on the Downtown District tax increment revenues collected as of December 31, 2006.

Internal Loan Fund Obligations

The Downtown District has made numerous borrowings from the City's Internal Loan Fund to finance redevelopment projects during the District's existence. As of September 30, 2006, the District has \$30,183,920 in outstanding principal on loans from the Internal Loan Fund (see "Junior Lien Obligation – Second Lien Level" on page D- 10).

CITY OF ORLANDO, FLORIDA

COMMUNITY REDEVELOPMENT AGENCY - DOWNTOWN DISTRICT

**ESTIMATED DEBT SERVICE SCHEDULE AND COVERAGE
BASED ON HISTORIC REVENUES**

Maturing October 1	2004 Bonds		2002 Bonds		Combined Total Debt Service	Tax Increment Revenue (1)	Combined Total Debt Service Coverage
	Principal	Interest	Principal	Interest			
2007	\$ 1,390,000	\$ 125,500	\$ 770,000	\$ 385,574	\$ 2,671,074	\$ 17,543,982	6.57
2008	1,415,000	97,700	790,000	358,624	2,661,324	17,543,982	6.59
2009	1,440,000	69,400	825,000	329,986	2,664,386	17,543,982	6.58
2010	1,480,000	37,000	855,000	298,018	2,670,018	17,543,982	6.57
2011	-	-	890,000	263,818	1,153,818	17,543,982	15.21
2012	-	-	920,000	227,105	1,147,105	17,543,982	15.29
2013	-	-	960,000	188,005	1,148,005	17,543,982	15.28
2014	-	-	1,005,000	146,005	1,151,005	17,543,982	15.24
2015	-	-	1,055,000	100,780	1,155,780	17,543,982	15.18
2016	-	-	1,100,000	52,250	1,152,250	17,543,982	15.23
Totals	<u>\$ 5,725,000</u>	<u>\$ 329,600</u>	<u>\$ 9,170,000</u>	<u>\$ 2,350,165</u>	<u>\$ 17,574,765</u>		

(1) Assumes Tax Increment Revenue collected within the Downtown District in the fiscal year ending September 30, 2007 (collected as of December 31, 2006), remains constant through September 30, 2016.

TAX INCREMENT REVENUES

GENERAL

The CRA Bonds are secured by the pledge of Tax Increment Revenues and related interest earnings deposited into the Downtown District's Trust Fund established by an ordinance enacted on July 12, 1982 by the City Council as amended on June 18, 1990 (the "1982 Ordinance"), pursuant to Section 163.387, Florida Statutes. Each taxing authority that is required to make payments to a Community Redevelopment Trust Fund is by law required to do so on or before January 1 of each year.

In the event that the City designates additional areas to be slum or blighted areas within the meaning of the Redevelopment Act, any tax increment revenues generated within such additional areas shall not constitute Tax Increment Revenues for purposes of the Downtown District Bond Resolution and shall not be subject to the pledge and lien created by the Bond Resolution securing the Bonds and Parity Bonds unless (a) the 1982 Ordinance is amended to require the tax increment revenues generated within such additional areas to be deposited in the Downtown District's Trust Fund and (b) the Bond Resolution is supplemented to expressly add such additional areas to the Downtown District and to pledge such tax increment revenues generated within such additional areas to the payment of the Bonds and Parity Bonds. Tax Increment Revenues generated in other districts may, however, be subject to pledge and lien under future District specific bond resolutions.

SOURCES OF TAX INCREMENT REVENUES

Required payments by the taxing authorities to the respective Trust Funds are based on the assessed valuation of taxable real property as of the previous January 1. Pursuant to the Act and the 1982 Ordinance, on or before each January 1, each such taxing authority levying taxes in the respective Districts must appropriate and pay to the corresponding Trust Fund an amount equal to 95% of the difference between:

CITY OF ORLANDO, FLORIDA

COMMUNITY REDEVELOPMENT AGENCY - DOWNTOWN DISTRICT

- (a) The amount of ad valorem taxes levied each year by that taxing authority, exclusive of any amount from any debt service millage, on taxable real property contained within the geographic boundaries of the District; and
- (b) The amount of ad valorem taxes which would have been produced by the then current millage rate of that taxing authority, exclusive of any debt service millage, had it been applied to the assessed valuation of the taxable real property in the District as of January 1, of the base year.

The incremental increase in ad valorem taxes previously described is used to measure the amount of the annual payments which must be appropriated and paid by each taxing authority which is required to make payments. The taxing authorities are not required and cannot be compelled to levy ad valorem taxes to generate any such incremental revenues. Pursuant to Section 163.387(2)(a), Florida Statutes, the obligation of each taxing authority to make the required payments to the related community redevelopment trust fund continues as long as a community redevelopment agency has indebtedness pledging increment revenues to the payment thereof is outstanding, but not to exceed 30 years. If the community redevelopment plan is amended or modified pursuant to Section 163.361(1), Florida Statutes, each such taxing authority shall make the annual appropriation for a period not to exceed 30 years after the date the governing body amends the plan. The last amendment to the community redevelopment plan was adopted on October 9, 2000. In the case of the Agency, the obligation of each taxing authority to make the required payments will continue at least until October 1, 2016 for the Agency’s Senior Lien Debt and until October 9, 2030 for the Agency’s Junior Lien Obligations – Second Lien Level. While current Senior Lien debt matures in 2016, there are no restrictions which would prevent new debt maturing as late as October 9, 2030. Additionally, the obligation of the City of Orlando (the governing body which established the Community Redevelopment Agency) and Orange County to annually fund the community redevelopment trust fund continues until all loans, advances, and indebtedness, if any, and interest thereon, of the Agency incurred as a result of redevelopment in the Downtown District have been paid. The Agency has covenanted in the Bond Resolution to diligently enforce its right to receive and dispose of the Pledged Revenues and has agreed that it shall not take any action which will impair or adversely affect the Pledged Revenues or the right to receive such revenues.

The bond Resolution also defines Tax Increment Revenues to include certain moneys received by the Agency from the rental or resale of any Redevelopment Projects owned by the Agency within each related district.

MILLAGE RATES

The table below summarizes the historic millage rates levied by each taxing authority required to make payments to the Community Redevelopment Downtown District Trust Fund.

Historic Millage Rates

Fiscal Year Ended September 30	City of Orlando (1)	Orange County (1)	Downtown Development Board (2)	Total
1998	6.0666	5.2889	1.000	12.3555
1999	6.0666	5.2889	1.000	12.3555
2000	6.0666	5.2264	1.000	12.2930
2001	6.0666	5.1639	1.000	12.2305
2002	5.6916	5.1639	1.000	11.8555
2003	5.6916	5.1639	1.000	11.8555
2004	5.6916	5.1639	1.000	11.8555
2005	5.6916	5.1639	1.000	11.8555
2006	5.6916	5.1639	1.000	11.8555
2007(3)	5.6916	5.1639	1.000	11.8555

(1) The Florida constitution limits the City and County millage capacity (non-debt related) to 10.000 mills

(2) The Downtown Development Board, by special act, has a 1.000 millage capacity.

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COMMUNITY REDEVELOPMENT AGENCY - DOWNTOWN DISTRICT

(3) The City, the County and the DDB have approved these millage rates for the 2007 Fiscal Year.

The following table summarizes the historical gross assessment (taxable) values for the Downtown tax increment districts as of January 1 of each year. Tax increment revenues are deposited by January 1 of the following year. See page D-12 for the actual tax increment revenues collected for fiscal years ending September 30, 2006 and 2007 with forecasted revenues through 2023.

Tax Year	Original Downtown District		Downtown District Expansion Area		Total Incremental Value
	Assessment	Incremental	Assessment	Incremental	
	Values	Value	Values	Value	
1999	\$692,538,708	\$555,981,595	\$444,738,015	\$43,998,430	\$599,980,025
2000	736,986,386	600,429,273	492,260,772	91,521,187	691,950,460
2001	793,929,541	657,372,428	544,001,128	143,261,543	800,633,971
2002	816,230,192	679,673,079	582,595,221	181,855,636	861,528,715
2003	829,329,714	692,772,601	617,680,390	216,940,805	909,713,406
2004	873,372,531	736,815,418	633,493,618	232,754,033	969,569,451
2005	991,810,488	855,253,375	701,718,007	300,978,422	1,156,231,797
2006	1,282,987,040	1,146,429,927	831,768,902	431,029,317	1,577,459,244

Established Tax Increment Revenues

The aggregate assessed valuation of taxable real property in the Original Downtown District as of January 1, 1981 used for determining the incremental assessed valuation in future years was \$136,557,113. The aggregate assessed valuation of taxable real property in the Downtown District Expansion Area as of January 1, 1989 used for determining the incremental assessed valuation in future years was \$400,739,585. Such valuations are referred to herein as the “Frozen Tax Base.” The amount of Tax Increment Revenues to be received in any future year is dependent on the assessed valuation of taxable real property in the related district as of each January 1, the incremental increase in such valuation above the Frozen Tax Base and the total millage rate levied by the relevant taxing authorities; all of which factors are completely beyond the control of the Agency.

Factors Affecting Tax Increment Revenues

Neither the City nor any other taxing authority levying ad valorem taxes within any district has covenanted or pledged to levy ad valorem taxes on taxable real property at a level sufficient to generate Tax Increment Revenues in any amount or at all. The pledge of Tax Increment Revenues does not constitute a pledge of the ad valorem taxing power of the City, the County or the DDB with respect to the Downtown District.

The amount of Tax Increment Revenues to be deposited in the Community Redevelopment Trust Funds and pledged to the related District’s Bonds is dependent upon, among other things, (a) the millage rates, if any, established by the City, Orange County and the DDB and (b) growth in the assessed valuation of taxable real property in the related district, which increase will be affected by the annual appraisal at 100% of the “just value” of taxable real property, including new construction completed within the related district.

An amendment to the Florida Constitution limiting changes in annual homestead property assessments for ad valorem tax purposes to the lesser of (a) 3% of the assessment for the prior year, or (b) the percent change in the Consumer Price Index for the preceding calendar year, and providing for changes to the reassessment procedure was approved by the voters in the 1992 general election. This amendment became effective as an amendment to the State Constitution on the first Tuesday after the first Monday in January 1993. Because the Downtown District includes very few homestead properties, the impact of such amendment on the assessment of ad valorem taxes within the Downtown District has been minimal.

CITY OF ORLANDO, FLORIDA

COMMUNITY REDEVELOPMENT AGENCY - DOWNTOWN DISTRICT

SUBORDINATE LIENS ON TAX INCREMENT REVENUES

The 2004 Bonds and the 2002 Bonds are payable solely from and secured by a parity lien on the Pledged Revenues, including Tax Increment Revenues received by the Agency and deposited into the Downtown District Redevelopment Trust Fund. The Bond Resolution does not prohibit the Agency in any manner from issuing debt obligations of any kind secured by a lien on Pledged Revenues which is junior to the lien thereon of the 2004 Bonds, the 2002 Bonds and any Parity Bonds (collectively, the “Senior Lien Debt”). The Agency has incurred the following subordinate lien obligations, each as more fully described below: (i) Junior Lien Obligations and (ii) operating and administrative costs, and capital expenses of the Agency (collectively, the “Operational Expenses”).

After all payments required by the Bond Resolution have been made in any particular Sinking Fund Year, all excess Tax Increment Revenues (the “Excess Revenues”) are deposited in the Redevelopment Account and are used for any lawful purpose as provided in the Bond Resolution, which includes the payment of the junior lien obligations.

Junior Lien Obligation – Second Lien Level

Excess revenues are used by the Agency to secure loans from the City’s Internal Loan Fund. The Internal Loan Fund utilizes bond proceeds from external bond issues to provide a source of funds that are loaned to internal loan “participants” (City departments, CRA, etc.) for specific projects within the City. The external bond issues include a combination of fixed, medium term and variable rate debt instruments which are then repaid by debt service payments from the loan “participants” to the Internal Loan Fund. The Internal Loan Fund charges its participant borrowers the blended effective interest rate including carrying costs (letter or line of credit, remarketing, etc.), if any. The CRA has existing loans and additional commitments from the Internal Loan Fund which will result in more internal loans being made as commitments are translated into expenditures.

The currently outstanding Second Lien Internal Loan Fund loans to the Agency are:

<u>Project</u>	<u>Term Years</u>	<u>Maturity</u>	<u>2005-2006 Debt Service Payments</u>	<u>Amount Outstanding 10/1/2006</u>
Bank of America/Hughes Supply	18	2021	\$ 876,163	\$ 11,323,311
Market Rate Housing	13	2016	1,146,809	10,572,422
UCF School of Film and Digital Media	15	2020	440,364	3,920,000
The Plaza	18	2022	137,899	3,500,000
Nap Ford Community School	10	2010	220,816	868,187
Total			<u>\$ 2,822,051</u>	<u>\$ 30,183,920</u>

Junior Lien Obligation – Third Lien Level

The third lien level is used to support a variety of non-borrowed incentive payments over time. This category currently includes the Hotel, Residential Catalyst, and Destination Catalyst Incentive obligations. The third lien obligation is prior to the Agency’s operating and pay-as-you-go capital and/or one-time incentive programs. While subordinate to the first two lien levels, this Third Lien Level is designed to give reasonable comfort to private sector incentive recipients that these funding commitments will be paid as scheduled.

The currently outstanding Third Lien Incentive commitments are:

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COMMUNITY REDEVELOPMENT AGENCY - DOWNTOWN DISTRICT

<u>Project</u>	<u>Term</u>		<u>2005-2006 Payment</u>	<u>2010-2011⁽¹⁾ Estimated Payment</u>
	<u>Years</u>	<u>Maturity</u>		
<u>Hotels:</u>				
Grand Bohemian	9	2011	\$ 94,319	\$ 138,139
Embassy Suites	12	2013	42,686	49,979
<u>Mixed Use/Residential:</u>				
55 West	12	2021	-	386,489
The Plaza				
Destination	10	2016	-	350,000
Residential	12	2019	-	155,062
Paramount on Lake Eola				
Grocery	4	2010	-	-
Parking Garage	8	2017	-	402,829
Camden Orange Court				
Residential	12	2021	-	133,604
Tradition Towers				
Residential	12	2022	-	334,421
Total			<u>\$ 137,005</u>	<u>\$ 1,950,523</u>

(1) The major projects discussed under "Downtown Outlook 2000 Plan Implementation" are forecasted to be completed and incentive payments with respect thereto to have commenced in the 2010-2011 Fiscal Year.

Junior Lien Obligation – Fourth Lien Level

In addition to the projects funded and/or financed through the first three lien priority levels, the Agency primarily pays its operating costs (staff, consultants, etc.), some incremental maintenance costs, smaller one-time incentive payments and annual pay-as-you-go capital project costs with respect to the Downtown District at this level. The following schedule illustrates the cost of these various categories for each of the last five years.

(presented in thousands)

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Operating Cost	\$ 933.73	\$1,219.45	\$1,508.52	\$1,446.08	\$2,181.56
Maintenance Cost	587.82	623.82	585.83	669.74	661.83
Incentive	549.29	401.51	211.21	311.33	386.30
Capital Projects	<u>1,874.96</u>	<u>119.30</u>	<u>94.83</u>	<u>4,128.63</u>	<u>73.28</u>
Total	<u>\$3,495.80</u>	<u>\$2,364.08</u>	<u>\$2,400.39</u>	<u>\$6,555.78</u>	<u>\$3,302.97</u>

Forecast of Revenues Available For Operating and Capital Expenditures

The following schedule reflects the Tax Increment Revenues available for Operational and Capital Expenditures after making debt service payments on the Senior Lien Debt, required under the terms of the Bond Resolution, the debt service payments on the Second Lien Level Internal Loan Fund Loan(s) and the Third Lien Level Incentive Payment(s).

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Forecast of Revenues Available for Operating and Capital Expenditures

Fiscal Year Ending Sept. 30	Tax Increment Revenue (1)	Combined Senior Lien Debt Service	Available After Senior Lien Debt	2nd Lien Debt Service (2)	3rd Lien Payments (3)	Available for 4th Lien (Operating and Capital) Expenditures
2006	\$12,847,436	\$ 2,661,954	\$10,185,482	\$ 2,822,051	\$ 137,005	\$ 7,226,426
2007	17,543,982	2,671,074	14,872,908	3,049,628	760,915	11,062,365
2008	19,856,283	2,661,324	17,194,959	3,305,646	900,080	12,989,233
2009	21,617,834	2,664,386	18,953,448	3,320,300	911,692	14,721,456
2010	26,163,636	2,670,018	23,493,618	3,337,596	1,805,816	18,350,206
2011	28,444,491	1,153,818	27,290,673	3,101,407	1,950,523	22,238,743
2012	28,444,491	1,147,105	27,297,386	3,118,149	1,855,291	22,323,946
2013	28,444,491	1,148,005	27,296,486	3,137,679	1,923,447	22,235,360
2014	28,444,491	1,151,005	27,293,486	3,160,195	1,854,906	22,278,385
2015	28,444,491	1,155,780	27,288,711	3,185,904	1,865,994	22,236,813
2016	28,444,491	1,152,250	27,292,241	3,215,027	1,906,334	22,170,880
2017	28,444,491	-	28,444,491	1,742,534	1,626,036	25,075,921
2018	28,444,491	-	28,444,491	1,741,595	1,053,617	25,649,279
2019	28,444,491	-	28,444,491	1,742,206	1,033,259	25,669,026
2020	28,444,491	-	28,444,491	1,744,478	912,409	25,787,604
2021	28,444,491	-	28,444,491	1,468,525	953,032	26,022,934
2022	28,444,491	-	28,444,491	243,834	385,377	27,815,280
2023	28,444,491	-	28,444,491	-	-	28,444,491

(1) For years ending September 30, 2006 and 2007 utilizes Tax Increment Revenue collected within the Downtown District during each fiscal year. For years ending 2008 through 2023, utilizes the Tax Increment Revenues (within the Downtown District) received for the fiscal year ending September 30, 2007 (collected as of December 31, 2006) plus a projection of the tax increment revenue for the addition of the CNL II Office Tower in FY 2008; The Plaza in FY 2008; the Paramount, 55 West, and Camden Orange Court projects in FY 2010; and the Tradition Towers in FY 2011. Since 1990, the average annual increase in tax increment revenue is approximately 5 percent.

(2) Reflects actual loan payments for the fiscal year ended September 30, 2006. Internal loans have a blended interest rate which is charged equally to all loan participants. The blended rate is based on actual variable and fixed rates incurred on the external debt underlying the Internal Loan Fund Program. The estimated interest rate for fiscal years 2007 through 2023 is 4.50%.

(3) Reflects actual payments for the fiscal year ended September 30, 2006. For years ending 2007 through 2023 utilizes projected assessed values and current millage rates.

CITY OF ORLANDO, FLORIDA

COMMUNITY REDEVELOPMENT AGENCY - DOWNTOWN DISTRICT

MANAGEMENT OF THE SYSTEM

THE COMMUNITY REDEVELOPMENT AGENCY

Agency Members and Staff

The members of the Agency are the seven members of the City Council with the Mayor serving as Chairman of the Agency and the Mayor Pro-Tem serving as the Vice Chairman. The Agency's staff is led by William Franklin Billingsley, III, Executive Director.

William Franklin (Frank) Billingsley, III, was appointed as Executive Director of the Community Redevelopment Agency on May 1, 2002. Frank Billingsley was previously the Director of the City of Orlando's Office of Permitting Services for 4 ½ years. For the three years before that, Frank established and managed the Downtown Development Board's Downtown Real Estate Resource Center and also directed the Mayor's Business Assistance Team. Before accepting his position with the City, Frank was the Community and Business Information Manager with the Greater Orlando Chamber of Commerce for 5 ½ years. For the five years preceding Frank's recruitment to Orlando by the Chamber, he served as a planner with the Atlanta Regional Commission – Atlanta's Regional Planning Authority.

The Redevelopment Act provides that the governing body of the municipality shall serve as the Agency's Board members and constitute the head of a separate legal entity, distinct and independent from the governing body of the municipality. Under the Redevelopment Act, the Agency is a separate public body corporate and politic, independent of the City.

In order to receive comments and advice on actions proposed to be undertaken within the Downtown District, the Agency established an Official Advisory Board (the "Advisory Board") composed of the members of the Downtown Development Board, plus two representatives recommended by the Board of County Commissioners of Orange County and approved by the City Council. Although the Agency is responsible for all final decisions, all matters relating to the goals and objectives, projects and the budget of the Agency are required to be reviewed by the Advisory Board.

CITY ADMINISTRATION

Management of the City

The Mayor is the Chief Executive Officer with ten departments reporting to him (Centroplex, Economic Development, Families, Parks & Recreation, Finance, Fire, General Administration, Housing, Police, Public Works, and Transportation). The Chief Administrative Officer assists him in the day-to-day oversight of city operations. Separately, under the Mayor's Chief of Staff, there are five offices (Audit Services & Management Support, City Clerk, Communications, Human Relations, and Neighborhood & Community Affairs).

Mayor Buddy Dyer is a native of Central Florida, born in Orlando and raised in the nearby City of Kissimmee. Following graduation from high school, he was awarded a scholarship to Brown University where his studies were concentrated on civil engineering. Upon graduation, Mayor Dyer returned to Orlando to work as an environmental engineer, later enrolling in the University of Florida Law School, where he was named editor-in-chief of the University of Florida Law Review. Following graduation from law school, Mayor Dyer began his legal career with the Orlando law firm of Winderweede, Haines, Ward & Woodman. Prior to becoming Mayor, Buddy Dyer served the Orlando area for ten years as State Senator in the Florida Legislature. Mayor Dyer was first elected on February 25, 2003, to fill a remaining one-year term. Mayor Dyer was re-elected on March 9, 2004 to a full four-year term, commencing June 1, 2004.

Financial and Budgetary Support Systems

The Chief Financial Officer (CFO) is responsible for the oversight of the City's financial affairs. This includes the functions of accounting, accounts payable, accounts receivable, operating and capital budgeting, financial forecasting, financial reporting, debt management, investment management, investor relations, payroll,

CITY OF ORLANDO, FLORIDA

COMMUNITY REDEVELOPMENT AGENCY - DOWNTOWN DISTRICT

pension management and risk management. In addition, the CFO provides counseling to various Departments and Business Units and is an active participant in strategic planning activities.

The City has been recognized for both its CAFR and its annual budget document. A Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City by the GFOA for each Fiscal Year since 1978. The City was also an early participant in the GFOA's Distinguished Budget Presentation Awards program and received the budget award for its budget document for Fiscal Years 1984 through 1989. Due to perceived problems with consistency in the budget awards program at the time, the City elected to discontinue participation but maintain internally the high standards which had been recognized. In light of substantial changes to the program recently, the City resumed its participation beginning with its fiscal year 2004 Budget document. The City has been awarded the Distinguished Budget Presentation Award for its budget document for fiscal years 2004, 2005 and 2006.

Rebecca W. Sutton, C.P.A., was appointed Chief Financial Officer on December 5, 2005. Before joining the City, she served the State of Florida as its Deputy Chief Financial Officer from September 2002 to December 2005; and as Deputy Secretary/Chief Information Officer for the Department of Management Services from December 2001 to September 2002. Prior to her service with the State, Ms. Sutton worked for American Management Systems (AMS) implementing ERP-like system projects for large state and local governments. Before joining AMS, she served as the Controller for the City of Dallas and the Director of Finance for Carrollton, Texas. Ms. Sutton began her career as an auditor for state and local governments for a worldwide accounting firm.

Donnie R. Jones, C.P.A., was appointed City Treasurer in November 2006. Prior to joining the City, Mr. Jones, worked over eight years in the Institutional Trust Division of a large Mid-Western Bank as Vice President and Manager and served over 19 years as the Chief Fiscal Officer/Auditor of the City of Norwood, Ohio.

ORIGINAL REDEVELOPMENT PLAN AND 1990 REDEVELOPMENT PLAN

Pursuant to the Original Redevelopment Plan (adopted in July 1982) and the 1990 Redevelopment Plan, the Agency has worked to encourage private development in the downtown area. Toward this end, the Agency allocated much of its funding in its initial years to upgrading infrastructure needs. These projects have included:

Sanitary & stormwater sewer system improvements

Roadway resurfacing

Streetscaping pedestrian corridors

Parking facilities construction

Traffic signal modernization

In addition to the basic infrastructure needs, overall image enhancements including development or refurbishment of open space areas, parks, plazas and recreational facilities were completed. Low and moderate income housing was developed to accommodate the growing downtown workforce. A special emphasis was also placed on enhancing retail opportunities and improving the marketability of downtown to the hospitality and convention industries.

The initial work of the Agency produced two public/private ventures resulting in the development of Church Street Market and a downtown hotel now known as the Orlando Marriott Downtown (formerly the Omni International Hotel). The hotel is a 290 room, \$30 million development, constructed on publicly owned land. Church Street Market is a 75,000 square foot, \$20 million specialty retail center developed on a former public parking lot. Both projects were instrumental in changing both attitudes and market perception of downtown's economic viability. The hotel was opened in 1986 and the Church Street Market was opened in 1988. The Church Street Market property is currently being redeveloped into the 55 West mixed-use project. Refer to the Church Street Retail and Development section for details (see page D-19).

