

AN ORDINANCE AMENDING ORDINANCE NO. 337 ENTITLED "AN ORDINANCE PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND ERECTION OF IMPROVEMENTS TO THE WASTEWATER COLLECTION SYSTEM OF THE CITY OF MEXICO BEACH, FLORIDA; AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$2,303,100 SEWER SYSTEM REVENUE BONDS TO FINANCE A PORTION OF THE COST THEREOF; PLEDGING A LIEN ON THE NET REVENUES OF SAID SYSTEM TO SECURE THE PAYMENT THEREOF; PROVIDING FOR THE ISSUANCE OF TEMPORARY BOND ANTICIPATION NOTES; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH AND PROVIDING AN EFFECTIVE DATE." TO AMEND DEFINITIONS AND CERTAIN OTHER PROVISIONS; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR CONFLICTS; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MEXICO BEACH, FLORIDA, as follows:

SECTION 1. This Ordinance is enacted pursuant to the provisions of Chapter 166, Part II, Florida Statutes, and other applicable provisions of law.

SECTION 2. Article I, Section 1.02 of Ordinance No. 337 is hereby amended as follows:

(A) For the benefit of its inhabitants, the City of Mexico Beach (hereinafter sometimes called the "Issuer") finds, determines and declares that it is necessary for the continued preservation of the health, welfare, convenience and safety of the Issuer and its inhabitants to construct a new wastewater collection system (the "Project") of the Issuer in accordance with certain plans and specifications now on file or to be filed with the City Clerk of the Issuer (the "Clerk").

(B) The Issuer has been advised by its Consulting Engineers that the cost of constructing the Project shall be deemed to include all expenses necessary, appurtenant or incidental thereto, including the cost of any land or interest therein or of any fixtures or equipment, or property necessary or convenient therefor, the cost of labor and materials to complete such construction, engineering and legal expenses, fiscal expenses, expenses for estimates of costs and revenues, expenses for plans, specifications and surveys, interest during construction, if any, administration expenses and all other necessary miscellaneous expenses.

(C) The Pledged Revenues, herein defined, to be derived annually from the rates, rentals, fees and other charges made and collected for the services and facilities

of the Sewer System and the Water System, all as herein defined, will be sufficient to pay the principal and interest on the Bonds herein authorized. It is estimated that the period of usefulness of both the Sewer System and the Water System will exceed forty-one (41) years.

(D) It is deemed necessary and desirable to pledge to the payment of the principal of, redemption premium, if any, and the interest on the Bonds herein authorized, a lien on the Net Revenues derived from the operation of the Sewer System and a lien on the Net Revenues of the Water System. The lien on the Net Revenues of the Water System will be subordinate to the lien thereon in favor of the holders of the Prior Bonds.

(E) This Ordinance is declared to be and shall constitute a contract between the Issuer and the holders of all the Bonds; and the covenants and agreements herein set forth to be performed by the Issuer are and shall be for the equal benefit, protection and security of the holders of any and all the Bonds issued under this Ordinance shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other, except as hereinafter provided.

(F) The Issuer is not, under this Ordinance obligated to levy any taxes on any real or personal property to pay the principal of or interest on the Bonds hereinafter authorized, or to pay the cost of maintaining, repairing and operating the System. The Bonds issued pursuant to this Ordinance shall not constitute a lien upon the System or any other property of the Issuer or any other property situated within its corporate limits, except the Net Revenues of the Sewer System and the Water System in the manner provided herein.

SECTION 3. Article I, Section 1.03. Definitions. is hereby amended as follows:

"Gross Revenues" or "Revenues" derived from operation of the Sewer System shall mean all moneys received from rates, fees, rentals or other charges or income received by the Issuer or accruing to it in the management and operation of the Sewer System, all calculated in accordance with sound accounting practice.

"Gross Revenues" or "Revenues" derived from operation of the Water System shall mean all moneys received from rates, fees, rentals or other charges or income received by the Issuer or accruing to it in the management and operation of the Water System, all calculated in accordance with sound accounting practice.

"Gulf Breeze Loan Agreement" shall have the meaning set forth in Section 3.04(J)(4) hereof.

"Net Revenues" shall mean the Gross Revenues thereof after deducting

therefrom only the Operating Expenses of the same.

“Pledged Revenues” shall mean the Net Revenues of the Water System and the Net Revenues of the Sewer System.

“Prior Bonds” shall mean the remaining bonds outstanding of the not exceeding \$557,700 City of Mexico Beach, Florida Water Revenue Bonds, issued pursuant to Ordinance Number 85, enacted November 14, 1978; not exceeding \$72,200 Water Revenue Bonds, Series 1980, issued pursuant to Ordinance Number 94, enacted November 27, 1979; not exceeding \$721,000 Water System Junior Lien Revenue bonds, Series 1995A and not exceeding \$108,600 City of Mexico Beach, Florida Water System Junior Lien Revenue Bonds, Series 1995B issued pursuant to Ordinance No. 95-297, as amended and supplemented.

“Sewer System” shall mean the complete wastewater system owned, operated and maintained by the Issuer, together with the Project, and any and all improvements, extensions and additions thereto.

“Systems” shall mean collectively the Sewer System and the Water System.

“Water System” shall mean the complete water system owned, operated and maintained by the Issuer and any and all improvements, extensions and additions thereto.

SECTION 4. Article II, Section 2.01. Authorization of Revenue Bonds. is hereby amended as follows:

2.01. Authorization of Revenue Bonds. Subject and pursuant to the provisions of this Ordinance, obligations of the Issuer to be known as "City of Mexico Beach, Florida, Sewer System Revenue Bonds" (hereinafter sometimes referred to as the "Bonds") are hereby authorized to be issued in an aggregate principal amount not exceeding Two Million Three Hundred Three Thousand and One Hundred Dollars (\$2,303,100) for the purpose of providing funds to pay a part of the cost of the Project provided for in Section 1.02(A) hereof.