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DOWNTOWN OUTLOOK 2000 PLAN

General

The Downtown Outlook 2000 Plan (the “2000 Plan”) views the downtown area as a regional economic hub for government, financial, legal and corporate operations. The 2000 Plan provides a long-term vision and action strategies to ensure Downtown Orlando is a place for families and individuals to live, work and enjoy. While the 2000 Plan covers the entire 1,620 acre Downtown District, the Downtown District has been divided into four planning areas, allowing recognition of their unique individual characteristics.

During the past 20 years, portions of the Downtown District have undergone significant change and redevelopment. The 2000 Plan is intended to encourage these changes to continue to shape future growth. It is anticipated that the majority of redevelopment activity in the Downtown District will occur in the area under the jurisdiction of the DDB. The other areas within the Downtown District will primarily experience residential development and associated neighborhood commercial uses.

In order to eliminate blight and to implement a vision for downtown as a whole and for each of its neighborhoods, the following redevelopment strategies, actions and projects have been identified in the 2000 Plan.

Community Character

The 2000 Plan seeks to promote community character by establishing a sense of community that offers something for everyone: families, singles, seniors and visitors. To accomplish this, the 2000 Plan addresses physical design, public policy, safety and security, education, housing and neighborhood preservation. The 2000 Plan recognizes the need for a full range of housing for all income levels in and around downtown.

Family Connections

Connecting people to the various functional areas of downtown is integral to the 2000 Plan, with special emphasis on pedestrian movement. Pedestrian improvements called for by the Plan include such projects as streetscape, treescape, sidewalks and railroadscape projects. Streetscaping has been used as a catalyst to improve the image of downtown Orlando. The Downtown Outlook 2000 Plan envisions connecting neighborhoods through a network of public open spaces, cultural facilities and civic spaces linked with tree-lined pedestrian friendly streets. In addition, the 2000 Plan calls for support for the Florida Center for the Arts and Education, plus the cultural corridor and arts district.

Getting Around

In order to improve accessibility to and around downtown, the 2000 Plan calls for improving the balance between cars and alternative modes of transportation such as mass transit, bicycling and the pedestrian environment. Providing a balanced transportation system with multiple options for getting around downtown and the region will enhance downtown’s marketability to businesses and residences. The 2000 Plan calls for the improvement of Interstate 4 (I-4) and the East-West Expressway (SR 408), making Anderson Street and South Street two-way between Westmoreland Drive and Rosalind Avenue, and realigning and creating new streets to facilitate proposed parks in the Uptown, Parramore and the Eola planning areas.

The 2000 Plan calls for mass transit to become a more prominent transportation alternative. The addition of other transit circulator routes connecting the four planning areas and the existing Lymmo downtown circulator would provide additional alternatives to improve mobility around downtown. A new inter-modal transportation center at Garland Avenue and Livingston Street (which opened in November 2004) is proposed to serve as the hub for all transit modes. In addition, the development of commuter rail and/or light rail systems would provide both regional and local access to downtown.

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Improving connectivity for pedestrians and bicyclists is a key element in building community and improving the sustainability of downtown. In addition to recreational use, a comprehensive pedestrian and bicycle network is proposed to provide real transportation alternatives. The 2000 Plan calls for expanding the City of Orlando's proposed bikeway projects within downtown throughout the four planning areas and enhancing the pedestrian experience. Proposed bikeway projects include improvements to Park Lake Street, Division Avenue, Parramore Avenue, Osceola Avenue and Jackson Street.

Pedestrian circulation throughout downtown would be enhanced through streetscape or green link projects to streets such as Colonial Drive, Orange and Magnolia Avenues, Parramore and Westmoreland Avenues, Central Boulevard, Robinson Street, Amelia Street and numerous others.

Market Potential

The goals and objectives identified for Community Character, Family Connections and Getting Around form the framework for the redevelopment strategy. However, for the 2000 Plan to be feasible, the objectives must be grounded in reality. To ensure that the action statements and projects identified in the 2000 Plan are responsive to changing market conditions and economically feasible, studies of the three primary target markets: retail, office and residential were completed. The 2000 Plan calls for expanding the downtown residential and retail incentive programs; supporting retail, cultural and arts projects; providing incentives for office development and incentives to encourage conferences, small conventions and meetings downtown.

Projects Identified

A summary of the major projects identified in the 2000 Plan is provided below in the various categories:

Pedestrian Improvements:

- Central Boulevard and Colonial Drive streetscape
- Orange Avenue Streetscape / Narrowing
- Magnolia Avenue Streetscape/Narrowing
- I-4 and East-West Expressway Underpass improvements
- Other pedestrian improvements

Open Space/Beautification:

- Anderson, Lake Olive and Park Lake Street Parks
- Park Improvements at Orlando Utilities Commission (OUC)/Lake Highland Site
- Central Boulevard Park
- Other Open space and beautification improvements

Transportation:

- Division Avenue Streetscape/Realignment
- Transit Circulators
- Light Rail transit
- Additional Public Parking
- Other transit and road improvements

Housing:

- Otey Place Sale and Development
- Housing Incentives
- Other housing projects and programs

Economic Development:

- Charter Schools
- Centroplex Improvements and Redevelopment
- Retail and Hospitality Incentives
- Facade Grants
- Other economic development projects and programs

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Cultural/Other:

Cultural Corridor and Arts District Support
Florida Center for the Arts and education
Regional History Center
Cultural Arts and Programs Support
Other Cultural projects and programs

Conclusion

The community building approach of the 2000 Plan incorporates the principles of sustainability and livability. The 2000 Plan evokes the ideals of a balanced community that equally accommodates development and the environment, commerce and society and the balance between the past and the future.

DOWNTOWN OUTLOOK 2000 PLAN IMPLEMENTATION

Housing/Neighborhood Preservation

To date, 24 single-family homes that were formerly rental units have been renovated and sold to owner occupants, with the proceeds reinvested in additional residential redevelopment. The Agency has acquired 3.5 acres of property known as Otey Place for the development of more market-rate and affordable owner-occupied homes. The Agency anticipates selling and/or donating all or a portion of the site as an incentive for developing the site as a residential mixed income project. The Request for Proposal (RFP) to sell and develop the property was issued during the fourth quarter of 2005. The developer, PSA Constructors, was selected in the first quarter of 2006. The Developer's Agreement is currently being negotiated and is anticipated to be approved by the end of the year. During 1998-99, the Agency developed an incentive package to encourage market-rate rental development in the District. The incentive package had three elements: (a) \$3,750 per space partial offset for structured parking cost (estimated at \$7,000 to \$9,000 per space in incremental development cost); (b) a partial offset for certain City imposed impact fees; and (c) a density bonus for maximizing available development on the parcel. The Agency agreed to limit the available incentive to the five projects listed below with a total of 1,387 units, for an amount not to exceed \$13,226,780. All five projects have been completed. Four of the five projects have converted to condominiums, which is an indication of the increasing strength of the downtown housing market.

<u>Name</u>	<u>Location</u>	<u># of Units</u>
Parkside by Post	Central Avenue	245
The Waverly at Lake Eola*	Central Avenue	230
Uptown Place*	North Orange Avenue	244
Park North*	North Orange Avenue	303
The Grande*	Rosalind Avenue & South Avenue	365

. *Converted to condominiums.

Having completed these five market rate housing projects in the core Downtown District, the Agency was interested in facilitating market rate and affordable residential units plus an office development in the Parramore District, which would also be a pioneering project in this low-income neighborhood. Bank of America ("B of A") developed a mixed use project (residential, retail and office) on West Church Street between Division Avenue and Terry Avenue. This project (which held its grand opening in October 2003) includes 266 residential units (40% affordable), 25,000 sq. ft. of retail and a 200,000 sq. ft. office tower for 600 employees that serves as the corporate headquarters for Hughes Supply Company ("Hughes"), a locally based publicly traded corporation. The Agency provided a \$12,500,000 B of A/Hughes incentive package, including \$8,700,000 to offset the cost of a 1,000 car parking garage, \$2,100,000 to assist in offsetting permitting and impact fees for the retail/residential component, a \$1,350,000 cash payment related to a land swap (to assemble the parcel) and \$350,000 to assist in offsetting permitting and impact fees associated with the office tower. In the spring of 2006, Hughes Supply was bought out by Home Depot. This location has become the headquarters for HD Supply and is still being occupied at the same capacity.

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The majority of the five, market rate housing and B of A/Hughes project incentives (\$13,000,000 and \$12,500,000, respectively), was financed through the Second Lien Internal Banking Fund loans (see "SUBORDINATE LIENS ON TAX INCREMENT REVENUES – Junior Lien Obligations – Second Lien Level").

To build upon the success of the initial residential incentive program and continue to promote residential development as a vital base for revitalizing downtown Orlando, the Agency adopted a new residential incentive program in 2003. This Residential Development Catalyst Program is designed to offer a tax increment rebate on a project-by-project basis. This second residential program is entirely performance based and does not involve any up-front cash incentive payments. The rebate for each project is expected to decrease incrementally over the life of the agreement.

Two residential projects approved under the second residential program include the 55 West project and The Plaza, with approximately 403 and 310 condominium units, respectively. Both final Economic Incentive Agreements were approved on June 21, 2004.

Continued success of downtown revitalization will depend on the Agency's ability to promote residential development opportunities of the private sector. Benefits include an expanded customer base for existing businesses, efficient use of existing infrastructure and increased taxable value. To encourage a wide range of housing options including ownership, rental and workforce housing, a new residential incentive program was approved in September 2004. This third residential program limits the area eligible to receive this residential incentive. Three new projects have been approved under this residential program. The Paramount, which will have 312 condominium units and a full service grocery store on the first floor, Camden Orange Court which will have 261 apartment units and over 40,000 square feet of office/retail space, and Tradition Towers which will have 276 condominium units and 17,000 square feet of retail.

Another indication of the strength of the downtown housing market is the initiation of construction on three condominium projects, all without public incentives: the Sanctuary with 173 units, the Eola South with 23 units. The Jackson with 52 units, and the Osceola Brownstones with 26 units which have all recently been completed. The Metropolitan at Lake Eola (formerly the Sheraton Four Points Hotel) has been converted into 128 condominium units. This redevelopment project sold out in just two days. The Vue is another condominium project under construction, which has 384 units and 6,000 square feet of retail. Also under construction: 101 Eola with 149 condominium units, and Star Tower with 100 condominium units.

New Commercial/Commercial Revitalization

Pursuant to the 2000 Plan, the Agency adopted an incentive program for new retail construction to be funded on a pay-as-you-go basis. The program has three elements: (a) \$3,500 per parking space partial offset for structured parking cost; (b) a partial offset for certain City imposed impact fees; and (c) an additional impact/building permit fee credit of \$30 per square foot for a retail grocery store of 4,000 square feet or more. A complementary retail incentive program for existing buildings was also developed. A total retail incentive funding cap of \$1.5 million was recommended.

The retail incentive program has evolved into a Destination Catalyst Program, which targets destination activities. As a critical mass of residential units emerge, these destination activities may also expand the traffic generating power of downtown Orlando, thereby enabling downtown to become a more significant regional destination.

- **The Plaza**

On June 21, 2004, the Agency approved a formal Economic Development Incentive Agreement between the City, the Agency and Plaza LLC that will involve substantially all of the programmed Destination Catalyst Program incentive, plus a new Major Cornerstone Project Catalyst Program and an application of the new Residential Development Catalyst Program, as well. The Plaza project is located at the corner of Orange Avenue and Church Street generally considered to be the central intersection for

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the City of Orlando, and will replace buildings which had been vacant for over a decade. This Project includes 310 condominium residential units, 394,000 sq. ft. of office space, 53,000 sq. ft. of retail space and a 53,000 sq. ft. 12 screen movie theater. The Developer broke ground on the project in October 2004 and the commercial portion has recently been completed. The theatre and residential building will open in 2007. The Destination Catalyst incentive will be related to the theater and will be paid in annual installments of \$350,000 a year for 10 years from the CRA Downtown District cash flow (payments are estimated to start in 2006--2007). The Major Cornerstone Project Incentive (\$3,500,000) was paid in October 2004 in the form of a grant from the Agency, and was financed by an Internal Loan to the Agency for the Downtown District. The Residential Development Incentive will be based exclusively on the residential component of the project and involves a 12 year partial tax increment recapture (35% for 4 years, 30% for 4 years and 25% for 4 years) estimated to be \$130,000 a year and will be paid from the Downtown District's cash flow, estimated to start in 2007-2008. The payment of the incentives will be contingent upon the Developer's performance of certain benchmarks relating to the construction and operation of the Project.

- **The Paramount on Lake Eola**

On January 10, 2005, the Agency approved a grocery store incentive through an incentive agreement between the Agency and Thornton Park Partners, LLC (the developer for the Paramount). The Paramount is a Condominium project with 312 condominium units and a full service grocery store on the 1st floor. The agreement states that the developer will receive \$1,000,000 from the agency for operating a grocery store which is payable in four equal installments beginning 30 days after commencement of construction, 30 days after 50% of the project is complete, 30 days after the project receives a certification of occupation, and one year after the date of the 3rd installment. The project will also receive a tax increment rebate of 35% over an eight year period to be paid from the Downtown District's cash flow, estimated to start in 2008-2009. The payment of the incentives will be contingent upon the developer's performance of certain benchmarks relating to the construction and operation of the Project. The developer broke ground on this project in the spring of 2006 and it is anticipated to be completed in 2008.

Hotel Incentive

While metropolitan Orlando has seen significant growth of new hotels, the Downtown District had seen little progress since the late 1980s. The City, using special assessment as a financing tool, and the Agency, through partial tax increment rebates, provided incentives to two hotel projects in 1999: the Westin Grand Bohemian across from City Hall and the Embassy Suites at Rosalind Avenue and Central Avenue.

Church Street Retail and Development

Since 1998, business along Church Street (including the Church Street Station and the Church Street Market) extending from Orange Avenue to Garland Avenue has experienced a significant drop in retail and pedestrian activity. This led to an increase in vacancies of retail space approaching 85%. The decrease in activity is a result of various factors including the increased nighttime competition for tourists from Downtown Disney and Universal City Walk. In addition, the past ownership of the nationally acclaimed Church Street Station during this period was reluctant to upgrade facilities and entertainment to meet the emerging competition, finally ceasing operations in December 2001. The decline in attendance of the NBA's Orlando Magic over the same time period has particularly impacted restaurant business.

- **Church Street Station**

The owners of the Church Street Station opened new restaurant and retail establishments along Church Street and reopened the Presidential Ball Room (on the south side of the property). Various economic development incentives were approved by the City, the City's Parking System, and the Agency. The Parking System assisted with parking spaces and the City agreed to provide \$1,500,000 in special assessment

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financing. The Agency agreed to provide a partial tax increment rebate (35% of the increment revenue between the 2002 valuation base of \$10,658,819 and the 1996 valuation base of \$26,071,647, and 50% of the increment revenue above the 1996 valuation base of \$26,071,647 for twelve (12) years) to support the redevelopment initiatives if certain benchmarks are achieved.

- **55 West**

On June 21, 2004, the Agency approved a formal Economic Development Incentive Agreement with 55 West on the Esplanade, Inc., the developer for the redevelopment of the Church Street Market. The new project, 55 West on the Esplanade (55 West) will include 405 condominium residential units, and 45,000 sq. ft. of retail, restaurant, and specialty shops. The City's Parking System agreed to the demolition and replacement of its adjacent 380 space parking garage and an air rights lease to the project. The City will provide two special assessment financing arrangements and the Agency will provide a partial tax increment rebate from the Downtown District above a \$12,000,000 floor (established at the 1996 valuation level). The recapture will be for a 12 year period (35% for 4 years, 30% for 4 years and 25% for 4 years), to be paid on a third lien basis (see "SUBORDINATE LIENS ON TAX INCREMENT REVENUES – Junior Lien Obligation – Third Lien Level" herein), estimated to begin in 2009-2010. Construction began in the fourth quarter of 2005 and is scheduled for completion in 2008.

Other Projects

Two new projects that are under construction are the 336,000 square foot Federal Courthouse, just three blocks northwest of the downtown core area, and the Florida A&M University College of Law and its 500 full-time students, one block north of the Courthouse, both in the Parramore area. These two projects represent over \$100 million in new development. The Florida A&M College of Law opened in January of 2006 and the Federal Courthouse will open in 2007. Other significant projects that have recently completed construction in downtown are the 291,000 square foot CNL II office tower and the 86,972 square foot office development 801 North Orange. The Cornerstone, another office development that was recently completed, has 94,000 square feet of office and retail space. In November 2004, the Lynx Central Station bus terminal with 2,400 square feet of retail space and the 68,000 square foot Lynx Headquarters building held their grand opening. The CNL II, Lynx, 801 North Orange and Cornerstone projects represent a \$92.9 million investment in the downtown area. The Cornerstone, Lynx and 801 North Orange were developed without any incentives from a public agency. A significant project under construction is the Dynetech building which has 160 apartment units and 150,000 sq. ft. of office space.

Expo Centre Lease Agreement

On October 11, 2004 the City and Agency approved a Lease Agreement with the University of Central Florida (UCF) and the University of Central Florida Foundation, Inc., a Florida not for profit and 501(c) (3) corporation. The Lease Agreement is for the City-owned and operated Expo Centre, which has been identified through several evaluations as an underutilized facility in need of significant improvement. During the 2003 Florida Legislative session, UCF was awarded funding to create the Florida Interactive Entertainment Academy ('FIEA'). The FIEA is a postgraduate program designed to train experts in digital media and video gaming fields. The lease of the Expo Centre to UCF will facilitate the operation of UCF's School of Film and Digital Media and the Florida Interactive Entertainment Academy. As part of the lease agreement, the City and Agency agreed to the renovation of the Expo Centre. The City agreed to pay for the cost of permit and impact fees relating to the construction of the renovations by means of credits, waivers and/or direct payments. The City's Parking System agreed to provide up to 300 parking spaces in the Centroplex Parking Lot #1. The Agency funded its portion of the renovation (\$4,290,000) through a loan from the City's Internal Loan Fund. The renovation was completed in 2005 and over 200 students are currently attending these UCF programs. Enrollment is expected to grow to over 1,600 students by 2009 and 3,100 by 2014.

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GROUNDWATER CONTAMINATION

During 1993-1994, the Florida Department of Environmental Protection (FDEP) conducted a field study of the North Downtown Orlando area to delineate suspected groundwater contamination. The study was released in June of 1994 and identified three plumes two of which were composed of predominantly trichloroethene (TCE) and the third of tetrachloroethene (PCE). TCE was commonly used as a degreaser in the 1960-1980 era, and PCE was used as a dry cleaning solvent. Two sources for the plumes were identified in the report. Further actions to protect Lake Concord, which is in the path of the plume and, two drainage wells, were discussed.

Extensive negotiations between the FDEP, the City and Sentinel Communications Company were held during 1994-95 with the intended result to provide a means to bring about a long-term cleanup program. While the City had no responsibility for any of the plumes, it was felt that the City could act as a facilitator to bring the parties together with the ultimate goal being rapid implementation of a cleanup program.

The negotiations have been completed resulting in three agreements related to the implementation of the cleanup program. The three agreements are as follows:

- a. Consent Decree entered by a local Circuit Court between the State of Florida Department of Environmental Protection and Sentinel Communications Company.
- b. Memorandum of Understanding between the FDEP and the City of Orlando.
- c. Agreement between the City of Orlando and Sentinel Communications Company.

The City, as a result of the Agreement and the Memorandum of Understanding, voluntarily agreed to take on the financial responsibility for the cleanup of Plume "C" (the PCE plume). While the City did not cause the contamination, the City concluded that it was in its best interest to become financially involved in order to provide for the cleanup since the alleged responsible party for this plume was no longer in business.

Approximately 20% of the overall capital and operating clean up costs for the three plume remediation system were borne by the City with FDEP's share being a similar 20% for the costs of Plume "B" (the TCE plume) for which no responsible party was found. The City is acting as the FDEP's contractor under the Memorandum of Understanding for the state's involvement with Plume "B". The Sentinel's share of the project cost is approximately 60% for Plume "A". Total capital costs for the design and construction of the cleanup system were approximately \$1,200,000 with total operating costs of approximately \$350,000 per year. The cleanup system has been in operation for eight years and has removed significant quantities of TCE from the groundwater. While progress is encouraging, it is anticipated that the system will need to continue operating for a number of years before appropriate cleanup of the TCE contamination can be accomplished. Accordingly, the Agreement between the City and the Sentinel will be extended to accommodate the continued operation of the system.

The effects of these plumes are minimal at this stage, with the majority of the contamination being thirty feet below the ground surface. A consultant for the FDEP analyzed the draft report and opined that the danger to Lake Concord was insignificant because the mixing of the lake and the volume of water present dilutes the contaminants as they enter the lake. There were some concerns that the contaminants could enter the Upper Floridan aquifer; however, on-going monitoring of deep wells installed by FDEP continues to show no effect on the Floridan aquifer from the plumes. In part, the cleanup described above has allowed for recent development of three substantial projects: the 204 room Marriott Courtyard Hotel, the 304 unit Echelon at Cheney Place and the 244 unit Echelon Uptown apartment complex. These projects total over \$60 million in private investment.

On another front, in February 1997, the FDEP released a report on the TCE contamination of the groundwater north of Lake Highland, which is located in the northern section of the CRA. The Orlando Utilities Commission (OUC) originally discovered this contamination during a petroleum tank closeout study in 1993 on property which served as the maintenance facility for OUC. The FDEP's consultant determined that the likely

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source of the TCE contamination was from land previously owned by Spellman Engineering, which is located east of Ferris Avenue on the south side of Brookhaven Drive.

The FDEP referred this site, in late 1997, to the U.S. Environmental Protection Agency (EPA) in Atlanta for inclusion on the Superfund cleanup list. The City was concerned that bringing in the federal government could unnecessarily extend the time frame for cleanup in that that has been the history of the Superfund process. The City and OUC officials met with FDEP officials to determine if there might be alternative solutions that could be pursued, short of referring the matter for action to EPA. FDEP indicated their support for a local initiative that would lead toward a clean up program. Following these discussions, the City and FDEP met with the EPA Regional Administrator in Atlanta in September 1998 to explore opportunities for the City to take on a portion of the project on a voluntary basis. The City believed that it would be in its best interests to work with EPA to avoid the stigma which would likely result from this area of the City being named as a "Superfund" site. The EPA Regional Administrator pledged to work with the City to bring such a voluntary action to fruition.

Negotiations were commenced between the City and EPA for the City to conduct the Remedial Investigation/Feasibility Study (RI/FS) phase of the work. In the fall of 2000, an agreement was reached between all parties with City Council and the OUC Board approval of the funding and administration of the RI/FS. The agreements were executed in early February 2001.

The fieldwork phase of the RI/FS commenced in May of 2001 after public meetings were held in the area. OUC retained Professional Service Industries (PSI) to conduct the fieldwork and prepare a report on their findings. The RI/FS study cost approximately \$900,000 which was split equally between the City and OUC. The study was originally scheduled to take about 21 months to complete but with the need for some additional fieldwork, this schedule was extended by four months. The final Remedial Investigation (RI) report and the final Baseline Risk Assessment were submitted to EPA in April 2004. The final Feasibility Study (FS) report was submitted to EPA in August 2004. The results of the RI confirmed that the TCE groundwater contamination plume has migrated from the source area (the former Spellman Engineering property) over approximately 40 acres to Lake Highland in the south, to near Lake Ivanhoe in the west and towards Lake Formosa in the north. The contamination has migrated vertically and extends approximately 25 to 115 feet below ground surface but has not reached the upper Floridan aquifer. The Baseline Risk Assessment concluded that no potentially unacceptable risk was identified for soil, sediment or surface water impacted by the site contaminants. The FS report presented several different cleanup alternatives for each of three different contaminant zones.

The EPA conducted a formal RI/FS process, which included public notification, a public hearing, and finalization of the Record of Decision (ROD). The EPA issued their ROD in September 2004. The selected cleanup remedy presented in the ROD consists of three project phases. The proposed cleanup is expected to cost approximately \$7,000,000 and could be completed over a period of 15 to 20 years. The EPA has selected a contractor to perform the design of the elements of the remediation effort, and the design has been completed. The City and OUC are not required to participate in or fund any further work beyond the RI/FS, including specifically any remediation effort. However, the City and OUC have negotiated a plan with EPA, that would fund the selected remediation effort without resorting to the Superfund process. The plan seeks to sell the City-owned property to a qualified developer with the condition that the developer assume liability for the environmental remediation effort and develop the property in accordance with existing entitlements. If the City and OUC are successful, the site will not be placed on EPA's National Priority List where such a listing could have negative impacts on property values in the immediate area.

Orlando Coal Gasification Plant

Located in the 600 block of West Robinson Street, which is in the West Central portion of the CRA Expansion Area, the Orlando Coal Gasification plant manufactured coal gas from 1887 to 1960. Various studies of the potential soil and groundwater contamination emanating from this facility have been conducted over the past fifteen years. In 1988-89, the United States Geological Survey conducted a water quality monitoring study of the Upper Floridan aquifer, which serves as a drinking water source for some utilities in the Central Florida region. This aquifer is about 200 feet below ground surface. The OUC which provides drinking water to the City of Orlando,

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has as its water source the Lower Floridan aquifer which is approximately 1,200 feet below ground surface. This study showed some evidence of contamination in the Upper Floridan aquifer that could have resulted from the disposal of by-products from the coal gasification manufacturing process.

The EPA, Region IV, has commissioned two surficial groundwater studies, one in 1990, and the other in 1996. Based on that work, EPA had placed this site on a low priority list for further investigation in 1996. No investigation of the Upper Floridan water quality was conducted during these two studies.

More recently, in 2002, under an order from the EPA, a consortium of present and former landowners of the coal gasification site conducted an Expanded Site Investigation (ESI) study of the soil and groundwater on and adjacent to the coal gasification site. This study focused on the condition of both the surficial groundwater and the waters of the Upper Floridan aquifer. Fieldwork was completed in the summer of 2002, with the subsequent report on the findings showing certain areas where coal tar contamination had entered into the upper reaches of the Upper Floridan aquifer. The conclusion of the 2002 ESI study was that this contamination appeared to have entered the aquifer through a direct conduit such as a drainage well(s). As a result of this ESI study, EPA required the consortium to enter into an agreement to conduct a full Remedial Investigation/Feasibility Study (RI/FS).

Due to the fact that the City of Orlando maintains a drainage well (#62) on West Robinson Street several hundred feet to the east of the site and the fact that this drainage well may have been a conduit for contamination to reach the Upper Floridan aquifer, the consortium approached the City on becoming an active participant in the conduct of the environmental work as a Potentially Responsible Party (PRP). While it has not been conclusively proven that the contamination entered the Upper Floridan aquifer through Drainage Well #62, it cannot be definitively shown that it did not. There were also discussions between EPA staff and City staff regarding the desirability of the City becoming involved in the program as a PRP, in addition to the City's past role as a facilitator and provider of access for study purposes.

To that end, staff negotiated a participation level of three percent (3%) for the City to pay for environmental work done as of that date and additional investigatory work (RI/FS) that continues at the site. The City's cost at this level of participation is estimated to be \$71,000. The work to be accomplished will be under the EPA's RI/FS guidelines similar to the work that the City and OUC are completing for the Lake Highland site. Any future remediation costs (unknown at this time) may also become an obligation of the City at a then to be determined level. City representatives have been members of the steering committee for the consortium. This committee has provided oversight of the RI/FS process as it progresses.

To memorialize the City's participation in this program, there are five separate agreements which were approved by City Council and executed by the Mayor on November 10, 2003. The principal agreement is the RI/FS Administrative Order on Consent between the City, the EPA, Florida Power Corp., Peoples Gas System, and Atlanta Gas Light. This document binds the City to the program as a PRP.



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**COMMUNITY REDEVELOPMENT AGENCY - REPUBLIC DRIVE
(UNIVERSAL BOULEVARD) INTERCHANGE DISTRICT**

**CITY OF ORLANDO, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY – REPUBLIC DRIVE
(UNIVERSAL BOULEVARD) DISTRICT**

INTRODUCTION

As part of the ongoing comprehensive planning process, the City's transportation system is analyzed and reviewed to facilitate the management and implementation of growth in the City. The City identified traffic capacity deficiencies while engaged in this planning process in the transportation/roadway system servicing the area bounded by Kirkman Road on the east, Orlando-Vineland Road on the north, Turkey Lake Road on the west, and both Sand Lake Road and Interstate 4 on the south. See maps on pages D-28 and D-29. This area has experienced considerable growth, in large part due to the development of the entertainment and film production facilities commonly known as Universal Studios Florida.

On February 7, 1994, the City Council found the existence of a blighted area within the southeast section of the City designated as the Interstate 4/Republic Drive Interchange Community Redevelopment Area. After a public meeting and public hearing in accordance with the requirements of the Redevelopment Act, the City Council adopted a resolution on June 5, 1995, approving a redevelopment plan (the "Interstate 4/Republic Drive Interchange Area Redevelopment Plan") which provided for the acquisition and construction of the Project within the Interstate 4/Republic Drive Interchange Community Redevelopment Area. The Interstate 4/Republic Drive Interchange Community Redevelopment Area consists of approximately 780 acres.

The Redevelopment Act provides that upon creation of a community redevelopment agency, a municipality shall establish on behalf of the community redevelopment agency, a community redevelopment trust fund. With respect to the Interstate 4/Republic Drive Interchange Community Redevelopment Area, the City established the Interstate 4/Republic Drive Redevelopment Trust Fund by an ordinance enacted June 19, 1995 (the "1995 Ordinance"), pursuant to Section 163.387, Florida Statutes. "Taxing Authorities," as defined in the Redevelopment Act, which levy ad valorem taxes on real property subject to taxation located within the Interstate 4/Republic Drive Interchange Community Redevelopment Area are required by January 1 of each year to deposit into the Interstate 4/Republic Drive Redevelopment Trust Fund an amount as described herein under the caption "INCREMENT REVENUES." The taxing authorities which are required to make annual deposits to the Interstate 4/Republic Drive Redevelopment Trust Fund and are currently doing so are the City and Orange County.

In addition to the original Universal Studios theme park, a second theme park, two garages, a people mover system and a night time entertainment area have been developed by the Universal Partnerships (as defined below) within the Interstate 4/Republic Drive Community Redevelopment Area. There are currently three hotels within the Interstate 4/Republic Drive Community Redevelopment Area. All of the facilities described above, including the original Universal Studios Florida theme park, are within the Interstate 4/Republic Drive Community Redevelopment Area. As a result of the development of such facilities, the Agency expects continued growth in the Interstate 4/Republic Drive Community Redevelopment Area. A portion of the land within the Redevelopment Area recently has been rezoned to permit a mixed use development of single family residences and condominiums, but the majority of the taxable real property within the Interstate 4/Republic Drive Interchange Community Redevelopment Area is related to the entertainment and tourism industry. After the formation of the Interstate 4/Republic Drive Interchange Community Redevelopment Area and the issuance of the Series 1997A Bonds, Republic Drive was renamed Universal Boulevard.

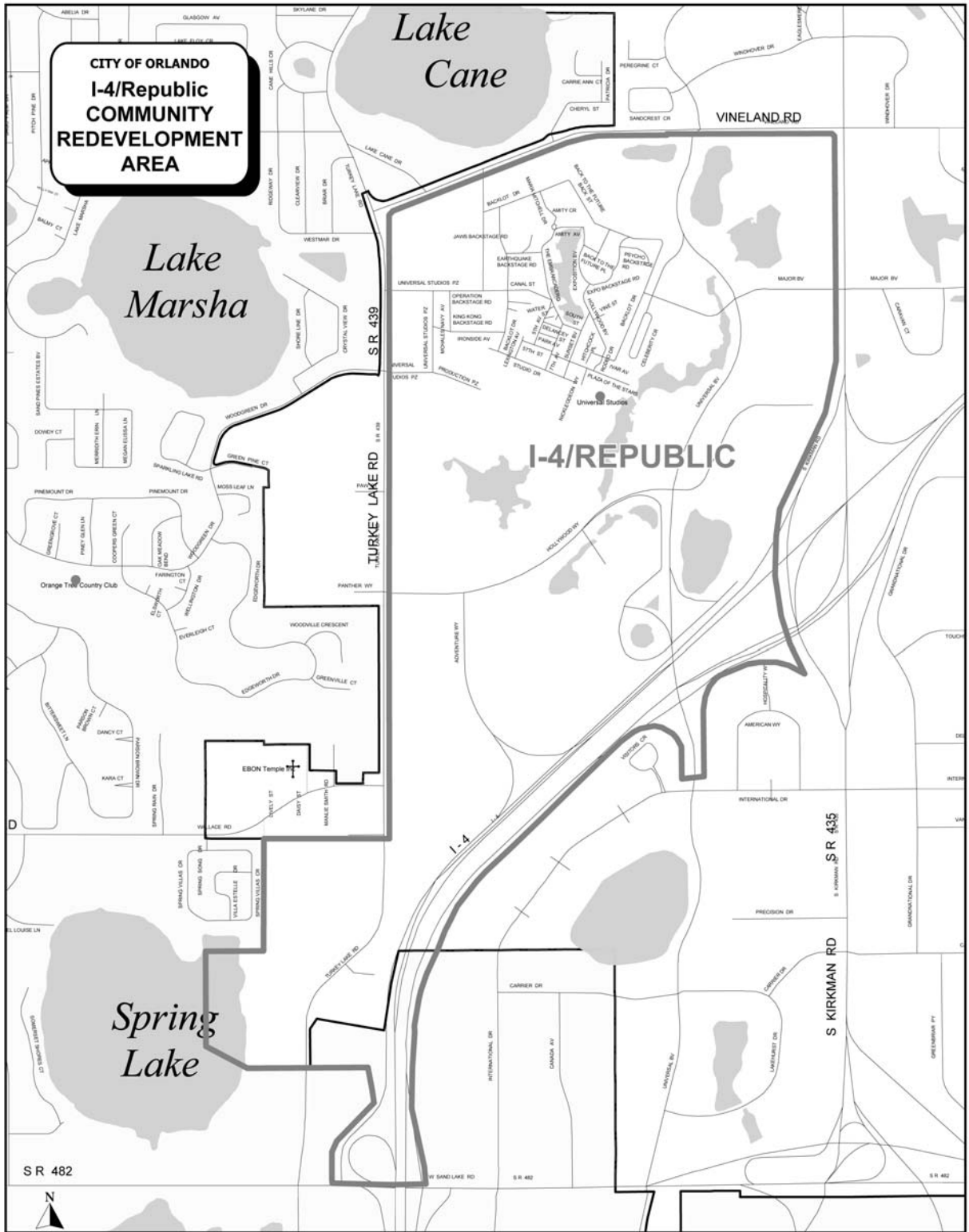
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The public infrastructure improvements financed within the Interstate 4/Republic Drive Interchange Community Redevelopment Area with the proceeds of the Series 1997A Bonds involved the following six general components:

- | | | |
|-------------------|----|--|
| <i>Bridge:</i> | 1) | To northbound: a three-lane overpass roadway. |
| | 2) | To southbound: a three-lane overpass roadway. |
| <i>On-ramps:</i> | 3) | To eastbound Interstate 4: a direct access on-ramp. |
| | 4) | To westbound Interstate 4: a direct access on-ramp. |
| <i>Off-ramps:</i> | 5) | From eastbound Interstate 4: a direct access off-ramp. |
| | 6) | From westbound Interstate 4: a direct access off-ramp. |

Construction of the Project began in August of 1996 and was substantially complete by September 1999 with minor modifications to the interchange completed in January 2000. The construction of the Project ensured that public transportation facilities needed to support the traffic created by development within the Interstate 4/Republic Drive Community Redevelopment Area would be available concurrent with the impact of the development in that area.

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Prepared by City GIS, City of Orlando - Engineering Bureau

3058-05-2002

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The following table shows the properties that comprise the I-4/Republic Drive Interchange Community Redevelopment Area.

**USE OF TAXABLE PROPERTIES WITHIN I-4/REPUBLIC DRIVE (UNIVERSAL BLVD.)
COMMUNITY REDEVELOPMENT AREA**

<u>Property Description</u>	<u>Number of Acres</u>	<u>2006 Assessed Land Value (in Millions)</u>	<u>2006 Assessed Improvements (in Millions)</u>	<u>2006 Total Assessed Value (in Millions)</u>
Theme Parks:				
Universal Studios Theme Park	108.43	\$ 57.7	\$ 175.7	\$ 233.4
Islands of Adventure Theme Park	101.60	48.4	124.3	172.7
City Walk (Shopping/Entertainment)	35.12	14.4	96.5	110.9
Hard Rock Café	6.69	3.4	31.6	35.0
Parking Garages and People Mover	69.09	8.2	169.4	177.6
Hotels:				
Portofino Bay Hotel	51.77	20.7	68.1	88.8
Hard Rock Hotel	32.79	17.9	44.0	61.9
Royal Pacific Resort	52.99	22.1	59.6	81.7
Future Site #1	32.84	16.5	-	16.5
Future Site #2	70.91	16.4	-	16.4
Studios and Production Lots	15.28	5.5	10.6	16.1
Administrative Offices	4.22	2.0	8.0	10.0
Loews Hotel Services/Creative Activities	12.67	5.9	7.3	13.2
Employee Parking Lots	36.87	4.4	0.6	5.0
Other parcels/uses	148.61	17.9	41.1	59.0
Totals	<u>779.88</u>	<u>\$ 261.4</u>	<u>\$ 836.8</u>	<u>\$ 1,098.2</u>

Source: Orange County Property Appraiser and Orange County Official Records.

OUTSTANDING INDEBTEDNESS

As of September 30, 2006, the Republic Drive District had one outstanding bond issue that is described below.

The Tax Increment Revenue Refunding Revenue Bonds, Series 2002, were issued to current refund the outstanding Special Assessment Revenue Bonds, Series 1997A. The Bonds are callable at a premium of 1% of par on April 1, 2011, and are callable at par beginning on April 1, 2012. The refunding was a variable rate debt to fixed rate debt transaction, and also replaced special assessments as the source of revenue and security with tax increment revenues.

The table below provides the debt service schedule for the 2002 Bonds and the estimated debt service coverage based upon historic revenues.

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**ESTIMATED DEBT SERVICE SCHEDULE AND COVERAGE
BASED ON HISTORIC REVENUES**

<u>Maturing April 1</u>	<u>2002 Bond Principal</u>	<u>2002 Bond Interest</u>	<u>Total Debt Service</u>	<u>Increment Revenues (1)</u>	<u>Estimated Total Debt Service Coverage</u>
2007	\$ 1,425,000.00	\$ 1,909,243.76	\$ 3,334,243.76	\$ 7,654,533.00	2.30
2008	1,465,000.00	1,870,056.26	3,335,056.26	7,654,533.00	2.30
2009	1,535,000.00	1,796,806.26	3,331,806.26	7,654,533.00	2.30
2010	1,590,000.00	1,743,081.26	3,333,081.26	7,654,533.00	2.30
2011	1,645,000.00	1,685,443.76	3,330,443.76	7,654,533.00	2.30
2012	1,710,000.00	1,623,756.26	3,333,756.26	7,654,533.00	2.30
2013	1,780,000.00	1,555,356.26	3,335,356.26	7,654,533.00	2.29
2014	1,850,000.00	1,484,156.26	3,334,156.26	7,654,533.00	2.30
2015	1,945,000.00	1,389,343.76	3,334,343.76	7,654,533.00	2.30
2016	2,045,000.00	1,289,662.50	3,334,662.50	7,654,533.00	2.30
2017	2,150,000.00	1,184,856.26	3,334,856.26	7,654,533.00	2.30
2018	2,260,000.00	1,074,668.76	3,334,668.76	7,654,533.00	2.30
2019	2,375,000.00	958,843.76	3,333,843.76	7,654,533.00	2.30
2020	2,495,000.00	837,125.00	3,332,125.00	7,654,533.00	2.30
2021	2,625,000.00	709,256.26	3,334,256.26	7,654,533.00	2.30
2022	2,760,000.00	574,725.00	3,334,725.00	7,654,533.00	2.30
2023	2,890,000.00	443,625.00	3,333,625.00	7,654,533.00	2.30
2024	3,030,000.00	302,737.50	3,332,737.50	7,654,533.00	2.30
2025	3,180,000.00	155,025.00	3,335,025.00	7,654,533.00	2.30
TOTALS	<u>\$ 40,755,000.00</u>	<u>\$ 22,587,768.88</u>	<u>\$ 63,342,768.88</u>	<u>\$ 145,436,127.00</u>	

(1) Assumes that Increment Revenues collected in the Fiscal Year ending September 30, 2007, will remain constant through September 30, 2025, exclusive of interest earnings.

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PERTINENT AGREEMENTS

The Cooperation Agreement

In connection with the issuance of the Series 1997A Bonds, a Cooperation Agreement dated as of August 26, 1997 (the “1997 Cooperation Agreement”), was executed by the City, the Agency, and Universal City Florida Partners and Universal City Development Partners (the “Universal Partnerships”), general partnerships which were at such time owned indirectly by Universal Studios, Inc. and Rank Leisure Holdings P.L.C.

Under the terms of the 1997 Cooperation Agreement, certain “Benchmarks” (as defined therein) encouraged and promoted the Universal Partnerships’ plan to develop their properties within the Interstate 4/Republic Drive Interchange Community Redevelopment Area on a timely basis. The resulting increase in property values from such development would in turn create an increase in tax revenues as contemplated in the Interstate 4/Republic Drive Community Redevelopment Plan.

In connection with the issuance of the Series 2002 Bonds, the Agency, the City and Universal City Development Partners, Ltd., successor in interest to the Universal Partnerships (the “Partnership”), entered into the Refunding Cooperation Agreement dated as of August 12, 2002 (the “2002 Cooperation Agreement”), pursuant to which the parties acknowledged that, as of the date of issuance of the Series 2002 Bonds, the 1997 Cooperation Agreement was terminated. Under the 2002 Cooperation Agreement, the Agency and City further acknowledge the Partnership’s compliance through the date of issuance of the Series 2002 Bonds with the Benchmarks. The Partnership further acknowledged that at the time of issuance of the Series 2002 Bonds the Agency was under no obligation to refund the Series 1997A Bonds and the City was under no obligation to discharge the special assessment related to the Series 1997A Bonds or record a satisfaction of lien with respect thereto. By doing so before required to under the terms and conditions of the Interlocal Agreement (as defined below) and the 1997 Cooperation Agreement, the Partnership acknowledged in the 2002 Cooperation Agreement that the Agency and the City conferred a benefit upon the Partnership in consideration for which the Partnership agreed to contribute \$1,667,678 to the Agency for deposit to the 2002 Supplemental Reserve Subaccount to be held under the terms of the Indenture until such time as the 2002 Supplemental Reserve Requirement equals zero or the Series 2002 Bonds are no longer Outstanding, after which time the balance remaining in the 2002 Supplemental Reserve Subaccount will be returned to the Partnership. On any date after January 1, 2006, the 2002 Supplemental Reserve Requirement will be reduced to zero upon delivery by the Agency to the Trustee of a written certificate of the Chief Financial Officer of the City stating that the Increment Revenues deposited into the Interstate 4/Republic Drive Redevelopment Trust Fund in the then-current Fiscal Year and each of the immediately preceding two Fiscal Years have equaled or exceeded 200% of the Maximum Annual Debt Service on all Outstanding Bonds. On January 11, 2006 the supplemental reserve was returned to the partnership.

The Interlocal Agreement

The City and the County entered into an Interlocal Agreement dated as of April 2, 1996 (as amended to date, the “Interlocal Agreement”), which among other things, provides for the disposition of Increment Revenues generated within the Interstate 4/Republic Drive Interchange Community Redevelopment Area. The Interlocal Agreement limits the use of such Increment Revenues to the payment of (i) the principal of, and interest and redemption premium, if any, on obligations issued to provide funds for allowable capital costs of the Project and (ii) certain costs incidental to variable rate obligations. Any surplus Increment Revenues are required to be distributed to the respective taxing authority (the County and the City) within 30 days of receipt of payments by such taxing authority of the Increment Revenues in amounts set forth in Section 163.387(7)(a) of the Redevelopment Act in accordance with the calculations set forth in the Interlocal Agreement.

Pursuant to subsection 163.387(7) of the Redevelopment Act, on the last day of the Fiscal Year of the Agency, any money which remains in the Interstate 4/Republic Drive Redevelopment Trust Fund after the payment of expenses permitted under subsection 163.387(6) of the Redevelopment Act for such year shall be:

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- (a) Returned to each taxing authority which paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the trust fund by all taxing authorities within the redevelopment area for that year;
- (b) Used to reduce the amount of any indebtedness to which increment revenues are pledged;
- (c) Deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues are pledged; or
- (d) Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan which project will be completed within 3 years from the date of such appropriation.

Under the Interlocal Agreement, the Agency has agreed that on or about January 30 of each year (rather than on the last day of the Agency’s Fiscal Year) the Agency will return to each taxing authority in accordance with subsection 163.387(7)(a) moneys remaining in the Interstate 4/Republic Drive Redevelopment Trust Fund after the payment of expenses permitted under subsection 163.387(6) of the Redevelopment Act and by the Interlocal Agreement (including principal, premium, if any, and interest on the Series 2002 Bonds).

Under the terms of the Interlocal Agreement, the County has the right to cause the legal defeasance or refunding of any Increment Obligations, including the Series 2002 Bonds, in a principal amount equal to the County Share (as defined therein) of the aggregate principal amount then outstanding. The “County Share” is the approximate equivalent of the ratio of the ad valorem tax millage levied by the County to the aggregate ad valorem tax millage levied by the County and the City. Currently, the County Share stated as a percentage is approximately 47.6%. The Interlocal Agreement provides that the existence of the Interstate 4/Republic Drive Interchange Community Redevelopment Area will automatically terminate and the Increment Revenues cease being appropriated and paid by the County upon the earlier to occur of (i) the payment or defeasance in full of all obligations authorized to pay the costs of the Project (or to refinance such costs), or (ii) January 1, 2026.

As part of the proceedings validating the Series 1997A Bonds, the Court validated and confirmed the Interlocal Agreement and found it to constitute a valid, binding and enforceable agreement. The validation also applied to the Series 2002 Bonds.

INCREMENT REVENUES

The Series 2002 Bonds are secured in part by the pledge of Increment Revenues deposited into the Interstate 4/Republic Drive Redevelopment Trust Fund established by the 1995 Ordinance. The tax increment revenues generated within the other two existing community redevelopment areas within the City and any additional areas designated in the future by the City to be a slum or blighted area within the meaning of the Redevelopment Act, shall not constitute Increment Revenues for purposes of the Indenture and shall not be subject to the pledge and lien created by the Indenture securing the Series 2002 Bonds.

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Sources of Increment Revenues

Required payments by the taxing authorities to the Interstate 4/Republic Drive Redevelopment Trust Fund are based on the assessed valuation of taxable real property as of the previous January 1. Pursuant to the Redevelopment Act and the 1995 Ordinance (as defined herein), on or before each January 1, each such taxing authority levying taxes in the Interstate 4/Republic Drive Interchange Community Redevelopment Area must appropriate and pay to the Interstate 4/Republic Drive Redevelopment Trust Fund an amount equal to 95% of the difference between:

- (a) The amount of ad valorem taxes levied each year by that taxing authority, exclusive of any amount from any debt service millage, on taxable real property contained within the geographic boundaries of the Interstate 4/Republic Drive Interchange Community Redevelopment Area; and
- (b) The amount of ad valorem taxes which would have been produced by the then current millage rate of that taxing authority, exclusive of any debt service millage, had it been applied to the assessed valuation of the taxable real property in the Interstate 4/Republic Drive Interchange Community Redevelopment Area as of January 1, 1994.

Current and future tax increment revenue accruing within the Interstate 4/Republic Drive Interchange Community Redevelopment Area is predicated upon increases in assessed real property valuations in excess of taxable values recognized for a specific base year. Taxable values within the Interstate 4/Republic Drive Interchange Community Redevelopment Area for the base year of 1994 were \$324,462,644. Taxable values within the Interstate 4/Republic Drive Interchange Community Redevelopment Area for the 2006 tax year were \$1,098,203,867. The following table summarizes the historical gross taxable values for the Interstate 4/Republic Drive Interchange Community Redevelopment Area as of January 1 of the years 1998 through 2006, and the increase or decrease in assessed value for each year.

<u>Measuring Calendar Year (as of January 1)</u>	<u>Fiscal Year Ended September 30</u>	<u>Total Assessed Taxable Values</u>	<u>Increase/(Decrease) in Assessed Value Over Prior Year</u>	<u>Incremental Value</u>
1998	1999	\$ 511,031,450	\$ 45,496,072	\$ 186,568,806
1999	2000	546,008,273	34,976,823	221,545,629
2000	2001	973,503,693	427,495,420	649,041,049
2001	2002	1,021,236,510	47,732,817	696,773,866
2002 (1)	2003 (1)	1,001,684,311	(19,552,199)	677,221,667
2003	2004	1,029,799,339	28,115,028	705,336,695
2004	2005	1,000,446,569	(29,352,770)	675,983,925
2005	2006	1,006,736,025	6,289,456	682,273,381
2006	2007	1,098,203,867	91,467,842	773,741,223

(1) The January 1, 2002, valuation includes the Hard Rock Hotel which opened in 2001, but the overall taxable values decreased as a result of the Property Appraiser's reassessment of properties based on the negative impact on tourism of the September 11, 2001 tragedy.

The incremental increase in ad valorem taxes described above is used to measure the amount of the contribution which must be appropriated and contributed by each taxing authority which is required to make payments. The taxing authorities cannot be compelled to levy ad valorem taxes to make such payments. The statutory obligation of a taxing authority to make the required payments to a community redevelopment trust fund continues for so long as a community redevelopment agency has indebtedness pledging Increment Revenues to the payment thereof outstanding, but not to exceed thirty (30) years from the date the redevelopment plan is last amended. In the case of the Agency, this obligation will continue until 2025. Additionally, the obligation of the City of Orlando (the governing body which established the community redevelopment agency), to annually fund the community redevelopment trust fund continues until all loans, advances, and indebtedness, if any, and interest

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thereon, of the community redevelopment agency incurred as a result of redevelopment in the community redevelopment area have been paid. The Agency has covenanted in the Indenture to diligently enforce its right to receive and dispose of the Increment Revenues and has agreed that it shall not take any action which will impair or adversely affect the Increment Revenues or the right to receive such revenues.

Calculation of Increment Revenues

To understand the method of measuring and calculating the contribution required to be made by the taxing authorities, the general method of fixing millage must be considered.

Florida law currently mandates the following procedures in fixing millage rates*:

(a) January 1 of each year is the statutory measurement date used by the County Property Appraiser for establishing just value of real property within the County. Real property having improvements or portions not substantially completed on January 1 are deemed to have no value placed thereon and substantially completed property as of January 1 shall be assessed by the County Property Appraiser based on its just value.

(b) On or before July 1 of each year, the County Property Appraiser is required to complete his assessment of the value of all property located within the County (unless extended for good cause by the Florida Department of Revenue). Upon completion of this assessment, the County Property Appraiser is required to certify to each taxing authority the taxable value within the jurisdiction of the taxing authority. This certification includes the just value of new construction, additions to structures, deletions, and property added due to geographic boundary changes substantially complete as of January 1 of such year.

(c) Each taxing authority is required to compute the millage known as the “rolled back rate,” which is the rate that, exclusive of (i) any increase in the assessed value of taxable real property by which a tax increment is measured for such taxing authority pursuant to Section 163.387, (ii) new construction, (iii) additions to structures, (iv) deletions, and (v) property added due to geographic boundary changes, will provide the same ad valorem tax revenue for each taxing authority as was levied during the prior year.

(d) Upon preparation of a tentative budget, but prior to adoption thereof, each taxing authority in addition to computing the “rolled back rate” is required to compute the proposed millage rate which would be necessary to fund the tentative budget, other than the portion of the budget to be funded from other than ad valorem taxes. In computing proposed millage rates, each taxing authority shall utilize not less than 95% of the taxable value certified by the County Property Appraiser. In establishing the tentative budget and proposed millage rate the taxing authority is not bound by the “rolled back rate” and in accordance with Florida law may exceed the “rolled back rate” or may even adopt a tentative budget and proposed millage rate which would be less than the “rolled back rate”.

(e) Within 30 days of the County Property Appraiser’s certification, each taxing authority is required to advise the County Property Appraiser of its proposed millage rate and the date and time at which a public hearing will be held to consider the proposed millage rate and the tentative budget. The County Property Appraiser utilizes this information in preparing the notice of proposed property taxes required to be mailed to property owners. Additionally, if this information is not provided in a timely fashion as required by statute, the taxing authority is prohibited from levying a millage rate greater than the “rolled back rate” for the upcoming Fiscal Year.

(f) Each taxing authority is statutorily required to hold a minimum of two public hearings on the proposed millage rate and tentative budget prior to adopting a final millage rate and a final budget. At the first public hearing the taxing authority may amend the tentative budget and proposed millage rate as it sees fit and adopt a tentative budget and proposed millage rate. At the second public hearing the taxing authority may adopt the final budget and final millage rate. The final budget and final millage rate adopted at the second hearing cannot exceed the tentative budget and tentative millage rate adopted at the first public hearing, unless a separate hearing is held after due notice. Except as otherwise provided by statute, the millage rate (exclusive of ad valorem debt service millage) for the County and the City cannot annually exceed 10 mills each without voter approval.

* This synopsis of the procedure for establishing millage rates is for the purpose of providing a general overview of the procedure. There may be exceptions, statutory appeals and extensions which are not set forth herein. For more specific detail, refer to Chapters 129, 193, 194, and 200 of Florida Statutes.

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The final millage rate is that millage rate used to calculate the tax increment payments required to be made to the specific community redevelopment trust fund on or before January 1 of the next year. Final millage rates generally should have been adopted by October 1 of each year to allow sufficient time for taxing authorities to calculate the required payment to the specific community redevelopment trust fund and submit same on or before January 1. Pursuant to statute, unless otherwise permitted by law, final budgets must be adopted by taxing authorities prior to the beginning of a taxing authority’s Fiscal Year, which is October 1. Typically, property tax statements are mailed on or about November 1, with collection through November 30 providing a maximum discount of 4% and descending to 0% as of March 1 of the following year. Taxes are delinquent as of April 1. Pursuant to the Redevelopment Act, tax increment payments are to be made to the specific community redevelopment trust fund by January 1 of each year based on the statutory calculation without regard to the actual collections or adjustments made by the taxing authority.

Millage Rates

The table below summarizes the millage rates levied within the Interstate 4/Republic Drive Interchange Community Redevelopment Area for the Fiscal Years 1998 through 2007.

Millage Rates

<u>Fiscal Year Ended September 30</u>	<u>City of Orlando</u>	<u>Orange County</u>	<u>Total Millages</u>
1998	6.0666	5.2889	11.3555
1999	6.0666	5.2889	11.3555
2000	6.0666	5.2264	11.2930
2001	6.0666	5.1639	11.2305
2002	5.6916	5.1639	10.8555
2003	5.6916	5.1639	10.8555
2004	5.6916	5.1639	10.8555
2005	5.6916	5.1639	10.8555
2006	5.6916	5.1639	10.8555
2007(1)	5.6916	5.1639	10.8555

Source: City of Orlando Finance Department

(1) The City and County have approved these millage rates for the Fiscal Year 2007

Established Increment Revenues

The aggregate assessed valuation of taxable real property in the Interstate 4/Republic Drive Interchange Community Redevelopment Area as of January 1, 1994, used for determining the incremental assessed valuation in future years was \$324,462,644 (the “Base Year Value”). The amount of Increment Revenues to be received in any future year is dependent on the assessed valuation of taxable real property in the Interstate 4/Republic Drive Interchange Community Redevelopment Area as of each January 1, the incremental increase in such valuation above the Base Year Value and the total millage rate levied by the relevant taxing authorities; all of which factors are completely outside the control of the Agency. See “INCREMENT REVENUES -Factors Affecting Increment Revenues” herein.

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Factors Affecting Increment Revenues

Neither the City nor any other taxing authority levying ad valorem taxes within the Interstate 4/Republic Drive Interchange Community Redevelopment Area has covenanted or pledged to levy ad valorem taxes on taxable real property within the Interstate 4/Republic Drive Interchange Community Redevelopment Area at a level sufficient to generate Increment Revenues in any particular amount or at all. The pledge of Increment Revenues does not constitute a pledge of the ad valorem taxing power of any taxing authority, including the City or the County. The Agency has no taxing power.

Consequently, the amount of Increment Revenues to be deposited in the Interstate 4/Republic Drive Redevelopment Trust Fund and pledged to the Series 2002 Bonds is dependent upon, among other things, (i) the millage rates, if any, established by any taxing authority, including the City and the County and (ii) growth in the assessed valuation of taxable real property in the Interstate 4/Republic Drive Interchange Community Redevelopment Area, which increase will be affected by the annual appraisal at one hundred percent (100%) of the “just value” of taxable real property, including new construction completed, within the Interstate 4/Republic Drive Interchange Community Redevelopment Area.

An amendment to the Florida Constitution limiting changes in annual homestead property assessments for ad valorem tax purposes to the lesser of (a) 3% of the assessment for the prior year or (b) the percent change in the Consumer Price Index for the preceding calendar year, and providing for changes to the reassessment procedure was approved by the voters in the 1992 general election. This amendment became effective as an amendment to the State Constitution on the first Tuesday after the first Monday in January 1993. Because the homestead properties within the Interstate 4/Republic Drive Interchange District represent approximately 5% of total assessed values, the impact of such amendment on the assessment of ad valorem taxes within the Interstate 4/Republic Drive District, will be minimal.

**Increment Revenues
City of Orlando Community Redevelopment Agency
Interstate 4/Republic Drive Interchange Community Redevelopment Area**

<u>Fiscal Year</u> <u>Ended September 30</u>	<u>Total</u> <u>Collections</u>	<u>Annual</u> <u>Rate of</u> <u>Growth/Decrease</u>
1997	\$ 114,845	N/A
1998	1,521,854	1,225.1%
1999	2,012,653	32.3
2000	2,376,819	18.1
2001	6,924,431	191.3
2002	7,185,637	3.8
2003	6,984,001	(2.8)
2004	7,273,945	4.2
2005	6,971,238	(4.2)
2006	6,926,829	(0.6)
2007(a)	7,654,533	10.5

(a) Reflects tax increment revenue collected as of December 31, 2005.

**CITY OF ORLANDO, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY – REPUBLIC DRIVE
(UNIVERSAL BOULEVARD) DISTRICT**

Calculation of Increment Revenues - Fiscal Year 2006

Assessed Value	\$ 1,006,736,025
Less Base Year Taxable Value	<u>(324,462,644)</u>
Fiscal Year 2006 Increment Taxable Value	682,273,381
Multiplied by Fiscal Year 2006 Millage Rate	<u>10.8555</u>
Increment Revenue (1)	7,036,098
Less Adjustments to Prior Year Assessed Values	<u>(109,269)</u>
Total Collections	<u><u>\$ 6,926,829</u></u>

(1) Calculated using 95% of taxable value.



Dynetech
The Dynetech building will house the international headquarters of Orlando's own, Dynetech Corporation. The building will also have 164 apartment units on the upper floors of the building.

LYLEEN PATEL CLERK
Brenden Dedekind
Jeff Patterson
407-672-3500

BRASFIELD & GORRIE
25 EAST WASHINGTON • DELAND, FL 32720

OFFICE & RE
SPACE
AVAILABLE

**CITY OF ORLANDO, FLORIDA
CONROY ROAD INTERCHANGE
BOND DISCLOSURE SUPPLEMENT**

SPECIAL ASSESSMENT REVENUE BONDS

**SUMMARY INFORMATION
As of September 30, 2006**

Individual Bond Issues:	<u>Outstanding</u>	<u>Rating</u>	<u>Credit Facility</u>	<u>Paying Agent</u>	<u>Maturity</u>
Fixed Rate:					
Special Assessment Revenue Bonds (Conroy Road Interchange Project), Series 1998A	<u>\$ 26,630,000</u>	N/A	N/A	Chase Manhattan Bank	5/1/2026
 Total Debt Outstanding	 <u>\$ 26,630,000</u>				
 Reserved for Debt Service:	 <u>\$ 2,668,128</u>				

Revenue Pledge:

Primary:

The 1998A bonds pledge special assessment and tax increment revenue on the Designated District.

Secondary:

Transportation Impact Fees (limited, see page E-3).

CITY OF ORLANDO, FLORIDA CONROY ROAD INTERCHANGE

INTRODUCTION

An interchange at Conroy Road and Interstate 4 was in the City's, the County's, the Metropolitan Planning Organization, and the Florida Department of Transportation planning agenda for over a decade unrelated to and preceding this developer initiative. In the early 1990's, a Developer, who acquired the right to purchase 440 acres of property at the location of the future interchange, approached the City to annex the property if tax increment revenues could be used to finance/accelerate the construction. The City and the County agreed to the first of a series of interlocal agreements which would allow tax increment revenues from the "to be annexed" property to be used to construct the interchange. A map of the Community Redevelopment Agency - Conroy Road District is shown on page E-4.

OUTSTANDING INDEBTEDNESS

The Series 1998A Bonds were issued to finance the construction of the interchange improvements at Conroy Road and Interstate 4. The 1998A bonds are callable at a premium of 2% of par on May 1, 2008, callable at a premium of 1% of par on May 1, 2009, and are callable at par on May 1, 2010. The Bonds are payable from and secured by Special Assessments, Pledged Transportation Impact Fees and Pledged Increment Revenues. Provided Development Thresholds are met, Transportation Impact Fees in excess of \$4,175,000 (as amended) but not exceeding \$5,300,000 will be deposited when needed to pay debt service on Series 1998A Bonds after Pledged Increment Revenues have been applied. Transportation Impact Fees in excess of \$8,050,000 may also be available to pay debt service on the Series 1998A Bonds. The debt service schedule for the Series 1998A Bonds is shown below.

Fiscal Year Ending September 30,	1998A Bonds		Total Debt Service
	Principal	Interest (1)	
2007	\$ 750,000	\$ 1,534,790	\$ 2,284,790
2008	790,000	1,493,540	2,283,540
2009	830,000	1,450,090	2,280,090
2010	880,000	1,404,440	2,284,440
2011	925,000	1,356,040	2,281,040
2012	980,000	1,302,390	2,282,390
2013	1,035,000	1,245,550	2,280,550
2014	1,095,000	1,185,520	2,280,520
2015	1,160,000	1,122,010	2,282,010
2016	1,225,000	1,054,730	2,279,730
2017	1,300,000	983,680	2,283,680
2018	1,375,000	908,280	2,283,280
2019	1,455,000	828,530	2,283,530
2020	1,540,000	744,140	2,284,140
2021	1,630,000	654,820	2,284,820
2022	1,720,000	560,280	2,280,280
2023	1,820,000	460,520	2,280,520
2024	1,925,000	354,960	2,279,960
2025	2,040,000	243,310	2,283,310
2026	2,155,000	124,990	2,279,990
Totals	\$ 26,630,000	\$ 19,012,610	\$ 45,642,610

(1) Interest rates of 5.50% and 5.80%.

**CITY OF ORLANDO, FLORIDA
CONROY ROAD INTERCHANGE**

Set forth below is a tabular description of the revenues pledged to the repayment of the Series 1998A Bonds.

Revenue	Funding for Series 1998A Bonds	Terms
Special Assessments	Full Debt Service Amount with credits for Pledged Increment Revenues and Pledged Transportation Impact Fees	Terminate when 1.60 times coverage of Maximum Annual Debt Service by Increment Revenues for the then current and two prior years.
Pledged Transportation Impact Fees	Impact Fees generated within Assessment Area (on deposit)	Excess above first \$4,175,000 subject to meeting Development Thresholds (less Orlando-Vineland)
Pledged Increment Revenues	Increment Revenue generated within the Redevelopment Area.	Only on deposit and lesser of amount deposited in Trust Fund or Annual Debt Service.

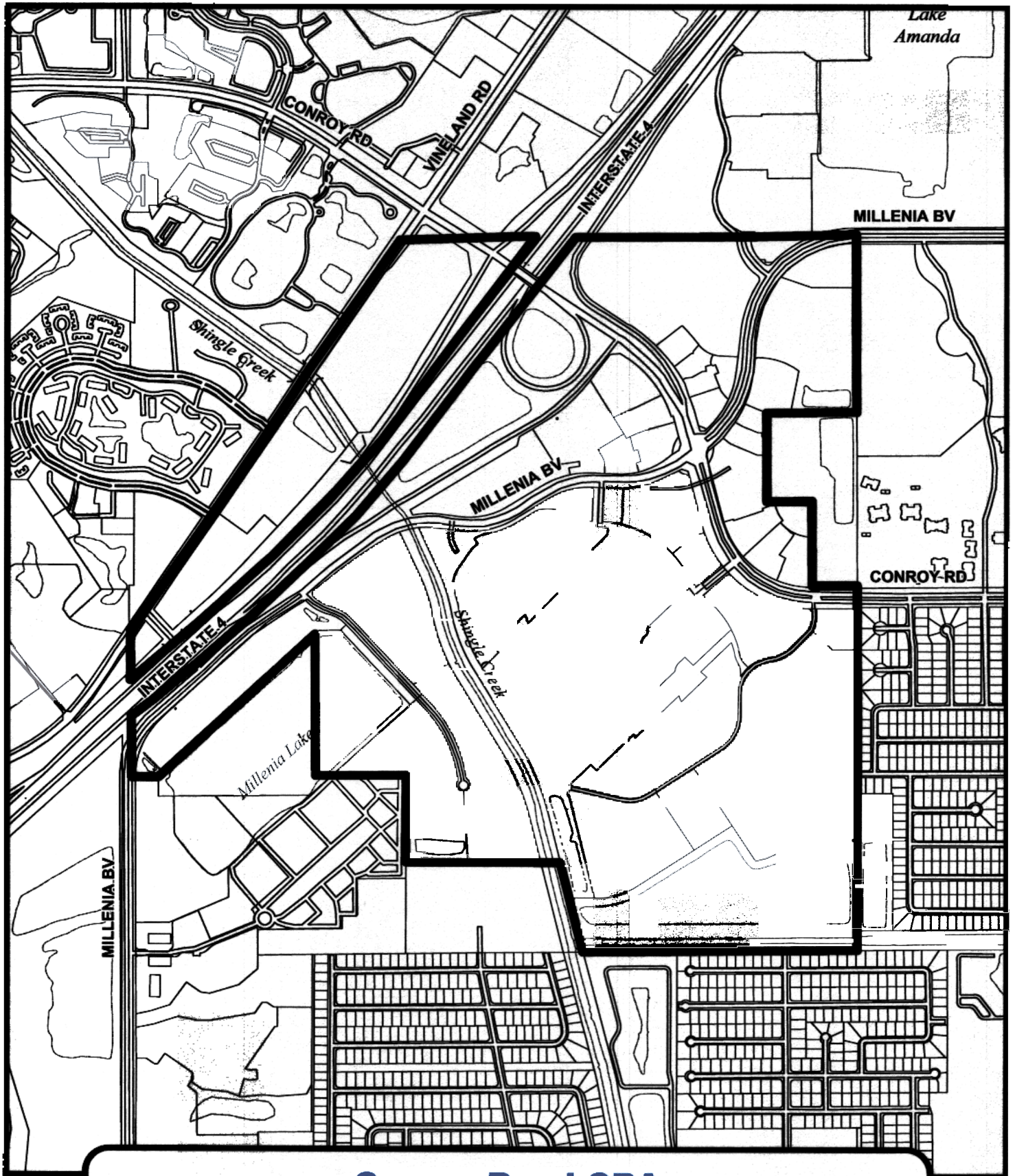
The Assessment Program

The City enacted its Home Rule Special Assessment Ordinance bearing Documentary No. 29102 on January 22, 1996 which added Chapter 52 to the City’s Code (the “Home Rule Special Assessment Ordinance”), which ordinance was enacted under powers granted by Section 2 (b), Article VIII of the Constitution of the State of Florida and Parts I and III, Chapter 166, Florida Statutes. Pursuant to the Home Rule Special Assessment Ordinance, the City Council may levy non-ad valorem assessments on properties within the municipal limits of the City specially benefited by local improvements or services (the “Assessments”).

On December 2, 1996, the City Council duly adopted a Resolution bearing Documentary No. 29837 (the “Resolution of Intent”) expressing its intent to use the uniform method for collection of non-ad valorem assessments, pursuant to Section 197.3632, Florida Statutes, within the area of the City being subject to the special assessments as shown below (the “Assessment Area”).

The methodology contained in the Assessment Resolutions is mathematically designed so that, in any year, a parcel of Designated Property which generates Increment Revenue (i.e., has an incrementally increased assessed value for ad valorem tax purposes) in an amount equal to the Development Rights initially assigned to such parcel will not incur a Series 1998A Assessment and the Assessment Resolutions so provide. In addition, the Indenture permits the City to release the lien of the Series 1998A Assessments at such time as the Increment Revenues deposited into the Redevelopment Trust Fund have equaled or exceeded 1.60 times Maximum Annual Debt Service for the current and two preceding Bonds Years (the “Assessment Termination Date”). As of January 1, 2007, the Increment Revenues in the most recent year (FY 2007) produced coverage equal to 1.36 times Maximum Annual Debt Service.

When any parcel of land within the Assessment Area becomes Designated Property, the Assessment Resolutions require that a calculation be made of the per acre Series 1998A Assessment remaining on the balance of the Undesignated Property. In the event that the per acre Series 1998A Assessment on the balance of the Undesignated Property is greater than the initial per acre Series 1998A Assessment, an Interim Prepayment (as defined in the Assessment Resolutions) of the Series 1998A Assessment is required in an amount equal to such difference. The Interim Prepayment will be held in an Escrow Account established with the City pursuant to the Assessment Resolutions and will either be deposited into the Series 1998A Prepayment Sub-account and used to redeem Series 1998A Bonds in the event that the full principal amount of the Series 1998A Assessments is not allocated to Designated Property, or, rebated to the payer in the event, and to the extent, that the Series 1998A Assessments are fully allocated to Designated Property. This “true-up mechanism” ensures that at the end of the development period there will not be a lien-to-value imbalance between the Series 1998A Assessments remaining on the Undesignated Property (i.e., undeveloped property) and its value.



Conroy Road CRA



Community Redevelopment Agency Boundary

NORTH

City of Orlando, May 2006

CITY OF ORLANDO, FLORIDA CONROY ROAD INTERCHANGE

Also, at meetings held on May 11, 1998, June 8, 1998 and November 9, 1998, the City Council duly adopted the Assessment Resolutions authorizing and adopting the Assessments to be levied, collected and enforced within the Special Assessment Area for the purpose of paying the principal of, premium, if any, and interest on the Series 1998 Bonds. The City Council determined that the apportionment methodology employed fairly and reasonably apportioned the Assessments among all parcels in the Special Assessment Area proportionate to the special benefit received by each parcel from the Project.

The Assessment Resolutions authorize various matters including: (i) the collection of the Assessments by direct billing by the City or by the Orange County Tax Collector pursuant to the uniform method of collection, (ii) the optional prepayment in full of the Assessment, or any apportionment thereof, (iii) the acceleration and mandatory prepayment of a property's apportionment of the Assessment if the respective payment thereof becomes delinquent or a tax certificate has been issued and remains outstanding, and (iv) the credit for Increment Revenues (hereinafter described) and the credit for Transportation Impact Fees (hereinafter described) to the extent the City determines to make such funds available for the payment of principal, of premium, if any, or interest on the Series 1998 bonds.

Assessment Methodology

The Assessment Area is currently owned by Orlando Southwest Partners (the "Developer"). The Assessment Area is subject to a Development Order, which provides that substantial portions of the rights to develop parcels within the Assessment Area for specific uses (the "Development Rights") can only be exercised upon construction of the Project. The Assessment Resolutions determined that the relative benefit received by parcels within the Assessment Area correlate to the relative values of the Development Rights appurtenant thereto. Based upon calculations of the Developer and independent experts, the City determined in the Assessment Resolutions that the anticipated incremental assessed valuation of the Development Rights on the specifically benefited land made possible by the construction of the project are \$297 million. Accordingly, the Assessment Resolutions established 297 Assessment Units or one Assessment Unit per \$1 million of Development Rights. For purposes of initially allocating Assessment Units, the Development rights are proportioned pro rata upon a per acre basis.

Upon transfer of any parcel within the Assessment Area, the Assessment Resolutions require the Developer to certify in writing to the City (1) the number of acres included in such parcel, (2) the Development rights Category (hereinafter described) assigned to such parcel, (3) the quantity of Development Rights transferred to such parcel, and (4) the number of Assessment Units corresponding to the quantity of Development Rights so transferred using the Value Parameters set forth in the Assessment Resolutions. The Assessment Resolutions define "Value Parameters" to mean for each of the following Land Use Categories, the following amounts plus or minus ten percent (10%).

<u>Land Use Category</u>	<u>Original Estimated Value Per Unit</u>	<u>Current Estimated Value Per Unit</u>
Commercial out parcel	\$123 per sq. ft.	\$150 per sq. ft.
Mall commercial	\$ 80 per sq. ft.	\$100 per sq. ft.
Non-mall commercial	\$ 75 per sq. ft.	\$ 75 per sq. ft.
Office	\$ 72 per sq. ft.	\$ 81 per sq. ft.
Hotel	\$27,000 per room	\$42,500 per room
Distribution-warehouse/office	\$ 29 per sq. ft.	\$ 29 per sq. ft.

CITY OF ORLANDO, FLORIDA CONROY ROAD INTERCHANGE

Upon receipt of the information described above, the City will reduce the Undesignated Acreage by the number of acres transferred (but not less than .0001 acres) and will subtract from the Undesignated Assessment Units the number of Assessment Units corresponding to the quantity of Development Rights so transferred. The City shall then re-determine the average assessment per acre by dividing the new Undesignated Acreage by the new amount of Undesignated Assessment units.

Reserve Sub-account

The City funded the 1998A Reserve Sub-account held by the Trustee upon the issuance of the Series 1998A Bonds with the deposit of \$2,284,820, which is an amount equal to the Reserve Requirement. The Developer entered into a Reserve Account Deficiency Agreement dated as of November 1, 1998, with the City (the "Deficiency Agreement") pursuant to which the Developer agreed, subject to the terms and provisions of the Deficiency Agreement, to pay to the Trustee on order of the City the amount necessary to restore any withdrawals from the 1998A Reserve Sub-account to pay principal of, or redemption premium or interest on the Series 1998A Bonds (a "Deficiency"). The aggregate amount, which shall be advanced under the Deficiency Agreement, subject to reinstatement, is an amount not less than debt service coming due on the Series 1998A Bonds in the succeeding Bond Year (the "Amount Available"). The Amount Available will be reduced by amounts paid by or on behalf of the Developer under the Deficiency Agreement and reinstated by amounts reimbursed to or on behalf of the Developer under the Deficiency Agreement. The Developer's obligations under the Deficiency Agreement are secured by and required to be payable from an unconditional irrevocable letter of credit issued by a bank acceptable to the City and rated in one of the two highest rating categories by Moody's Investors Service, Standard & Poor's (a division of McGraw-Hill, Inc.) or Fitch Investors Services, Inc., without regard to gradations in ratings.

The Developer's obligation to cure Deficiencies shall be automatically reduced on each November 1 such that the Amount Available shall be equal to the amount by which the average of the Increment Revenues in the current and the preceding Bond Year is less than 1.25 times the Maximum Annual Debt Service (as defined in the Indenture). In the event that the Amount Available is reduced in accordance with the preceding sentence, such amount shall not again be increased. On or after any November 1 on which the average of the Increment Revenues for the current and preceding Bond Years exceeds 1.25 times the Maximum Annual Debt Service, the obligations of the Developer under the Deficiency Agreement shall cease, terminate and be void. As of November 1, 2006, the average of the Increment Revenues for the last two years provided coverage of 1.29 times the Maximum Annual Debt Service, and therefore the obligations of the Developer under the Deficiency Agreement have terminated.

PERTINENT AGREEMENTS

The Cooperation Agreement

A Cooperation Agreement dated as of November 1, 1998, was executed by and between the City, the City of Orlando, Florida, Community Redevelopment Agency (the "CRA"), which is an entity created pursuant to Part III of Chapter 163, Florida Statutes, and the Developer.

Under the terms of the Cooperation Agreement, certain Development Thresholds (as defined therein) have been set forth which encourage the Developer to develop and sell the properties within the Interchange Redevelopment Area on a timely basis. The resulting increase in property values from such development will in turn create an increase in certain tax increment revenues as planned for in the Community Redevelopment Plan. The City will also collect certain transportation impact fees in connection with the issuance of building permits.

As part of the long term financing plan, the Community Redevelopment Plan, and the Cooperation Agreement, the City has established trust funds in which to deposit: (i) certain tax increment revenues generated by an increase in ad valorem property taxes in the Interchange Redevelopment Area; and (ii) the transportation impact fees. The Series 1998 Bonds are not secured by these tax increment revenues or by the transportation impact fees; however, such revenues may ultimately be available and used to pay debt service on or to refund or redeem the Series 1998 Bonds under the terms of the Cooperation Agreement.

FINANCIAL INFORMATION

**CITY OF ORLANDO, FLORIDA
CONROY ROAD INTERCHANGE**

During the 2005/06 fiscal year, the Pledged Increment Revenues, the Pledged Transportation Impact Fees and related interest earnings were sufficient to pay all applicable debt service on the Series 1998A Bonds and therefore, no special assessment fees were levied on the related property. The fund balances in all funds and accounts established pursuant to the Indenture are shown on the following page.

CITY OF ORLANDO, FLORIDA CONROY ROAD INTERCHANGE

	Total Funded With Bond Proceeds	Other Sources & Uses Cumulative		Cash Account Balance Y/E 9/30/06	Percentage Proceeds Spent
	Receipts	Disbursements	Y/E 9/30/06	Y/E 9/30/06	Spent
Revenue Fund					
Held by City of Orlando:					
1998A Revenue Account - Tax Increment Revenues	\$ -	\$ 10,407,212	\$ 10,406,766	\$ 446	N/A
1998A Revenue Account - Transportation Impact Fees	-	1,472,082	1,472,080	2	N/A
1998B Revenue Account	-	-	-	-	N/A
1998A Surplus Revenue Account	-	-	-	-	N/A
1998B Surplus Revenue Account	-	-	-	-	N/A
Bond Fund:					
Held by City of Orlando:					
1998 Debt Service Account					
1998A Principal and Interest Subaccount	-	6,493,456	5,661,339	832,117 (1)	N/A
1998B Principal and Interest Subaccount	-	-	-	-	N/A
1998A Capitalized Interest Subaccount	4,252,955	356,114	4,609,069	-	100
1998B Capitalized Interest Subaccount	658,740	65,563	724,303	-	100
1998 Redemption Account					
1998A Prepayment Subaccount	-	-	-	-	N/A
1998B Prepayment Subaccount	-	3,963,411	3,963,411	-	N/A
1998A Optional Redemption Subaccount	-	-	-	-	N/A
Held by Trustee:					
1998 Reserve Account					
1998A Reserve Subaccount-Fair Value	2,284,820	555,178 (2)	366,733	2,473,265	16
1998B Reserve Subaccount-Fair Value	483,000	77,551	560,551	-	100
FDOT Grant	-	5,260,806	5,260,806	-	N/A
Other Revenue	-	2,497,052	2,497,052	-	N/A
Construction Account	24,303,117	1,128,212	25,431,329	-	100
Cost of Issuance Subaccount	365,000	-	365,000	-	100
Total	<u>\$ 32,347,632</u>	<u>\$ 32,276,637</u>	<u>\$ 61,318,439</u>	<u>\$ 3,305,830</u>	

DEBT SERVICE COVERAGE - 1998A BONDS

Fiscal Year Ended September 30, 2004	1.49
Fiscal Year Ended September 30, 2005	1.12
Fiscal Year Ended September 30, 2006	1.23
Fiscal Year Ending September 30, 2007	1.36

(1) Amount on hand for the November 1, 2006 interest payment.

(2) To reasonably ensure that actual earnings were consistent with discounting estimates, required for IRS bond signing purposes, longer term investments were made. With the implementation of GASB #31 and the use of market value reporting for investment income, the interim reporting can and will be affected by market value changes. The actual cash flows will, at maturity of each investment, meet the cash flow requirements projected to fund various accounts.

CITY OF ORLANDO, FLORIDA CONROY ROAD INTERCHANGE

The following table summarizes the historical gross assessment (taxable) values for the Conroy Road Redevelopment Area as of January 1 of each year and the increase in assessments for each year. Tax increment revenues are collected by December 31 of the same year.

Tax Year	Total Assessment Values	Increase From Prior Year
1997 (Frozen Tax Base)	\$ 6,502,165	\$ -
1998	13,258,595	6,756,430
1999	29,153,858	15,895,263
2000	53,577,457	24,423,599
2001	78,480,232	24,902,775
2002	99,165,772	20,685,540
2003	239,558,083	140,392,311
2004	254,343,232	14,785,149
2005	279,753,304	28,228,035
2006	311,198,025	31,444,721

The following table summarizes the actual tax increment revenues collected for fiscal years ending September 30, 1999 through 2007 (collected as of December 31).

Fiscal Year Ending September 30,	Tax Increment Revenue	Percent Increase (Decrease)
1999	\$ 72,886	% N/A
2000	243,015	233.42
2001	502,245	106.67
2002	742,290	47.79
2003	955,614	28.74
2004	2,403,442	151.51
2005	2,555,917	6.34
2006	2,817,963	10.25
2007	3,096,533	9.89

The City issued the following building permits during the 2005/06 fiscal year.

Permit Number	Permit Date	Construction Value	Purpose
BLD200507354	11/1/2005	\$1,869,000	23,397 sq. ft. Robb & Stucky Furniture ShowRoom
BLD200510022	12/6/2005	6,904,175	112,588 sq. ft. Office Bldg (Millenia Lakes II)
BLD200511780	3/14/2006	228,443	3,195 sq. ft. Zaxby's Restaurant
BLD200601454	9/25/2006	1,414,650	4,200 sq. ft. Fifth Third Bank

During the 2005/06 fiscal year the City issued certificates of occupancy within the redevelopment area to: Robb & Stucky Furniture Showroom; and Zaxby's Restaurant

Permits issued in early Fiscal Year 2007

Subsequent to September 30, 2006 the City issued the following building permits within the redevelopment area.

Permit Number	Permit Date	Construction Value	Purpose
BLD200606591	10/16/2006	\$2,300,000	18,188 sq. ft. Old Navy Clothing Store
BLD200514933	11/1/2006	666,094	9,316 sq. ft. BJ's Brewhouse Restaurant
BLD200607929	12/13/2006	750,000	Foundation Permit for IKEA Home Furnishing Store
BLD200608001	1/16/2007	10,496,016	112,588 sq. ft. Office Bldg (Millenia Lakes III)

Subsequent to September 30, 2006 the City issued a certificate of occupancy within the redevelopment area to: Millenia Lakes II (Office Building).

CITY OF ORLANDO, FLORIDA CONROY ROAD INTERCHANGE

MANAGEMENT OF THE SYSTEM THE COMMUNITY REDEVELOPMENT AGENCY

Agency Members and Staff

The members of the Agency are the seven members of the City Council with the Mayor serving as Chairman of the Agency and the Mayor Pro-Tem serving as the Vice Chairman. The Agency's staff is led by William Franklin Billingsley, III, Executive Director.

William Franklin (Frank) Billingsley, III, was appointed as Executive Director of the Community Redevelopment Agency on May 1, 2002. Frank Billingsley was previously the Director of the City of Orlando's Office of Permitting Services for 4 ½ years. For the three years before that, Frank established and managed the Downtown Development Board's Downtown Real Estate Resource Center and also directed the Mayor's Business Assistance Team. Before accepting his position with the City, Frank was the Community and Business Information Manager with the Greater Orlando Chamber of Commerce for 5 ½ years. For the five years preceding Frank's recruitment to Orlando by the Chamber, he served as a planner with the Atlanta Regional Commission – Atlanta's Regional Planning Authority.

The Redevelopment Act provides that the governing body of the municipality shall serve as the Agency's Board members and constitute the head of a separate legal entity, distinct and independent from the governing body of the municipality. Under the Redevelopment Act, the Agency is a separate public body corporate and politic, independent of the City.

In order to receive comments and advice on actions proposed to be undertaken within the Downtown District, the Agency established an Official Advisory Board (the "Advisory Board") composed of the members of the Downtown Development Board, plus two representatives recommended by the Board of County Commissioners of Orange County and approved by the City Council. Although the Agency is responsible for all final decisions, all matters relating to the goals and objectives, projects and the budget of the Agency are required to be reviewed by the Advisory Board.

CITY ADMINISTRATION

Management of the City

The Mayor is the Chief Executive Officer with ten departments reporting to him (Centroplex, Economic Development, Families, Parks & Recreation, Finance, Fire, General Administration, Housing, Police, Public Works, and Transportation). The Chief Administrative Officer assists him in the day-to-day oversight of city operations. Separately, under the Mayor's Chief of Staff, there are five offices (Audit Services & Management Support, City Clerk, Communications, Human Relations, and Neighborhood & Community Affairs).

Mayor Buddy Dyer is a native of Central Florida, born in Orlando and raised in the nearby City of Kissimmee. Following graduation from high school, he was awarded a scholarship to Brown University where his studies were concentrated on civil engineering. Upon graduation, Mayor Dyer returned to Orlando to work as an environmental engineer, later enrolling in the University of Florida Law School, where he was named editor-in-chief of the University of Florida Law Review. Following graduation from law school, Mayor Dyer began his legal career with the Orlando law firm of Winderweedle, Haines, Ward & Woodman. Prior to becoming Mayor, Buddy Dyer served the Orlando area for ten years as State Senator in the Florida Legislature. Mayor Dyer was first elected on February 25, 2003, to fill a remaining one-year term. Mayor Dyer was re-elected on March 9, 2004 to a full four-year term, commencing June 1, 2004.

Financial and Budgetary Support Systems

The City has been recognized for both its CAFR and its annual budget document. A Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City by GFOA for each Fiscal Year since 1978. The City was also an early participant in the GFOA's Distinguished Budget Presentation Awards program and received the budget award for its budget document for Fiscal Years 1984 through 1989. Due to

CITY OF ORLANDO, FLORIDA CONROY ROAD INTERCHANGE

perceived problems with consistency in the budget awards program at the time, the City elected to discontinue participation but maintain internally the high standards which had been recognized. In light of substantial changes to the program recently, the City resumed its participation beginning with its fiscal year 2004 Budget document. The City has been awarded the distinguished Budget Presentation Award for its budget document for fiscal years 2004, 2005 and 2006.

Rebecca W. Sutton, C.P.A., was appointed Chief Financial Officer on December 5, 2005. Before joining the City, she served the State of Florida as its Deputy Chief Financial Officer from September 2002 to December 2005; and as Deputy Secretary/CIO for the Department of Management Services from December 2001 to September 2002. Prior to her service with the State, Ms. Sutton worked for American Management Systems (AMS) implementing ERP-like system projects for large state and local governments. Before joining AMS, she served as the Controller for the City of Dallas and the Director of Finance for Carrollton, Texas. Ms. Sutton began her career as an auditor for state and local governments for a worldwide accounting firm.

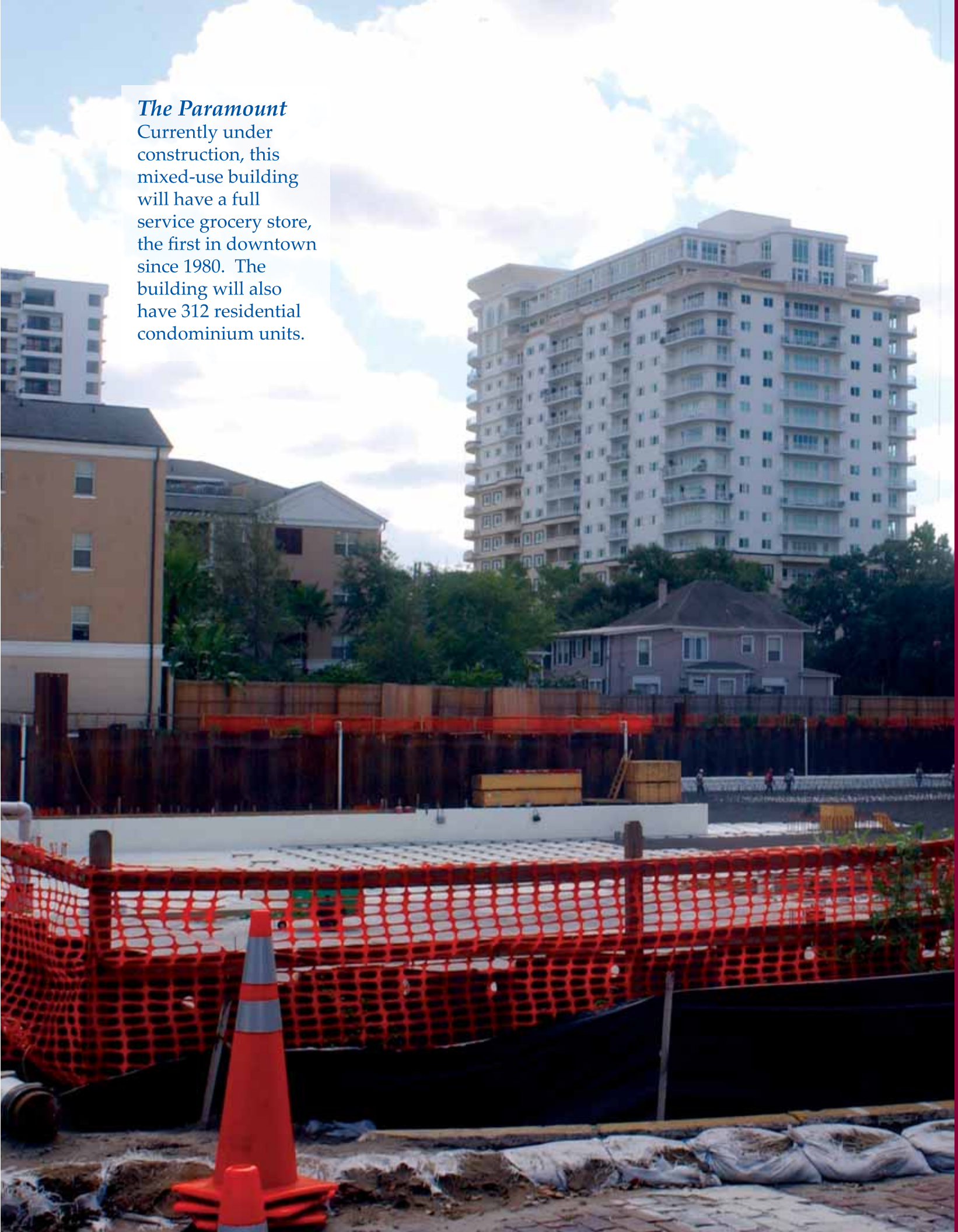
Donnie R. Jones, C.P.A., was appointed City Treasurer in November 2006. Prior to joining the City, Mr. Jones, worked over eight years in the Institutional Trust Division of a large Mid-Western Bank as Vice President and Manager and served over 19 years as the Chief Fiscal Officer/Auditor of the City of Norwood, Ohio.



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The Paramount

Currently under construction, this mixed-use building will have a full service grocery store, the first in downtown since 1980. The building will also have 312 residential condominium units.



CITY OF ORLANDO, FLORIDA

CITY OF ORLANDO

DEBT MANAGEMENT POLICY

I. Introduction

The City of Orlando's Debt Management Policy is intended to (a) set forth guidelines under which the City's debt management program shall be administered, (b) set appropriate targets and boundaries for the City's current debt program and (c) ensure that future generations of elected officials have reasonable latitude to address the issues/problems of their tenure. This Debt Management Policy, as amended and adopted by City Council, sets forth the goals and objectives of the program and authorizes the City's Finance Committee to further define targets and benchmarks within these parameters.

II. Scope

This Debt Management Policy shall apply to all debt issued by the City and the Community Redevelopment Agency on behalf of the citizens, ratepayers and taxpayers of the City of Orlando.

III. Objectives

The following goals shall define the objectives for the issuance of debt of the City which are subject to the scope of this Debt Management Policy.

- A. Balance multiple financial management objectives, including:
 1. **Creativity:** examine new or different means to achieve established objectives at the lowest possible cost;
 2. **Innovation:** address, consider or conceive new financing options which are either developed in the City's traditional municipal markets or adaptable from other existing financial markets;
 3. **Flexibility:** retain the City's current and future options to meet the financing challenges of the City;
 4. **Responsibility:** be fair, reasonable and equitable to each generation of taxpayers, rate payers, users and other beneficiaries when distributing the debt burden or costs of government;
 5. **Corporate Image:** act as a good corporate citizen, to maintain or enhance the City's credit worthiness and reputation and to ensure the trust of those who have or will purchase the City's debt or other forms of borrowing; and
 6. **Due Care:** pay timely attention to and comply with each and all of the agreements, laws, contracts, covenants, policies and obligations which make up or are related to the City debt management program(s).
- B. Define and categorize the City's current debt programs as governmental or proprietary within the self-supporting and non-self supporting categories.
- C. Enhance the City's ability to access the credit markets and enhance or maintain the credit ratings for each of its programs.
- D. Address the purpose, use and advantages of the City's Internal Loan Fund program, as it is appropriately integrated into the City's overall debt management program.

CITY OF ORLANDO, FLORIDA

- E. Evaluate each of the following in anticipation of new borrowing initiatives:
 - 1. Appropriate final maturity (1 to 30 years);
 - 2. Principal Amortization pattern (e.g., level principal, level debt service, etc.);
 - 3. Use of long-term fixed, intermediate term fixed or variable rate debt pricing options, and
 - 4. Use of risk management techniques (caps, swaps, floors, collars, etc.) to manage the City's variable rate risk exposure consistent with the City's Interest Rate Risk Management Products Policy.
- F. Identify appropriate debt constraints or limits in an effort to ensure adequate flexibility for future generations of elected officials;
- G. Provide for changes in targets, and amendments to this Policy which can be approved by the Finance Committee and City Council, and an appropriate time frame to implement such changes.
- H. Provide a framework within which the City's corporate styled Debt Management Program can effectively operate.
- I. Produce a Bond Disclosure Supplement that reports on the status of the City's debt management programs.

IV. Categorize Debt Program(s)

The City shall periodically establish standards for and classify each of the City's debt programs into one of the following:

- A. Self-Supporting Debt:
 - 1. Proprietary operations
 - Wastewater
 - Parking
 - 2. Other Governmental (Non-General Fund revenues)
 - Community Redevelopment Agency (CRA)
 - Special Assessment and Tax-Increment
- B. Non Self-supporting Debt:
 - 1. Proprietary operations
 - Arena
 - Citrus Bowl (CFA)
 - 2. General Governmental (including the General Fund)
 - Covenant Program
 - General Obligation

This distinction recognizes that self-supporting proprietary programs do not directly or indirectly place a burden on taxpayers in the form of increased taxes. As long as each system's user rates meet the needs of both operations and debt service, the debt program is not considered part of either the General Government or Tax-Supported Debt of the City.

Having made these classifications, the Mayor and City Council shall commit to:

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- A. Act with regard to self-supporting proprietary operations, when necessary, to increase rates to ensure that each operation maintains rate coverages (revenue to debt service ratios) as required by the higher of either City policy or related debt covenants.
- B. Limit the level of annual debt service as a percentage of available annual revenues to ensure a reasonable ability to address recurring operations and maintenance and/or capital requirements on a pay-as-you-go basis for all self-supporting governmental operations.
- C. Establish the annual subsidy required and compare it to the actual subsidy needed for all non self-supporting proprietary operations.
- D. Adhere to debt limits established herein to ensure current and future flexibility for all Non Self-Supporting Debt.

V. Manage the Use/Commitment of Pledgable Resources

- A. The City uses its Covenant Program as the primary financing mechanism and security source used to finance general government capital projects.
- B. The City recognizes that the pledgable revenue sources are limited and the City will treat the use of each as a deployment of a scarce resource, therefore, careful attention must be focused on balancing future flexibility with the need to consume scarce resources, and the use of scarce resources as a secondary pledge should be thoughtfully addressed, used strategically, and, wherever possible, be:
 - 1. Limited to specific dollar amounts, and
 - 2. Subject to recapture, if and when the primary revenue pledge demonstrates sufficient strength on its own.

VI. Measuring Interperiod Equity

When measuring its commitment to its infrastructure and related service delivery potential, the City shall address both its capital and operating and maintenance requirements. For purposes of this policy, the City shall focus on its capital portion. When measuring interperiod equity, the City must consider the need to allocate the burden between generations and, more specifically, fiscal periods. The City will seek to measure the impact of proposed capital finding sources (debt and Pay-As-You-Go) for both a single year and longer-term forward forecasts. This future capacity analysis shall consider debt service maturities and payment patterns as well as the City's commitment to a Pay-As-You-Go budgetary capital allocation.

VII. Maintaining/Improving Credit Ratings

The City shall strive to maintain its Ratings and enhance the overall credit standing of not only its general credit, but also, each of its specific debt programs. When addressing efforts to enhance its current ratings, the City will seek to balance its current flexibility (and related ability to meet the challenges facing the community) with potential limitations or restrictions which may be required to enhance a bond rating. In light of the then current market conditions, the City will have to judge the enhanced market advantage of a projected rating by program against the potential loss of flexibility which may be necessary to achieve the rating enhancement. The City's current ratings are regularly published by the Rating Agencies and are summarized annually in the City's Bond Disclosure Supplement.

The need for three ratings and merit of various rating services' ratings may be judged (a) at the time and in the circumstances of the contemplated issue and (b) in the perspective of the City's overall programs.

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VIII. The Internal Loan Fund

In 1986-87, the City created its Internal Loan (banking) Fund as a conduit device to distribute the debt proceeds which it initially received from the Sunshine State Governmental Financing Commission (SSGFC) into loans to various operating funds of the City. In 1991, the City established its current Covenant Program, which is used as the primary funding source for the Internal Loan Fund and incorporated the pledge associated with the SSGFC.

The goal of the Internal Loan Fund is to provide funding for various projects around the City, with flexibility of loan terms and a low, blended interest rate. The blended loan rate is achieved through a mix of variable, medium-term, and long-term Covenant backed debt instruments. In general, loan repayment schedules are established that are shorter than bond repayment provisions, in order to provide the City an internal and revolving source of capital financing without needing to access the public markets for small projects.

Loans are provided to both proprietary and non-proprietary operations. Loan repayments from proprietary operations are subordinate to revenue bond debt issued for and secured by proprietary funds.

IX. Criteria for Evaluating Debt Options

The City Council has authorized the Finance Committee to establish specific target benchmarks for potential exercise of debt options. Further, within the framework established by the goals, objectives and established target benchmarks, City Council authorizes the Chief Financial Officer to act on behalf of the City, in a manner intended to lower the effective cost of debt to the taxpayers and citizens of Orlando. With regard to this delegation of authority, both to the Finance Committee and ultimately to the Chief Financial Officer, the following criteria for evaluating debt options has been established:

A. Maturity Analysis

For self-supporting proprietary operations, the primary strategy is to use a long-term level debt service maturity structure. To the extent that shorter maturities or alternative amortization strategies are utilized in an effort to reduce the effective borrowing costs, a comparative advantage must be considered in relationship to the potential negative impacts on user rates and charges.

For all other categories of debt, the City may consider opportunities to either shorten maturities or alter amortization structures. A level principal structure may be considered versus level debt service generally as long as the structure does not increase the maximum annual debt service by more than 25%. Additionally, the City should consider a level principal maturity structure compared to shorter maturity level debt service structure when maximum annual debt service is similar.

B. Market Options

(i). Election to Issue Fixed Rate Debt

The City has available to it two separate fixed rate programs: long-term Fixed Rate Debt and Medium Term Notes. Fixed Rate Debt is the traditional way municipalities have issued debt-- debt is offered to investors with a fixed maturity schedule at rates fixed in a single offering. Long-term Fixed Rate Debt issuance should be based upon a consideration of the following factors: (a) the level of long-term rates at the time of issuance versus the last 3 to 10 years, (b) a short to intermediate range forecast for long term rates to be trending upwards, (c) the ratio of short-term (or variable rate) debt to current program debt outstanding and/or (d) the amount of Variable Rate Debt outstanding by program.

The City issued its first series of Medium Term Notes in 2002. This issue of Medium Term Notes was sold to investors with an initial amortization schedule of 2 to 12 years. As the individual

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principal amounts come due, the City re-offers the debt on a 1 to 15 year maturity basis until the designated final maturity. The benefit of the Medium Term Note structure is that the City prices its debt in the lower interest rate portion of the yield curve. The risk to the City of this structure is primarily the risk that interest rates will rise in successive re-offerings at a level sufficient to offset the initial interest savings. Including Medium Term Notes in the City's overall debt profile is part of the goal to achieve a balanced portfolio, and the City should consider issuing Medium Term Notes under circumstances where the structure is expected to provide the City with a lower cost of capital compared to long-term fixed rate debt using a breakeven rate analysis. The City should limit the amount of Medium Term Note issuance consistent with rating agency and bond insurer guidelines. The City currently limits the amount of Medium Term Note total maturities in any one year to (a) an amount not greater than 200% of the liquidity portion of the City's investment portfolio as of April 1st, and (b) not to exceed \$12 million. In addition, this limit may be raised up to \$20 million if a liquidity facility is provided for 50% of the amount of total maturities in any single year.

(ii). **Election to Issue Variable Rate**

Issuing Variable Rate Debt permits the City access rates on the very short end of the yield curve. The difference in short versus long-term rates varies with the shape of the yield curve and has typically ranged from 100-350 basis points (or 1.0% to 3.5%). By issuing Variable Rate Debt, the issuer is subject to interest rate risk. However, Variable Rate Debt has historically been at lower interest rate levels than recognized fixed rate indices, and is generally able to create a natural hedge against changes in the City's Short-Term Investment portfolio.

Variable Rate Debt should be used for two purposes: (1) as an interim financing device (during construction periods) and (2), subject to limitations, as an integral portion of a long-term strategy to lower the City's effective cost of capital. The City's interim variable rate program allows the City to avoid the inefficiency of borrowing for small projects and allows for an aggregation of small projects and, thus, a more cost effective debt management program. Under either circumstance, when the cycle of long-term rates moves down to or near historic lows, consideration should be given to fixing (converting to a fixed rate to maturity alternative) a portion of the then outstanding Variable Rate Debt to take advantage of the attractive long-term fixed rates.

(iii). **Hedging Election**

The City's Interest Rate Risk Management Products Policy provides guidelines for any hedging the City's Variable Rate Debt exposure.

(iv). **Debt Program Targets**

In general, the City seeks to lower its overall cost of funds through an issuance of Variable Rate Debt and Medium Term Notes since these products are generally lower than fixed rates of interest.

In addition, the Variable Rate Debt would simultaneously create a hedge against its variable rate investments to protect its financial condition in lower interest rate environments. The potential savings and benefits justify interest rate exposure as long as the risk is mitigated by limiting the amount of the Net Variable Rate Debt. In considering Net Variable Rate Debt, the rating agencies generally recognize the issuer's ability to match its assets and liabilities and generally exclude or net variable rate debt equal to (i) certain variable rate assets and (ii) applied Debt Hedging Products such as interest rate caps and swaps where appropriate. The following targets are established for the overall City's debt portfolio, including all Self-Supporting Debt and Non Self Supporting Debt:

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Overall City and CRA Debt

Overall City and CRA	Targets
<ul style="list-style-type: none"> • Fixed Rate <ul style="list-style-type: none"> • Goal 	50-60%
<ul style="list-style-type: none"> • Unhedged or Net Variable Rate: <ul style="list-style-type: none"> • Goal • Maximum 	25-35% 40%

Covenant Program

The following targets are established for the Covenant Program:

Covenant Program	Targets
<ul style="list-style-type: none"> • Fixed Rate <ul style="list-style-type: none"> • Goal 	40-50%
<ul style="list-style-type: none"> • Unhedged or Net Variable Rate: <ul style="list-style-type: none"> • Goal • Maximum 	25-35% 50%
<ul style="list-style-type: none"> • Composite rate advantage when compared to Bond Buyer's Revenue Bond Index (measured as an average of available rates over the last three years) of at least: 	50-75 b.p.

Other Debt Program Targets

In addition to the aforementioned targets for the overall City and CRA debt, and the Covenant Program, specific targets regarding the limits on unhedged or Net Variable Rate Debt exposure for the senior debt of each separate borrowing program are set forth below:

Other Debt Programs	Target Maximum Net Variable Rate Debt (1) Exposure
Wastewater	35%
Parking	15%
CRA (Downtown District)	15%
Special Assessment	N/A
New Debt Programs:	TBD.

(1) The maximum Net Variable Rate Debt exposure limits have been established in recognition of each program's variable rate exposure associated with the Internal Loan Fund exposure. The City's Wastewater program does not currently have Internal Loan Fund exposure and therefore, a higher maximum is more appropriate compared to the Parking and the CRA (Downtown District) Programs which have Internal Loan Fund (subordinate lien) variable rate exposure.

(v). Refunding Options

Targets for a Fixed Rate Debt to Fixed Rate Debt refunding should include the following criteria:

1. Maximum true interest cost

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2. Minimum economic present value of at least 5% of refunded bonds,
3. Minimum annual average debt service savings of at least \$100,000.

Lower net present value cost savings and annual average debt service savings criteria may be appropriate for shorter term or smaller fixed rate refunding issues.

Refunding Variable Rate Debt to Fixed Rate Debt cannot provide for the similar measurable benchmarks and should be based on the aforementioned Election to Issue Fixed Rate Debt criteria.

Refunding of Variable Rate Debt to Variable Rate Debt should be based primarily on the economic or structured advantages of the new program.

Criteria and savings targets associated with Synthetic Refundings that are consistent with the provisions of the City's Interest Rate Risk Management Policy, should be established on a case-by-case basis and should generally be higher (more restrictive) than the criteria for Fixed Rate Debt refundings.

While a framework (a delegation of authority) has been established regarding the management of the City's debt portfolio, specific City Council approval is still required prior to the issuance of any new debt. Once the City Council has approved a refunding (revenue source, structure and target benchmark), the Finance Committee may act to adjust the target benchmarks, within the goals and objectives framework, to address changing market conditions.

X. Measures of Future Flexibility

As the City addresses its needs at any one period in time, the Mayor and City Council must both be prepared to ensure the flexibility of this and future generations of elected officials to meet the then present needs and challenges which face the community. Since neither State law nor the City Charter provide any fixed limits on the amount of debt which may be incurred (other than the requirement to have G.O. debt approved in advance by referendum), the following targets or limits are established to ensure future flexibility. The following goals/targets are set to ensure the current and future flexibility, and financial vitality of the City.

Description	Targets
General Government Debt Service as a percentage of non-ad valorem General Fund expenditures:	
• Debt Limit (within the covenant program limitation)	20% max.
• Goal/Target	10% max.
Weighted Average Maturity of Debt Program(s):	
• Self-supporting	15 year max.
• Non self-supporting	20 year max.
Weighted Average Maturity of Internal Loan Program	12 year max.
General Government Direct Debt per capita	\$850 max.
Net Direct Tax Supported Debt as a percentage of ad valorem property values:	
• General Government	2.5% max.
• Total Tax Supported	3.5% max.
Debt Service requirement as a percentage of a new governmental revenue stream	50% max.
General Fund reserve, (as a percentage of the current year's operating budget)(a)	15% to 25%

(a) Includes City's Utility Services Tax reserves.

While the City currently operates well within these targets/goals, it is appropriate to use these various common measures of debt burden as a means of setting parameters for the overall City's Debt Management Program.

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XI. Monitoring, Reporting, Amendments and/or Exceptions

The Chief Financial Officer shall monitor the actual results against the targets presented in this policy and shall publish a comparison of the targets against the fiscal year end numbers in the City's Bond Disclosure Supplement. The report will include the following information, to the extent applicable:

- A. Debt Program Targets, and
- B. Measures of Future Flexibility Targets;

From time to time, circumstances may suggest that an exception be approved to one or more of the policy constraints established herein. Amendments and/or exceptions must be submitted through the Finance Committee to the City Council and shall become effective only after approved by the City Council.

As is established in the policy governing the Finance Committee, within the guidelines established by the goals/policies and objectives/strategies, the Finance Committee can establish and amend, where necessary, the target benchmarks which further define the aggregate guidelines within which the Chief Financial Officer operates.

XII. Debt Management Policy Review and Modification

The City's Debt Management Policy will be submitted by the Finance Committee for ratification by the City Council within 210 days of each fiscal year end. The authority to effect any change, modification or amendment of this Debt Management Policy shall rest solely with City Council. Finance Committee and staff recommendations for policy changes may be submitted in conjunction with the annual ratification or more often as deemed necessary. Policy changes initiated by City Council may be made as deemed appropriate. Policy changes will become effective on the date stipulated by City Council.

XIII. Time-Line for Implementation of Amendments

Considering the then current position of the interest rate curve, recent movements and indication of possible short term direction, the City shall consider a reasonable time-line(s) to bring the then current debt program in line with amendments to this Debt Management Policy.

XIV. Effective Date

The City's Debt Management Policy was ratified and approved by City Council on the October 26, 2005, which amended the City's original Debt Management Policy adopted by City Council on October 3, 1994.

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GLOSSARY OF KEY TERMS

“Amortization” means the schedule of debt principal to be paid over a period of time.

“Banking Fund” See “Internal Loan Fund”.

“Bond Disclosure Supplement” The City’s annual report which provides market disclosure relating to the City’s debt offerings.

“Covenant Program” means the City’s debt program that is secured by covenant to budget and appropriate from non-ad valorem revenues and encompasses all debt that is defined as Covenant Obligations under the City’s Covenant Ordinance.

“Debt Hedging Products” means interest rate risk mitigation products such as swaps, caps, floors, collars and options in connection with the incurrence of City debt obligations.

“Debt Service” means scheduled payments of interest and principal on debt obligations.

“Fixed Rate Debt” means a debt obligation issued with a predetermined interest rate.

“General Government Debt” means all Non Self Supporting debt. These are the programs whose expenditures for debt service are in direct competition with other General Fund expenditures (salaries, utilities, supplies, etc.).

“Hedged Variable Rate Debt” total variable rate debt less any associated Debt Hedging Products and allocated Short-Term Investments.

“Internal Loan Fund” means a conduit financing device to distribute proceeds of debt into loans to various operating funds of the City. The goal of Internal Loan Fund is to provide funding for various projects around the City, with flexibility of loan terms and low, blended rate. The blended loan rate is achieved through a mix of variable, medium-term, and long-term Covenant backed debt instruments. In general, loan repayment schedules are established that are shorter than bond repayment provisions, in order to provide the City a revolving source of capital financing without needing to access the public markets for each capital need.

“Maturity” means the length of time until the principal amount of a bond must be repaid.

“Medium Term Loans” means debt issued with a fifteen year or less maturity that is Designated Maturity Debt as defined in the Covenant Program. See above, IX. Criteria for Evaluating Debt Options, B. Market Options, (i) Election to Issue Fixed Rate Debt.

“Net Variable Rate Debt” means total Variable Rate Debt less Hedged Variable Rate Debt.

“Non-Self Supporting Debt” means any indebtedness of the City other than Self Supporting Debt

“Pay-As-You-Go” refers to the payment of capital projects or other non operating projects using non-capitalized revenues.

“Present Value” means the amount that a future sum of money is worth today given a specified rate of return.

“Ratings” means ratings that are issued by Moody’s Investors Service, Fitch and Standard & Poor’s Corporation and any other nationally recognized rating agency, to the extent they have in effect a rating on City debt.

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"Self Supporting Debt" means any indebtedness of the City for borrowed money that is either (a) secured by or payable exclusively from a source of revenues other than Covenant Revenues, or (b) primarily payable from revenues of the type described in clause (a) above and secondarily from Covenant Revenues if the Covenant Revenues have not been used (or, as provided below, deemed to have been used) to pay any portion of such indebtedness for the three Fiscal Years preceding the date of determination and if the City projects that the Covenant Revenues will not be so used during the next two Fiscal Years; and either (c) that is secured by a revenue source that has been in effect for at least three Fiscal Years and that would have provided coverage of at least 125% of the average annual debt service on such obligations secured by such revenue source in each of the three preceding Fiscal Years or, (d) if the revenue source has not been in existence for at least three Fiscal Years, that is secured by a revenue source that would have provided coverage of at least 150% of the average annual debt service on such obligations secured by such revenue source in at least the last full Fiscal Year preceding the issuance of such obligations and that is projected to provide at least 150% debt service coverage (based on revenue and debt service projections by the City) in each of the three ensuing Fiscal Years; and (e) in any such case, in the three preceding Fiscal Years, no debt service on which has been paid (or, as provided below, deemed to have been paid) from Covenant Revenues deposited in the General Fund or the Utilities Services Tax Fund. For purposes of calculating the coverage requirements described in this definition, the historical and projected receipts of a particular revenue source shall be adjusted retroactively to the initial date of the calculation period to reflect changes in rates, levies or impositions enacted prior to the date of calculation. For purposes of this definition, Covenant Revenues will be deemed to have been used to pay debt service on any debt if Covenant Revenues have been transferred in the relevant period, other than pursuant to a Capital Transfer, to a fund or account used to pay debt service on such debt.

"Synthetic Refundings" means refunding transactions that include the use of interest rate risk management products such as swaps, caps, floors, collars and options.

"Short-term Investments" means liquid investment assets of the City.

"Tax-Supported Debt" means General Government Debt programs plus Other Governmental Self-Supporting Debt. This creates two categories of debt which place direct or indirect burden on the taxpayers of the City.

"Unhedged Variable Rate Debt" means Net Variable Rate Debt.

"Variable Rate Debt" means debt obligations entered into that use a variable, auction reset, adjustable, convertible or other similar interest rate which is not fixed in percentage at the date of issue.

DEBT POLICY COMPLIANCE

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DEBT POLICY COMPLIANCE

Overall City and CRA Debt

As demonstrated in the table below, the City and CRA outstanding debt easily meets the targets set in the Debt Management Policy for both the Fixed Rate and Net Variable Rate components.

<u>Overall City and CRA</u>	<u>Targets</u>	<u>Actual</u> 9/30/06
<ul style="list-style-type: none"> • Fixed Rate <ul style="list-style-type: none"> • Goal 	50-60%	75%
<ul style="list-style-type: none"> • Unhedged or Net Variable Rate: <ul style="list-style-type: none"> • Goal • Maximum 	25-35% 40%	25%

Covenant Program

The following table shows the debt targets for the Covenant Program as well as the actual debt result for each category as of September 30, 2006. While the net variable rate exposure is above the goal, it is still less than the maximum established in the Debt Management Policy.

<u>Covenant Program</u>	<u>Targets</u>	<u>Actual</u> 9/30/06
<ul style="list-style-type: none"> • Fixed Rate <ul style="list-style-type: none"> • Goal 	40-50%	64%
<ul style="list-style-type: none"> • Unhedged or Net Variable Rate: <ul style="list-style-type: none"> • Goal • Maximum 	25-35% 50%	36%
<ul style="list-style-type: none"> • Composite rate advantage when compared to Bond Buyer's Revenue Bond Index (measured as an average of available rates over the last three years) of at least: 	50-75 b.p.	131 b.p.

Other Debt Program Targets

The following table indicates the compliance with the Debt Policy for the non-covenant debt programs of the City, including the CRA. Other than the Covenant Program, the Wastewater Program is the only program that has variable rate exposure in its senior level debt. As demonstrated below, the Wastewater Program remains below the maximum net variable rate that is set by Policy.

<u>Other Debt Programs</u>	<u>Maximum Net Variable Rate Debt Exposure</u>	<u>Actual Variable Rate Debt 9/30/06</u>	
		<u>Total</u>	<u>Unhedged</u>
Wastewater	35%	25%	25%
Parking	15%	0%	0%
CRA (Downtown District)	15%	0%	0%
Special Assessment	N/A	N/A	N/A
New Debt Programs:	TBD	N/A	N/A

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Measures of Future Flexibility

Neither State law nor the City Charter provide any fixed limits on the amount of debt which may be incurred (other than the requirement to have G.O. debt approved in advance by referendum). However, the following targets or limits are established in the Debt Policy to ensure prudently manage the City's future financial flexibility.

<u>Description</u>	<u>Targets</u>	<u>Actual</u> 9/30/2006
General Government Debt Service as a percentage of non-ad valorem General Fund expenditures:		
• Debt Limit (within the covenant program limitation)	20% max.	17.4%(a)
• Goal/Target	10% max.	
Weighted Average Maturity of Debt Program(s):		
• Self-supporting	15 year max.	6.4
• Non self-supporting	20 year max.	5.7
Weighted Average Maturity of Internal Loan Program	12 year max.	5.9
General Government Direct Debt per capita	\$850 max.	\$475
Net Direct Tax Supported Debt as a percentage of ad valorem property values:		
• General Government	2.5% max.	0.6%
• Total Tax Supported	3.5% max.	1.5%
Debt Service requirement as a percentage of a new governmental revenue stream	50% max.	N/A
General Fund reserve, (as a percentage of the current year's operating budget)	15% to 25%	25.3%(b)

(a) Includes Taxable Series H debt and the Series H Working Capital Loan. The Series H Working Capital Loan was paid off in May 2006. Excluding Taxable Series H debt and the Working Capital Loan, the amount is 6.3%

(b) Includes City's Utility Services Tax reserves.



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Star Tower

Star Tower is a luxury residential condominium building located in the South Eola District. Star Tower has 100 residential condominium units as well as a roof top amenity deck.



CITY OF ORLANDO, FLORIDA

INTEREST RATE RISK MANAGEMENT PRODUCTS POLICY (DERIVATIVE PRODUCTS POLICY)

I. Introduction

The Interest Rate Risk Management Products Policy (Derivatives Policy) has been developed to provide guidelines for the use of interest rate risk management products such as swaps, caps, floors, collars and options in connection with the incurrence of debt obligations included in the City of Orlando (the “City”) Debt Management Policy (see attached Glossary for further definitions of terms). While the use of these financing products can reduce the City’s exposure to interest rate risk on its variable rate debt, careful monitoring of such products is required to preserve the City’s credit strength and budget flexibility.

This policy describes the circumstances and methods with which interest rate risk management products can be used, the guidelines that will be imposed on them, and who in the City is responsible for implementing these policies. In evaluating a particular transaction involving the use of derivative financing products, the Chief Financial Officer will review the long-term implications associated with entering into such agreements, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, opportunities to refund related debt obligations and other similar considerations.

II. Scope of Policy

This derivative products policy shall apply to all swaps, caps, collars, floors, options, or any other interest rate risk mitigation product used to manage the debt of the City of Orlando.

III. Interest Rate Risk Mitigation Objectives

The objectives for which the City will consider the use of these products are as follows:

- A. Hedging Strategy - To prudently reduce exposure to changes in interest rates in the context of a particular financing or the overall asset/liability management of the City; or
- B. Reduce Cost - To achieve a lower net cost of borrowing with respect to the City’s debt.

IV. No Speculation

Interest rate risk mitigation products will not be used for speculative purposes.

V. Form of Agreements

To the extent possible, Agreements entered into by the City will contain the terms and conditions set forth in the International Swap and Derivatives Association, Inc. (“ISDA”) Master Agreement, including any schedules and confirmation. However, the City reserves the right to amend these terms and conditions including the remedies and obligations as is appropriate to benefit the City. The schedule may be modified to reflect specific legal requirements, business terms and changes to the remedies and obligations as determined by the Chief Financial Officer. The Chief Financial Officer will consider whether to include provisions that permit it to assign its rights and obligations under Agreements and to optionally terminate the Agreement at its market value at any time. The counterparty shall not have the right to optionally terminate an agreement. The Chief Financial Officer will transmit the proposed form of Agreements to the Finance Committee and forward a request for authorization from City Council and the Mayor to approve and execute these Agreements within parameters delegated to the Chief Financial Officer.

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VI. Methods to Solicit and Procure Interest Rate Swaps

The Chief Financial Officer will solicit and procure Agreements by competitive bid whenever feasible. The Chief Financial Officer will pre-qualify financial institutions as potential counterparties using the City's investment banking team and current counterparties to participate in a competitive transaction, but these parties must conform to the minimum credit standards outlined in this Policy.

Notwithstanding the above, the Chief Financial Officer may procure Agreements by negotiated methods if it is determined that due to the size or complexity of a particular transaction competitive bidding is undesirable, impractical or impossible and a negotiated transaction would result in the most favorable pricing. Such finding will be based on advice by an independent financial advisory firm and with the assistance of appropriate legal counsel. In this situation, the Chief Financial Officer should attempt to price the products based upon an agreed-to methodology relying on available pricing screens to obtain inputs to a mathematical model. If appropriate, the Chief Financial Officer should use an independent financial advisory firm to assist in the price negotiations.

Regardless of the method of procurement, the Chief Financial Officer will obtain a finding from an independent financial advisory firm that the terms and conditions of Agreements reflect a fair market value of such Agreement as of the date of its execution.

VII. Aspects of Risk Exposure

Before the City enters into an Agreement, the Chief Financial Officer will evaluate the risks inherent in the transaction. The risks to be evaluated could include amortization risk, basis risk, credit risk, counterparty risk, interest rate risk, rollover risk, tax event risk and termination risk. Identification of the risks and discussion of the means, if any, employed to mitigate the risks will be contained in the Chief Financial Officer's report recommending approval of the Agreements to the Finance Committee, Mayor and City Council.

- A. **Credit Risk** – Credit risk is the risk that the counterparty will not fulfill its obligations. Credit risk includes the risk of an occurrence of an event modifying the credit rating of the counterparty and the failure of the counterparty to make its required payments. Certain interest rate risk management products create a continuing exposure to the creditworthiness of financial institutions that serve as the City's counterparties on such transactions. The Chief Financial Officer will endeavor to minimize credit risk by establishing strong minimum counterparty credit standards and diversifying the City's exposure to counterparties. To that end, before entering into a transaction, the Chief Financial Officer will analyze the City's existing exposure to that counterparty and then determine how the proposed transaction would affect the exposure.
- B. **Basis Risk** - Basis risk refers to the mismatch between the actual variable rate debt service and variable rate index used to determine the swap payments. The Chief Financial Officer will evaluate different swap indices as part of the analysis of the proposed agreement and identify the amount of basis risk that may result from various indices. Tax Events Risk, a form of basis risk, is the risk created by potential changes to the Federal and State income tax codes on the interest rates to be paid by the City on its variable rate bonds. The Chief Financial Officer will evaluate the potential impact of changes in marginal tax brackets as part of its analysis of basis risk.
- C. **Termination Risk** – Termination risk refers to the possibility that, upon a default by the counterparty, the City may be required to make a large payment to the counterparty if the Agreement is terminated prior to its scheduled maturity pursuant to its terms. For certain types of Agreements, a payment by the City may be required if interest rates have fallen causing the market value of the remaining payments to be in favor of the counterparty. Chief Financial Officer will minimize termination risk by recommending to the Mayor and City Council the selection of counterparties with strong creditworthiness, under certain circumstances requiring the counterparty to post collateral in excess of the Agreement's market value, limiting the circumstances where a payment may be required and permitting the assignment of the Agreement to a creditworthy entity in lieu of termination.

CITY OF ORLANDO, FLORIDA

- D. **Rollover Risk** – Rollover risk refers to the potential need to find a replacement counterparty as part of the overall plan of finance if the interest rate swap does not extend to the final maturity of the underlying variable rate bonds. The rollover risk can be minimized through the initial plan of finance by not relying on the execution of future Agreements.
- E. **Market Access Risk** – Market access risk is the risk that a government will not be able to enter credit markets or that credit will become more costly. The Chief Financial Officer will evaluate the potential loss of market access as part of any proposed transaction.

VIII. Counterparty Credit Standards

To protect the City's interests in the event of a credit problem, the Chief Financial Officer will recommend entering into an Agreement with a counterparty only if it meets the following standards:

- A. At least two of the counterparty's credit ratings are rated at least "Aa3" or "AA-", or equivalent, by any two of the nationally recognized rating agencies (i.e. Moody's, Standard and Poor's, or Fitch); or
- B. The payment obligations of the counterparty are unconditionally guaranteed by an entity with such a credit rating.

IX. Collateralization on Downgrade

The obligations of the counterparty will be collateralized at levels and with securities acceptable to the Chief Financial Officer, as set forth in the Agreements, should the rating:

- A. of the counterparty, if its payment obligations are not unconditionally guaranteed by another entity, not satisfy the requirements set forth in Section VIII "Counterparty Credit Standards" above, or
- B. of the entity that unconditionally guarantees its payment obligations, if so secured, not satisfy the requirements set forth in Section VIII "Counterparty Credit Standards" above.

X. Termination

A termination payment to or from the City may be required in the event of termination of an Agreement due to a default of either the City or the counterparty, certain additional termination events or optional termination by the City. Prior to making any termination payment due to the default of a counterparty, the Chief Financial Officer will evaluate whether it is financially advantageous for the City to obtain a replacement counterparty to avoid making such termination payment.

XI. Legality

The City Attorney must receive an opinion reasonably acceptable to the market from a nationally recognized law firm that any interest rate risk mitigation product contracts that the City enters are legal, valid and binding obligations of the City.

XII. Responsibilities

The Chief Financial Officer is responsible for determining the appropriate uses for interest rate risk management products in conjunction with the City's debt financing and programmatic needs and making recommendations for the use of such products to the Finance Committee, Mayor and City Council.

The Chief Financial Officer is responsible for monitoring and reporting on all City debt obligations and reporting on such debt to the Mayor and City Council. In this capacity, the Chief Financial Officer will review and report on the activities and assumptions related to the various interest rate risk mitigation

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transactions. In addition, the Chief Financial Officer is responsible for reflecting the use of Agreements and other financing transactions on the City's financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and with rules promulgated by the General Accounting Standards Board (GASB).

XIII. Monitoring And Reporting

The Chief Financial Officer will issue an annual report to the Finance Committee, which will be forwarded to the Mayor and City Council. The report will include the following information, to the extent applicable:

- A. Highlights of all material changes to Agreements including counterparty downgrades and/or terminations;
- B. A summary of any new Agreements entered into by the City since the last report;
- C. A summary of any planned interest rate management product transactions and the impact of such transactions on the City;
- D. A description of each outstanding Agreement, including a summary of its terms and conditions, the notional amount, rates, maturity, the estimated market value of each Agreement, the method of procurement (competitive or negotiated), and the full name, description and credit ratings of the Agreement's counterparty and, if necessary, its applicable guarantor;
- E. Any amounts which were required to be paid and received, and any amounts which actually were paid and received under each outstanding Agreement;
- F. Any credit enhancement, liquidity facility or reserves associated with the interest rate management products including an accounting of all costs and expenses incurred, whether or not in conjunction with the procurement of credit enhancement or liquidity facilities under each outstanding Agreement; and
- G. An assessment of the counterparty risk, termination risk, and other risks associated therewith, which will include the aggregate marked to market value for each counterparty and relative exposure compared to other counterparties

This report will also include a copy of this Policy in the quarter after it is adopted or subsequently modified. The Chief Financial Officer, with the assistance of the City Attorney, and the City Treasurer, will periodically review this Policy for changes in best practices (i.e., GFOA Recommended Practices) and recommend modifications to this Policy to the Mayor and City Council.

XIV. Policy Review and Modification

The City's Interest Rate Risk Management Products Policy will be submitted by the Finance Committee for ratification by the City Council within 210 days of each fiscal year end. The authority to effect any change, modification or amendment of this Policy shall rest solely with City Council. Finance Committee and staff recommendations for policy changes may be submitted in conjunction with the annual ratification or more often as deemed necessary. Policy changes initiated by City Council may be made as deemed appropriate. Policy changes will become effective on the date stipulated by City Council.

XV. Effective Date

The City's Interest Rate Risk Management Products Policy was ratified and approved by City Council on this 26th day of October 2005.

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GLOSSARY OF KEY TERMS

Agreement: A contract between the City and Counterparty related to interest rate risk management products such as swaps, caps, floors, collars and options in connection with the incurrence of debt obligations by City of Orlando.

Amortization Risk: Represents the cost to the issuer of servicing debt or honoring swap payments due to a mismatch between bonds and the notional amount of swap outstanding. Amortization risk is characteristic of swaps used to hedge variable rate bonds issued to finance amortizing assets, such as mortgages. Amortization risk occurs to the extent bonds and swap notional amounts become mismatched over the life of a transaction.

Basis Risk: Refers to a mismatch between the interest rate received from the swap contract and the interest actually owed on the issuer's bonds.

Call Option: A contract through which the owner is given the right but is not obligated to purchase the underlying security or commodity at a fixed price within a limited time frame.

Cap: A ceiling on the interest rate that would be paid.

Collar: The combination of owning Cap and selling a Floor. Generally, it is structured so that the net cost of the collar is zero or close to zero. This means that the expense for the long cap premium is offset by the credit received for the floor premium.

Counter Party Risk: The risk that the swap counterparty will not fulfill its obligation to honor its obligations as specified under the contract.

Derivative: A financial product that is based upon another product. Generally, derivatives are risk mitigation tools.

Floor: A lower limit on the interest rate that would be paid.

Interest Rate Risk: The risk associated with changes in general interest rate levels or Yield Curves (see Yield Curves below).

Interest Rate Swap: The contract whereby one party typically agrees to exchange a floating rate for a fixed coupon rate. An essential characteristic of swaps is the swapping of cashflows and not principal amounts.

ISDA: The International Swaps and Derivatives Association, a global trade association representing participants in the derivatives industry.

Notional Amount: The stipulated principal amount for a swap transaction. There is no transfer of ownership in the principal for a swap; but there is an exchange in the cash flows for the designated coupons.

Option: A derivative contract. There are two primary types of options (see Put Option and Call Option). An option is considered a wasting asset because it has a stipulated life to expiration and may expire worthless. Hence, the premium could be wasted.

Put Option: A contract that grants to the purchaser the right but not the obligation to exercise.

Rollover Risk: The risk that the swap contract is not coterminous with the related bonds.

Swap: A customized financial transaction between two or more counterparties who agree to make periodic payments to one another. Swaps cover interest rate, equity, commodity and currency products. They can be simple floating for fixed exchanges or complex hybrid products with multiple option features.

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Tax Events Risk: Issuers that issue tax-exempt variable rate bonds inherently accept risk stemming from changes in marginal income tax rates. This is due to the tax code's impact on the trading value of tax-exempt bonds. This risk is also a form of basis risk under swap contracts.

Termination Risk: The risk that the swap could be terminated by the counterparty due to any of several events, which may include issuer or counterparty ratings downgrade, covenant violation by either party, bankruptcy of either party, swap payment default by either party, and default events as defined in the issuer's bond indenture. The events of default and termination, which could lead to involuntary termination of the contract, would include failure to pay, bankruptcy, merger without assumption of obligations and legality.

Yield Curve: Refers to the graphical or tabular representation of interest rates across different maturities. The presentation often starts with the shortest-term rates and extends towards longer maturities. It reflects the market's views about implied inflation/deflation, liquidity, economic and financial activity, and other market forces.

NONAGRAPHY

1st EDITION

COMMUNITY MAP

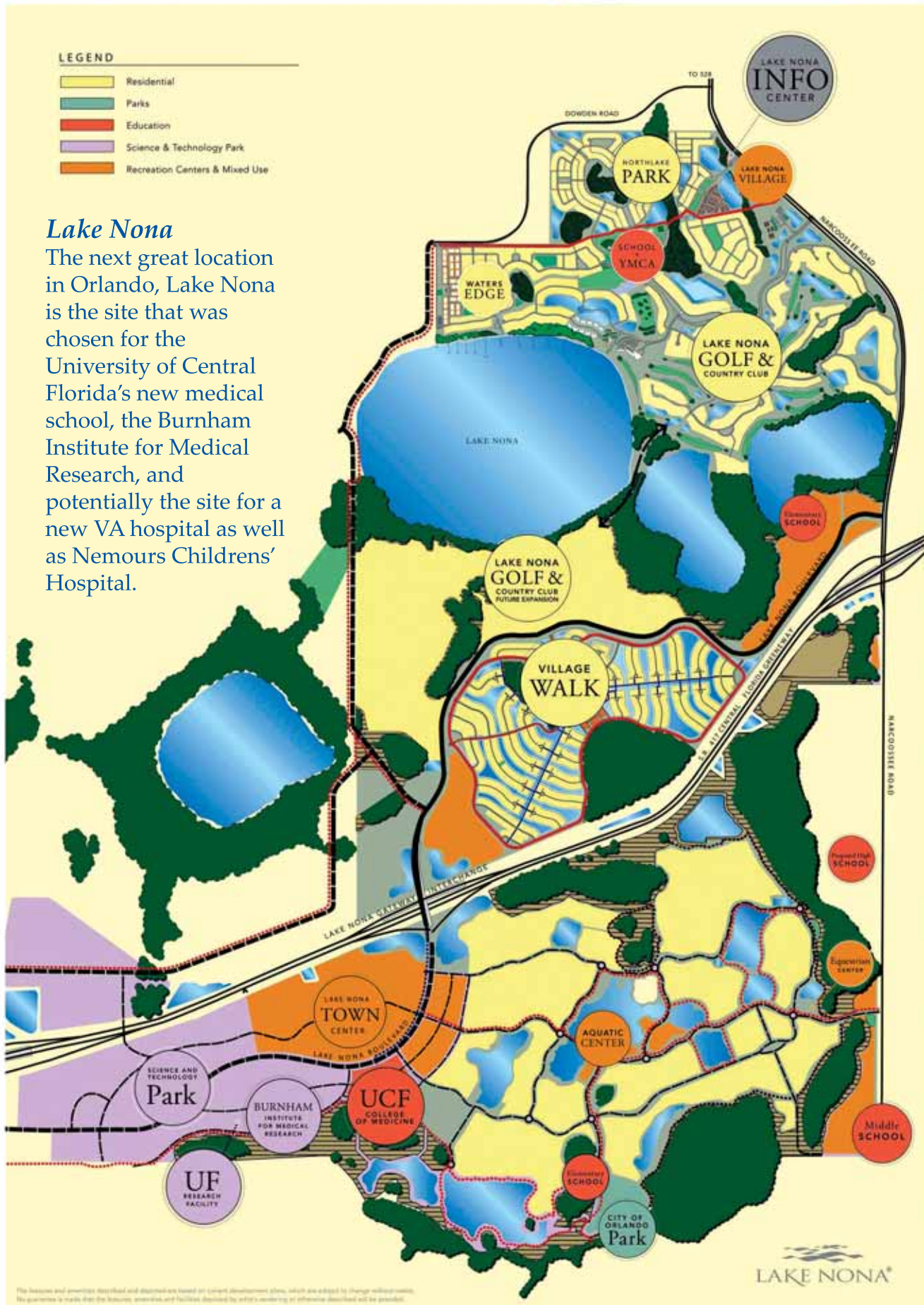
KNOW WHAT'S WHERE WITH THIS HANDY MASTER PLAN

LEGEND

- Residential
- Parks
- Education
- Science & Technology Park
- Recreation Centers & Mixed Use

Lake Nona

The next great location in Orlando, Lake Nona is the site that was chosen for the University of Central Florida's new medical school, the Burnham Institute for Medical Research, and potentially the site for a new VA hospital as well as Nemours Childrens' Hospital.



The features and graphics described and depicted are based on current development plans, which are subject to change without notice. No guarantee is made that the features, services, and facilities described or otherwise depicted will be provided.

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INVESTMENT POLICY

I. Introduction

The City of Orlando Investment Policy within the context of the City's Investment Ordinance, is intended to set forth the framework within which the City's investment activities will be conducted. The Investment Policy establishes parameters for investment activity which may be further restricted by the Finance Committee, Investment Committee (as established herein) and the Chief Financial Officer, in order of authority. The Investment Policy provides both minimums and maximums to limit risk and ensure a broadly diversified portfolio.

In establishing this Investment Policy, the City Council recognizes the traditional relationship between risk and return and acknowledges that all investments, whether they are for one day or years, involve a variety of risks related to maturity, credit, market and other factors. Additionally, some investments involve intermediaries (counter-parties) whose performance (or failure to perform) may affect the value or liquidity of the underlying investment.

When choosing between alternative investments, staff should structure the portfolio based on an understanding of the variety of risks and the basic principle of diversification (imposed by this policy) on the structure of the portfolio. With adoption of this Investment Policy, the City recognizes that total return portfolio management may necessitate the sale of securities at a loss in order to reduce portfolio risk (without a material reduction in return) or to achieve a greater overall return (without assuming any material amount of additional risk) than could have been obtained if the original position had been held.

This Investment Policy the actions of staff and Third Party Managers will be guided by the standard of care expected of a "Prudent Person". The Prudent Person Rule states that, "Investments should be made with judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

The Investment Policy provides that the City will utilize a) internal management for shorter-term investments and b) Third-Party Managers to manage longer-term investments or specialty investment areas. The policy framework has been developed to permit the subsequent consideration (by separate City Council action) of the inclusion of Specialty Risk sub-portfolios which are to be managed by Third-Party Managers. The initial employment of this strategy and Third Party Managers was implemented as of December 27, 2000. These exposures will provide for further diversification of the Aggregate Investment Portfolio while providing correlation and other investment advantages.

The changes to the policy are a continuation of the City's commitment with regard to its financial affairs to, whenever possible, act more like a comparably sized corporation rather than a typical governmental unit.

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0II. Scope of Investment Policy

This Investment Policy shall apply to all funds held by the City on behalf of the citizenship of the City of Orlando with the exception of:

- A. Pension or similar trust fund assets.
- B. Funds whose uses are restricted by debt covenants, prior contracts or legal, regulatory or other constraints.

III. Investment Objectives

The following define the objectives, in order of priority, for the investment of the City's funds which are subject to the scope of this Investment Policy:

A. Safety of Capital

To ensure safety of capital by:

- 1. Establishing minimally acceptable credit ratings and limiting any exception thereto.
- 2. Limiting the portfolio duration and the duration of individual holdings.
- 3. Setting maximum exposure by market sector as well as individual holdings.
- 4. Requiring a minimum investment in a basket of securities either fully guaranteed by the U.S. Government or issued by an Agency or Instrumentality of the U.S. Government.
- 5. Defining authorized transactions and delegated authority levels.
- 6. Establishing, at a minimum, two segregated portfolios, the Liquidity and Active Portfolios, in order to diversify the City's credit, interest rate and management risks.
- 7. Requiring Third Party Managers to verify compliance with their investment parameters.

B. Liquidity of Funds

To provide liquidity in order to fund projected operating expenses by:

- 1. Creating and maintaining a separately managed Liquidity Portfolio; and
- 2. Investing in securities which are traded in a reasonably liquid market in order that funding may be provided for unanticipated expenditures.

C. Investment Return

To provide a reasonable return on the City's investable assets given the diversification and the level of risk taken in the portfolio, and achieve a rate of return on the aggregate City portfolio commensurate with exceeding the established benchmarks.

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IV. Delegation of Authority; Reporting Requirements

A. Finance Committee

1. The policies and procedures which govern the Finance Committee are defined in the General Administration Policy and Procedure Manual, Section 401.3 and are hereby incorporated, by reference, into the City's Investment Policy. The following authority is granted to the Finance Committee under Section 401.3:
 - a. To establish policies - long-range (five to ten year) directional guidelines, limitations and/or goals, which define a general framework within which strategies and target benchmarks, will be established.
 - b. To establish strategies - short or intermediate term (one to three year) guidelines within established policies.
 - c. To establish target benchmarks - within the policies and strategies and giving consideration to the changing market circumstances.
2. Also, the Finance Committee acts on behalf of City Council in:
 - a. Interpreting and enforcing the policies set forth in this document;
 - b. Setting policy which further restricts those contained herein; and
 - c. Approving Third Party Managers and investment funds which, in the judgment of the Finance Committee, are substantially in compliance with the policies set forth in this document and which do not require prior approval by City Council.
3. Resolution of matters shall be referred to City Council if such matters are outside the scope of, or if a majority of the Committee deem such matter to be outside the scope of, the authority delegated to the Finance Committee.
4. In accordance with the General Administration Policy and Procedures Manual, Section 401.3, the minutes of each Finance Committee Meeting shall be provided to the City Council.

B. Investment Committee

1. An Investment Committee, as hereby established, shall report periodically to the Finance Committee. The Investment Committee will be chaired by the Chief Financial Officer and have the Treasurer as a voting member. The Chief Financial Officer shall have the authority to appoint others to the Committee.
2. The Investment Committee shall be charged with:
 - a. Formulating Investment and Asset Allocation Strategies within the framework

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of this Investment Policy and within those policies which, from time to time, may be promulgated by the Finance Committee;

- b. Establishing appropriate investment procedures and controls;
 - c. Establishing rate of return objectives, appropriate benchmarks and performance measurement methodology for each portfolio; and
 - d. Monitoring the risk and performance of each portfolio and the performance of the respective managers.
3. The Investment Committee shall have the authority to set policy which further restricts that established by the City's Investment Policy as same may have been further restricted by the Finance Committee.
 4. The Investment Committee shall meet at least quarterly or more often as deemed appropriate.
 5. A summary of investment holdings, performance reports and Investment Committee minutes will be prepared for the Committee and provided to the Finance Committee on at least a quarterly basis.
 6. Resolution of matters shall be referred to the Finance Committee if such matters are outside the scope of, or if a majority of the Investment Committee deem such matter to be outside the scope of, the authority delegated to the Investment Committee.

C. Staff Members

1. The Chief Financial Officer, and/or other staff as may be designated by the Chief Financial Officer, shall have the authority to execute trades and to otherwise conduct business within the scope of the City's Investment Policy.
2. The Chief Financial Officer shall have the authority to further restrict the authority delegated to any staff member.
3. Staff, through the Treasurer, shall report to the Investment Committee with regard to material issues, open items and/or exceptions related to the scope of this Investment Policy and actions taken.
4. Staff shall prepare and distribute month-end reports to the Investment Committee which, at a minimum, include:
 - a. Investment Holdings Reports which shall, at a minimum detail:
 - (1) holdings by class of security;
 - (2) income earned;
 - (3) market value and portfolio reallocations;
 - (4) compliance with the Investment Policy; and
 - (5) compliance by third party managers with their individual parameters

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- b. Performance Measurement Reports for the City's Aggregate Investment Portfolio, as well as for each separate portfolio, sub-portfolio, respective third-party manager and Specialty Risk portfolios, as and if appropriate.
- c. Each Third Party Manager will report on their individual portfolio characteristics, which will be reviewed by City staff and its performance measurement consultant on a monthly basis.

V. Prudent and Ethical Standards

- A. Those staff members who have been delegated authority to conduct City business under this Investment Policy shall be required to act in accordance with the provisions of the "Prudent Person Rule", as is defined on page 1 herein, as well as in the compliance with the City's Ethics Policy as recited in the City of Orlando's Ethics Manual.
- B. Each employee, authorized to conduct investment activities for the City, is deemed by the City Council, through adoption of this Investment Policy and any amendment hereto, to be performing within the course and scope of his or her employment.

VI. Portfolio Management

- A. Aggregate Investment Portfolio
 - 1. The Aggregate Investment Portfolio shall be actively managed on a total return basis consistent with the directives and objectives established by this Investment Policy.
 - 2. Performance Measurement for the Aggregate Portfolio is to achieve a rate of return over the established benchmarks for a rolling three year period
 - 3. All calculations and measures of compliance and performance shall be based upon the market value of individual securities and portfolios. Market value shall be defined as the bid price, plus accrued interest to date, which the City could reasonably expect to obtain in a transaction with a willing buyer. Investment in (d), (e), (f), (g), (h), and (i) listed below will be Externally Managed and will require the prior approval of the City Council. The Aggregate Investment Portfolio shall be invested within the following parameters:
 - a. No less than 10% of the Aggregate Investment Portfolio shall be used to establish the City's Liquidity Portfolio (See Part B of this Section).
 - b. The average duration shall not exceed 6.0 years nor shall it be less than 0.75 years. As a measure of interest rate sensitivity of individual securities and of the portfolio(s), the calculation methodology to be used will be the effective duration.
 - c. No less than 30% of the Aggregate Investment Portfolio shall be invested in a combination of U.S. Government and Agency Debt Obligations and in securities issued by Federal Instrumentality Debt Obligations, as each term is defined in Section IX B. Of this 30%, no less than 10% of the Aggregate

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Investment Portfolio shall be invested in U.S. Government and Agency Debt Obligations.

- d. No more than 35% of the Aggregate Investment Portfolio shall be invested in Mortgage Backed Securities.
 - e. No more than 30% of the Aggregate Investment Portfolio shall be separately managed as Specialty Risk Externally Managed Funds, requiring specific Council approval (Section IX.J.2.).
 - f. No more than 10% of the Aggregate Investment Portfolio shall be invested in securities with a long term debt rating below Investment Grade, specifically below Baa- by Moody's, BBB- by S&P or BBB- by Fitch.
 - g. No more than 12.5 % of the Aggregate Investment Portfolio shall be invested in Investment Grade securities denominated in non-U.S. currency.
 - h. No more than 5% of the Aggregate Investment Portfolio shall be invested in Emerging Markets Securities.
 - i. No more than 5% of the Aggregate Investment Portfolio shall be invested in non-U.S. dollar, non-hedged securities.
3. Policy Exception: Deviations from the limits defined in items 2(b) through 2(g) above shall be permitted if:
- a. The policy exception results from the receipt and reinvestment of interest or from substantive changes in market value; and
 - b. The portfolio is re-balanced and compliance is reestablished no less frequently than 30 days following each fiscal quarter end.
4. Authority to Grant Exception(s) to policy limits.

A Third Party Manager may hold securities which are outside of these policy guidelines or the Third Party Manager's specific investment guidelines separately approved by City Council, subject to conditions only as follows:

- In aggregate, the value of all securities, which constitute a variance to this policy, shall not exceed 2% of the Aggregate Investment Portfolio;
- The investment represents no more than 4% of a manager's portfolio and the overall investment in the security across all managers' portfolios does not exceed 2% of the Aggregate Investment Portfolio;
- Immediate notification shall be provided to the City's CFO of the type and magnitude of such variance to policy;
- The Treasury staff shall meet with the CFO to discuss the proposed variance. After such consideration with the Treasury staff, if the CFO determines that a

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variance request has merit, the CFO will prepare a write up fully describing the variance and recommended investment strategy regarding such variance within five (5) business days of receipt of the variance request and forward same to the Investment Committee;

- Within two (2) business days of receipt of the recommendation by the CFO to grant an exception to the Investment Policy, the Investment Committee will meet to discuss the proposed policy variance. If the Investment Committee recommends the approval of the proposed policy variance, the proposed variance will be sent to the Finance Committee. The Finance Committee or the Mayor must approve the proposed policy variance within five (5) business days of receipt in order for the variance to be approved.
- Written acknowledgement to the managers shall be sent by the CFO granting such exception to the Investment Policy, which shall include the following:

Defined enhanced reporting requirements for the manager regarding the specific investment holding which is an exception to Policy, including:

Impact to the liquidity of the holding and portfolio managed, and

Impact to the return on the portfolio managed under the expected outcome and under the worst case scenario, and

Updates on the status of each security which is subject to a policy exception shall be presented by the portfolio manager to the CFO at least monthly.

- Exceptions to the Investment Policy previously granted by the Finance Committee, if continuing to exist, must be reaffirmed by the Finance Committee at each regularly scheduled quarterly meeting.

B. Liquidity Portfolio

1. As part of the Aggregate Investment Portfolio, staff shall create a Liquidity Portfolio which, at a minimum, has the following characteristics:
 - a. The funds allocated to the Liquidity Portfolio shall not be less than 10% of the average of the month-end balance for the Aggregate Investment Portfolio over the preceding fiscal year.
 - (1) The allocation shall be established, i.e., funds added to or removed from the Liquidity Portfolio, on or before December 31 each year.
 - (2) The allocation percentage shall be based upon market value of the investments in the Liquidity Portfolio in relation to the total market value of all investments subject to the scope of this Policy.

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- b. The Liquidity Portfolio shall be managed with primary emphasis on matching investment maturities with known cash needs and funding anticipated cash flow requirements and secondary emphasis on fulfilling the Investment Objectives contained in this Policy.
 - c. The average duration of the Liquidity Portfolio shall not exceed 1.25 years.
 - d. The maximum duration of any single holding in the Liquidity Portfolio shall not exceed 3.00 years.
2. Performance Measurement for the Liquidity Portfolio is to achieve a rate of return that exceeds the six month Treasury Bill Index, measured quarterly, over a rolling three year period.
 3. The Finance Committee and/or the Investment Committee shall have the authority to create one or more "sub-portfolios" of the Liquidity Portfolio if such action is deemed in the best interest of the City. The characteristics and management style associated with each "sub-portfolio" must comply with this Policy. In addition, when combined, each "sub-portfolio" must comply with the Policy requirements of the Liquidity Portfolio.

C. Active Portfolio

1. Those funds not required to establish the Liquidity Portfolio shall be used to establish the Active Portfolio. Third party managers and Treasury staff will direct the investment activities of the Active Portfolio. The Active Portfolio shall be managed with primary importance placed on fulfilling the Investment Objectives contained in this Policy and then in order to enhance the long-term performance and to provide diversification for the Aggregate Investment Portfolio. The Active Portfolio, at a minimum, shall have the following characteristics:
 - a. The duration of the Active Portfolio shall not exceed 6.75 years.
 - b. The duration of the Active Portfolio shall not be less than 1.00 years.
2. Performance Measurement for the Active Portfolio is to achieve a rate of return that exceeds the Lehman Brothers U.S. Aggregate Index, measured quarterly, over a rolling three year period.
3. The Finance Committee and/or the Investment Committee shall have the authority to create one or more "sub-portfolios" of the Active Portfolio if such action is deemed in the best interest of the City. The characteristics and management style associated with each "sub-portfolio" must comply with this Policy. In addition, when combined, each "sub-portfolio" must comply with the Policy requirements of the Active Portfolio.

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VII. Asset Allocation Directives

The portfolio shall be invested only in those instruments specifically designated as Authorized Investment Instruments. Within the exposure limits set for each instrument, the Investment Committee or staff shall have the authority to weight the portfolio(s) as to its type or duration as deem appropriate. Exposure percentages shall be based upon market value and shall include cash, investments managed by the City's staff and investments managed by outside managers. Staff shall maintain a schedule, on a manager and portfolio basis, to help ensure compliance with Investment Policy constraints. Securities held under a repurchase agreement and the specific assets underlying a mutual fund shall not be included when determining compliance with the exposure limits to a particular asset type, except as noted below, though compliance with exposure limits to repurchase agreements and/or mutual funds as an asset type must be maintained. Mutual funds invested substantially in U.S. Treasuries may be used to meet the minimum requirement for investment in Treasury securities.

VIII. Authorized Transactions

Staff shall have the authority to execute trades on Authorized Investment Instruments in any of the following forms:

A. Cash Settlement

An agreement which obligates the City to buy or sell on the same day as the trade is executed.

B. Regular Settlement

An agreement which obligates the City to buy or sell on a date, other than the trade date, which is normal and customary for the specific security.

C. Short Sales

An agreement which obligates the City to sell a security which is not currently held in its portfolio. The following shall apply to short sales:

1. Short sales are authorized only on Treasury Securities which are otherwise Authorized Investment Instruments.
2. The transaction must settle in no more than 5 business days from the trade date.
3. Short positions must be identifiable as a hedge position against a particular holding, group of holdings or portfolio whose characteristics are effectively, though not necessarily perfectly, hedged by the short position.

D. Futures Contract

An agreement which obligates the City to either buy or sell the underlying security on a specified date, or within a specified time, in the future. Long and short futures positions are authorized. The following shall apply to Futures Contracts:

1. The Futures Contract must be traded on a recognized exchange; and

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2. The Futures Contract must be for a term not to exceed 12 months; and either
 - a. The Futures Contract must be on a cash security which is otherwise an Authorized Investment Instrument; or
 - b. The Futures Contract must be on an interest rate index to which exposure could otherwise be achieved through the purchase of an Authorized Investment Instrument or by an Authorized Transaction; and
3. Short positions must be identifiable as a hedge position against a particular holding, group of holdings or portfolio whose characteristics are effectively, though not necessarily perfectly, hedged by the short position.

E. Forward Agreements

An agreement, including those on "When-Issued" (WI) Treasuries, and "To Be Announced" (TBA) Mortgage Backed Securities, which obligates the City to either buy or sell the underlying security on a specified date, or within a specified time, in the future to a counterparty. Long and short positions are authorized. The following shall apply to Forward Agreements:

1. The counterparty must be an Approved Broker; and
2. The Forward Agreement cannot exceed six months; and either
 - a. The Forward Agreement must be on a cash security which is otherwise an Authorized Investment Instrument; or
 - b. The Forward Agreement must be on an interest rate index to which exposure could otherwise be achieved through the purchase of an Authorized Investment Instrument or Authorized Transaction; and
3. Short positions must be identifiable as a hedge position against a particular holding, group of holdings or portfolio whose characteristics are effectively, though not necessarily perfectly, hedged by the short position.

F. Interest Rate Swap Agreements

An agreement between the City and a counterparty to pay/receive a fixed interest rate payment in exchange for variable rate payment over a specified term. The following shall apply to Interest Rate Swap Agreements:

1. The counterparty must be an Approved Broker; and
2. The Swap Agreement cannot exceed three years; and
3. The Swap Agreement must be on an interest rate index to which exposure could otherwise be achieved through the purchase of an Authorized Investment Instrument or Authorized Transaction; and

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4. Swap positions must alter the interest rate exposure to a particular holding, group of holdings or portfolio.

G. Option Contracts

An agreement which gives the City the right, though not the obligation (a long option position) to buy (call) or sell (put) the underlying security; or an agreement which obligates the City, at the option of the counterparty, (a short option position) to buy (put) or sell (call) the underlying security. The following shall apply to Option Contracts:

1. The Option Contract must be traded on a recognized exchange; and
2. The Option Contract must be for a term not to exceed 12 months; and either
 - a. The Option Contract must be on a cash security which is otherwise an Authorized Investment Instrument; or
 - b. The Option Contract must be on a futures contract which is otherwise an Authorized Transaction; or
 - c. The Option Contract must be on an interest rate index to which exposure could otherwise be achieved through the purchase of an Authorized Investment Instrument or Authorized Transaction; and
3. Short call positions must be identifiable as written against a particular holding, group of holdings or portfolio whose characteristics are substantially similar to the position against which it is written.

IX. Authorized Investment Instruments

The following classes of securities are deemed suitable for investment by the City. The securities listed below may be purchased up to the limits and subject to standards defined for each asset type.

A. U.S. Government and Agency Debt Obligations

Definition: Debt obligations of the U.S. Government or its agencies whose interest payment and principal repayment is backed by the full faith and credit of the U.S. Government or of a U.S. Government agency.

Duration: A maximum of 6.75 years.

Exposure: No less than 10% and no more than 100% of the Aggregate Investment Portfolio shall be invested in this sector.

B. Federal Instrumentality Debt Obligations

Definition: Securities issued and guaranteed by a government sponsored enterprise which carry the "implied guarantee" of the U.S. Government.

Duration: A maximum of 6.75 years.

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- Exposure:
1. No more than 45% of the Aggregate Investment Portfolio shall be invested in this sector.
 2. No more than 20% of the Aggregate Investment Portfolio shall be invested with any one issuer.

C. High Grade Corporate Debt

Definition: U.S. dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignties issued in the United States or in foreign markets. This shall include, but not be limited to, corporate notes and bonds, medium term notes, Eurodollar notes and bonds, Yankee notes and bonds, bankers acceptances, commercial paper and certain asset backed securities. Asset-Backed Securities included in this classification shall not be collateralized by mortgages or home improvement loans.

Duration: A maximum of 6.75 years.

- Credit Rating:
1. Securities maturing in more than one year shall have a long-term debt rating which meet the following criteria:
 - a. The security must be rated by two nationally recognized credit rating agencies, one of which must be either Moody's, S&P or Fitch; and
 - b. The security must be rated, at a minimum, Investment Grade, specifically at or above Baa3 by Moody's, BBB- by S&P, or BBB- by Fitch or, if not rated such by two of these three, an equivalent minimum rating by a nationally recognized rating agency.
 2. Securities maturing in one year or less shall have a short-term debt rating which meet the following criteria:
 - a. The security must be rated by either Moody's, S&P or Fitch; and
 - b. The security must be rated, at a minimum, P1 by Moody's, A1 by S&P or F1 by Fitch or, if the required short-term debt rating is unavailable; then
 - c. The security must otherwise meet the criteria in this Section C under Credit Rating, Item 1 for High Grade Corporate Debt maturing in one year or more.

- Exposure:
1. No more than 60% of the Aggregate Investment Portfolio shall be invested in this sector; with
 2. No more than 40% of the Aggregate Investment Portfolio being

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invested in securities with a duration greater than 1 year; and

3. No more than 5% of the Aggregate Investment Portfolio being invested with any one issuer.

D. Mortgage-Backed Securities

Definition: Securities collateralized by mortgages (or deeds of trust) on residential property (“Residential Mortgage-Backed Securities”) or commercial (industrial, office, retail, etc.) property (“Commercial Mortgaged-Backed Securities”). The securities may be issued by a Federal Instrumentality or by a private corporation and may be structured as collateralized mortgage obligations or unstructured pass-through securities.

Duration: No more than an average duration of 6.75 years, based upon a reasonable and supportable prepayment assumption, is authorized by this policy.

Credit Rating:

1. The security must be rated by two nationally recognized credit rating agencies, one of whom must be either Moody's, S&P or Fitch; and
2. The security must be rated, at a minimum, Aa3 by Moody's, AA- by S&P, or AA- by Fitch or, if not rated such by two of these three, an equivalent minimum rating by a nationally recognized rating agency.

Exposure:

1. No more than 35% of the Aggregate Investment Portfolio shall be invested in this sector; with
2. No more than 20% of the Aggregate Investment Portfolio may be invested in securities of a single Federal Instrumentality of the United States.
3. No more than 15% of the Aggregate Investment Portfolio shall be invested in Commercial Mortgage Backed Securities.
4. No more than 10% of the Aggregate Investment Portfolio shall be invested in securities of any one (non-Instrumentality) issuer.

E. Bank Certificates of Deposit

Definition: Deposits in interest bearing accounts at institutions approved as Qualified Public Depositories under applicable law.

Duration: A maximum of 2.00 years.

Credit Rating: Credit quality will be subject to approval by Investment Committee.

Exposure:

1. No more than 20% of the Aggregate Investment Portfolio shall be invested in this sector; with
2. No more than 5% of the Aggregate Investment Portfolio being invested in securities of any one issuer.

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F. Repurchase Agreements

Definition: Transactions in which the City purchases Approved Securities from an institution with an agreement to re-sell the same securities on a specified future date. Institutions who are a party to this transaction must:

1. Be approved by the Investment Committee; and
2. Have entered into a Master Repurchase Agreement; and
3. Have entered into a Tri-Party Custody Agreement which provides for a third party to take custody of the securities subject to the Master Repurchase Agreement.

Transaction

Terms: Shall adhere, at a minimum, to the requirements of the Master Repurchase Agreement.

Approved

Securities: Shall be limited to Direct Obligations of the U.S. Government or its Instrumentalities with maturities not in excess of 5 years.

Collateral

Valuation: Collateral shall be marked-to-market daily at no less than 102% of the security's market value

Maturity:

The term of the Repurchase Transaction shall not exceed 60 days.

Exposure:

1. No more than 20% of the Aggregate Investment Portfolio shall be invested in this sector; with
2. No more than 10% of the Aggregate Investment Portfolio shall be invested with any single counterparty.

G. Money Market Mutual/Trust Funds

Definition: A mutual or trust fund which meets the Securities and Exchange Commission definition of a money market fund and whose investment policies are otherwise in substantial compliance with the City's Investment Policy; as substantial compliance is determined by the Investment Committee. Investment in money market funds (including 2a-7 like funds) offered or sponsored by the State Board of Administration are specifically approved for investment of City funds.

Duration:

Funds must provide daily liquidity.

Credit Rating:

The Investment Committee shall have the authority to determine the credit-worthiness of a particular Money Market Mutual/Trust Fund.

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- Exposure:
1. No more than 40% of the Aggregate Investment Portfolio shall be invested in this sector; with
 2. No more than 20% of the Aggregate Investment Portfolio shall be invested in any one particular fund.

H. State and Local Taxable and/or Tax Exempt Debt

Definition: General Obligation or Revenue debt obligations issued by states, counties, cities or other taxing authorities.

Duration: A maximum of 6.75 years.

- Credit Rating:
1. The security must be rated by two nationally recognized credit rating agencies, one of whom must be either Moody's, S&P or Fitch; and
 2. The security must be rated, at a minimum, A3 by Moody's, A- by S&P, or A- by Fitch or, if not rated such by two of these three, an equivalent minimum rating by a nationally recognized rating agency.

- Exposure:
1. No more than 10% of the Aggregate Investment Portfolio shall be invested in this sector; with
 2. No more than 5% of the Aggregate Investment Portfolio shall be invested in securities of any one issuer.

I. Fixed Income Mutual Funds

Definition: A mutual fund whose investment guidelines are otherwise in substantial compliance with this Investment Policy, as substantial compliance is determined by the Investment Committee.

- Duration:
1. Funds must provide liquidity no less frequently than monthly.
 2. The average duration of the underlying investments must be in substantial compliance with this Policy.

Credit Rating: The Investment Committee shall have the authority to determine the credit-worthiness of a particular fund.

- Exposure:
1. No more than 85% of the Aggregate Investment Portfolio shall be invested in this sector; with
 2. No more than 20% of the Aggregate Investment Portfolio shall be invested in any one particular fund.

J. Other Externally Managed Funds

Definition: Separate and/or co-mingled investment funds managed by a third party.

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1. The Finance Committee shall have the authority to authorize management by a third-party manager if, in the judgement of the Finance Committee, the investment objectives and style of the manager is substantially in compliance with this Investment Policy.
2. City Council approval shall be required prior to engaging a third-party manager to invest in the following “Specialty Risk” categories:
 - a. Corporate securities with a long-term debt rating below Investment Grade, specifically below Baa3 by Moody's, BBB- by S&P or BBB- by Fitch.
 - b. Investment Grade debt issued in a currency other than the U.S. dollar.
 - c. Debt issued in the Emerging Markets segment of the Non-U.S. Market.
 - d. Other investment instruments or strategies, which may be contemplated in the future, which are currently outside the scope of this Investment Policy.

Duration: As provided for in each Third Party Manager’s specific investment guidelines separately approved by City Council.

Credit Rating: As provided for in each Third Party Manager’s specific investment guidelines separately approved by City Council.

- Exposure:**
1. No more than 90% of the Aggregate Investment Portfolio shall be managed by Third Party Managers.
 2. No more than 30% of the Aggregate Investment Portfolio shall be invested in Specialty Risk categories.
 3. No more than 10% (or 5% for Emerging Markets) of the Aggregate Investment Portfolio, shall be invested in any one particular fund.
 4. Fully hedged, non-dollar denominated holdings shall be equated to dollar equivalent securities.

K. Derivative Securities

Definition: A financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or index or asset values.

Authorization:

1. Staff shall have the authority to invest, either individually or in

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combination, in the following types of derivative structures on securities which are otherwise an Approved Investment Instrument:

- a. Floating interest rate - no cap or floor
 - b. Floating interest rate - with a cap and/or a floor
 - c. Call feature
 - d. Put feature
 - e. Step Interest Rate
 - f. Principal Strips
2. Finance Committee shall have the authority to authorize investment in other derivative structures on Authorized Investment Instruments as deemed appropriate.

X. Reverse Repurchase Agreements

Definition: Transactions in which the City sells Authorized Investment Instruments to an institution with an agreement to repurchase the same securities on a specified future date.

Staff is authorized to enter into reverse repurchase agreements, as it deems necessary and subject to the limitations defined herein, in order to finance short term cash flow needs or to provide liquidity for the Aggregate Investment Portfolio.

Authorized

Counterparty: Institutions who are a party to this transaction must:

1. Be approved by the Investment Committee; and
2. Have entered into a Master Repurchase Agreement; and
3. Have entered into a Tri-Party Custody Agreement which provides for a third party to take custody of the securities subject to the Master Repurchase Agreement.

Approved

Securities: Any securities held by the City which may be acceptable to the counterparty.

Collateral

Valuation: Collateral shall be marked-to-market as often as reasonably required by the counterparty.

Collateral

Maintenance: Investment Committee shall have the authority to set maximum amount of collateral to be pledged based upon the nature of the counterparty and the form of the collateral.

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- Maturity:** The term of the Reverse Repurchase Transaction shall not exceed 60 days and the maturity date of the reinvested proceeds shall not materially exceed the maturity date of the Reverse Repurchase transaction.
- Exposure:** No more than 20% of the Aggregate Investment Portfolio, net of the balance of all existing and pending reverse repurchase agreements, shall be leveraged with reverse repurchase agreements.

XI. Approved Broker/Dealers and Financial Intermediaries

A. Security Purchases and Sales

1. Except for Externally Managed funds, security purchases and sales shall be transacted through the following approved entities:
 - a. Institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York;
 - b. Federal or state insured financial institutions who are designated as Qualified Public Depositories by the State of Florida and who operate a branch or office within the City of Orlando; or
 - c. Regional or local broker/dealers approved by the Investment Committee as it deems appropriate.
2. Of those Broker/Dealers who are eligible to be approved, the Investment Committee shall have the authority to select those with whom transactions are authorized as well as the number of approved Broker/Dealers necessary to conduct City business.
3. External Managers are charged with the responsibility to transact purchases and sales on a best execution basis.

B. Repurchase and Reverse Repurchase Agreements

The City shall enter into repurchase and reverse repurchase agreements with the following approved entities:

1. Institutions designated as "Primary Securities Dealers" by the Federal Reserve Bank of New York.
2. The City's primary correspondent bank.

The Finance Committee may approve other institutions who meet specific requirements as developed by the Finance Committee from time to time.

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XII. Bid Requirements

Securities, identified by staff as candidates for purchase or sale, shall, when feasible and appropriate, be competitively bid or offered. External Managers will use a form of “bid process” when feasible and appropriate to achieve best execution.

XIII. Internal Control Directives

The Investment Committee shall establish the following minimum level of internal controls for the investment operations of the City in order to prevent losses of funds due to fraud, employee error, and misrepresentation by third parties, or imprudent actions by City employees:

A. Responsibility

The Chief Financial Officer shall hold primary responsibility for assuring compliance with the City's Investment Policy.

B. Delegation of Responsibility

The Chief Financial Officer shall have the authority to delegate to competent staff those responsibilities as deemed appropriate, but such delegation shall accomplish, at a minimum, the following separation of responsibilities:

1. Authority to execute trades and accounting for trades.
2. Accounting for trades and check or wire transfer authority.
3. Check and wire transfer authority from bank and custodial account reconciliation responsibility.
4. Preparation of performance reports from authority to execute trades.

C. Internal Control Manual

The Chief Financial Officer or designee shall maintain an Internal Control Manual for the Investment function. Upon the occurrence of an Investment Policy change, appropriate revisions to the Manual shall be prepared and submitted, within 45 days of the effective date of the policy change, for approval by the Finance Committee. Furthermore, the Internal Control Manual, including previously approved modifications and any newly recommended procedural changes, shall be re-submitted to the Finance Committee for ratification at least annually.

D. The Internal Control Manual for the investment functions shall be reviewed by the City's external auditor at least annually.

E. Operational Procedure Manual

The Chief Financial Officer or designee shall maintain an Operational Procedure Manual for the Investment function. Upon the occurrence of an Investment Policy change, appropriate revisions to the Manual shall be prepared and submitted to Investment Committee for approval

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within 30 days of the effective date of the policy change. Furthermore, the Procedure Manual, including previously approved modifications and any newly recommended procedural changes, shall be re-submitted to the Investment Committee for ratification at least annually.

F. Transaction Settlement

All investment transactions executed by the City, except those authorized by the Chief Financial Officer or the Treasurer as further approved by the Mayor, shall be settled on a Delivery vs. Payment basis through the City's custodian. Any securities settled under the exception above shall be secured or controlled by a written agreement approved by the Office of Legal Affairs.

G. Third-Party Custodial Agreement

The custodial relationship shall be governed by a written agreement properly executed by all parties and shall specify, at a minimum that:

1. All securities owned and cash held by the City shall be held in the City's, or its nominee's, name in an account separate from all other accounts maintained by the custodian and shall at all times, while in the custody of the Custodian, be designated as an asset of the City.
2. The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Chief Financial Officer and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be permitted unless directed by such a duly authorized person.
3. The custodian shall, as it pertains to all transactions settled by the custodian, ensure that the City receives good and marketable title to all securities purchased and has immediately available cash for all securities sold on a "delivery vs. payment" basis.

XIV. Continuing Education

A minimum of eight hours of continuing education shall be completed during each fiscal year by the staff member(s) directly responsible for directing the investment decisions pertaining to those funds subject to the scope of this policy. The Chief Financial Officer shall determine the nature of the continuing education that shall satisfy this Section as well as the staff member(s), who are subject to this requirement.

XV. Investment Policy Statement Review and Modification

The City's Investment Policy will be submitted by the Investment Committee for ratification by City Council within 120 days of each fiscal year end.

The authority to effect any change, modification or amendment of this Investment Policy shall rest solely with City Council. Finance Committee, Investment Committee and staff recommendations for policy changes may be submitted in conjunction with the annual ratification or more often as deemed necessary. Policy changes initiated by City Council may be made as it deems appropriate. Policy changes will become effective on the date stipulated by City Council.

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XVI. Effective Date

The City's Investment Policy was ratified and approved, as revised, by City Council on this 22 day of January 2007.

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GLOSSARY

Adjustable-Rate Mortgage (ARM)

A mortgage that features predetermined adjustments of the loan interest rate at regular intervals based on an established index. The interest rate is adjusted at each interval to a rate equivalent to the index value plus a predetermined spread, or margin, over the index, usually subject to per-interval and to life-of-loan interest rate and/or payment rate caps.

Active Portfolio

Those funds not established for the Liquidity Portfolio that are currently outsourced to Third Party Managers.

Agency Securities

A U.S. government-issued security that was not issued by the Treasury Department but that may be backed by the full faith and credit of the United States depending upon the issuing agency.

Aggregate Portfolio

The entirety of the City's invested funds that include both the Active Portfolio as well as the Liquidity Portfolio.

Asset-backed Security

A security that is collateralized by loans, leases, receivables, or installment contracts on personal property.

Benchmark

The performance of a predetermined set of securities, used for comparison purposes. Such sets may be based on published indexes or may be customized to suit an investment strategy.

Performance Benchmark

The benchmark stated in the manager's contract for performance measurement.

Latitude Benchmark

The benchmark that is more comparative to the manager's mix of securities.

Collateralized Mortgage Obligation (CMO)

A security backed by a pool of pass-through rates, structured so that there are several classes of bondholders with varying maturities, called tranches. The principal payments from the underlying pool of pass-through securities are used to retire the bonds on a priority basis as specified in the prospectus.

Corporate Bonds

Debt obligations issued by corporations.

Custodian

A bank, agent, trust company, or other organization responsible for safeguarding financial assets.

Duration

A common gauge of the price sensitivity of a fixed income asset or portfolio to a change in interest

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rates.

Effective Duration

The duration calculated using the approximate duration formula for a bond with an embedded option, reflecting the expected change in the cash flow caused by the option. Measures the responsiveness of a bond's price taking into account that expected cash flows will change as interest rates change due to the embedded option.

Federal Instrumentality

Government sponsored enterprise whose obligations, although not obligations of the government, carry an implied guarantee of the U.S. Government.

Liquidity Portfolio

Funds primarily managed for anticipated short-term cash flow needs with a secondary emphasis on fulfilling investment objectives.

Portfolio

A collection of financial investments.

Private Placement

The sale of a bond or other security directly to a limited number of investors. For example, sale of stocks, bonds, or other investments directly to an institutional investor like an insurance company, avoiding the need for SEC registration if the securities are purchased for investment as opposed to resale.

Ratings

An evaluation of credit quality of a company's debt issue. Investors and analysts use ratings to assess the riskiness of an investment. Ratings can also be an evaluation a country's creditworthiness or ability to repay, taking into consideration its estimated percentage default rate and political risk. The City utilizes the following rating agencies: Moody's, S&P, and Fitch Investors Service.

Sector

Used to characterize a group of securities that are similar with respect to maturity, type, rating, industry, and/or coupon.

Sector Allocation

Investment of certain proportions of a portfolio in certain sectors.

Treasury Securities

Securities issued by the US Department of the Treasury.

Universe of Managers

A group of managers having a common feature, such as similar outstanding market capitalization or same product line.



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