SECTION 5. Article II, Section 2.07. Form of Bonds. is hereby amended as follows:

[FORM OF SERIAL BOND]

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF BAY

CITY OF MEXICO BEACH
SEWER SYSTEM REVENUE BOND, SERIES 19__

KNOW ALL MEN BY THESE PRESENTS, that the City of Mexico Beach, Florida, a municipal corporation created and existing under and by virtue of the laws of the State of Florida (hereinafter sometimes referred to as the "Issuer"), for value received, hereby promises to pay to _____, or registered assigns, on the first day of September, __, from the special funds hereinafter mentioned at _____, the principal sum of _____ THOUSAND DOLLARS and to pay interest thereon, from the date of the delivery of this Bond to the purchaser thereof solely from said special funds, at the rate of _____ percent (____%) per annum, payable on September 1, __ and annually thereafter on the first day of September of each year until the principal is paid. The principal of and interest on this Bond shall be payable in lawful money of the United States of America. Payment of interest on this Bond on any interest payment date will be made to the person appearing as the registered owner hereof, on the Bond registration books of the Issuer maintained by the Bond Registrar on the 15th day of the month preceding such date, such interest to be paid by check or draft mailed to the registered owner at his address as it appears on such registration books.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$____ of like date, tenor and effect, except as to number, denomination, and date of maturity, issued to finance a part of the cost of constructing improvements to the wastewater collection system of the Issuer, hereinafter referred to as the "System", under the authority of and in full compliance with the Constitution and Statutes of the State of Florida, particularly Chapter 166, Part II, Florida Statutes, the Charter of the City of Mexico Beach, Florida, and an ordinance duly enacted by the Issuer on _____, 199__, as supplemented and amended (herein referred to as the "Ordinance"), and is subject to all the terms and conditions of such Ordinance. All capitalized undefined terms used herein shall have the meaning set forth in the Ordinance. This Bond and the interest hereon are payable solely from and secured by a lien upon and pledge of the Net Revenues to be derived from the operation of the Sewer System and the Water System of the Issuer. The lien on the Net Revenues of the Water System will be junior, inferior and subordinate to the lien in favor of the holders of certain outstanding obligations more fully described in the Ordinance. It is expressly agreed by the owner of this Bond that the full faith and credit of the Issuer are not pledged to the payment of the principal of and interest on this Bond and that such owner shall never have the right to require or compel the exercise of any ad valorem taxing power of the Issuer to the payment of such principal or interest or the cost of maintaining, repairing and operating the System. This Bond and the obligation evidenced hereby shall not constitute a lien upon the System or any part thereof or upon any other property of the Issuer or situated within its corporate limits, but shall constitute a lien only on the revenues pledged for the payment thereof, all in the manner provided in the Ordinance.

In and by the Ordinance the Issuer has covenanted and agreed with the owners of the Bonds of this issue that it will fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the product, services and facilities of the sewer and water system which will always produce cash revenues sufficient to pay, and out of such funds pay the necessary expenses of operating and maintaining the System and which

will be sufficient to pay, and out of such funds pay as the same shall become due the principal of and interest on the Bonds and all reserve, sinking fund or other payments required by the Ordinance and that such rates, rentals, fees or other charges will not be reduced so as to be insufficient to provide funds for such purposes.

(insert provisions for redemption)

provided, however, that Bonds held by the United States of America may be redeemed on any interest due date, including dates prior to September 1, _____, without the payment of a premium, that the Issuer shall have the right to call Bonds redeemable at no premium prior to calling Bonds redeemable at a premium, and that notice of such redemption shall be given in the manner required by the Ordinance.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, exist, have happened and have been performed, in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of this Bond, and of the issue of Bonds of which this Bond is one, does not violate any constitutional, statutory or charter limitations or provisions.

This Bond is and has all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Law of the State of Florida.

This Bond is transferable by the owner hereof in person or by his attorney or legal representative at the office of the Bond Registrar in the manner and subject to the conditions provided in the Ordinance.

IN WITNESS WHEREOF, the City of Mexico Beach, Florida, has issued this Bond and has caused the same to be executed in its name and on its behalf by its Mayor and its corporate seal to be impressed hereon, attested and countersigned by its Clerk, all as of the ____ day of _____, 19__.

CITY OF MEXICO BEACH, FLORIDA

(SEAL)

By _____
Mayor

ATTESTED AND COUNTERSIGNED:

Clerk

Approved as to the terms and
correctness thereof:

City Attorney

FORM OF VALIDATION CERTIFICATE

This Bond is one of a series of Bonds which were validated by judgment of the Circuit Court for Bay County, Florida, rendered on _____, 19__.

Mayor

ASSIGNMENT

For valuable consideration, the _____ acting through the _____, does hereby assign, transfer and deliver to _____ all of its right, title and interest in and to this Bond and all rights belonging or appertaining to the assignor under and by virtue of this Bond.

By _____
Title _____

Witnesses:

PROVISIONS FOR REGISTRATION

This Bond is registered as to both principal and interest on the books kept by the Clerk, as Bond Registrar, such registration being noted hereon by the Bond Registrar in the registration blank below, the interest being payable only to the registered holder, remitted by mail, and no transfer shall be valid unless made on said books by the registered holder or his legal representative and similarly noted in the registration blank below.

Date of Registration	Name and Address of Registered Owner	Signature of Bond Registrar
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

[FORM OF SINGLE FULLY-REGISTERED BOND IF GOVERNMENT IS PURCHASER]

No. R-1

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF BAY
CITY OF MEXICO BEACH
SEWER SYSTEM REVENUE BOND, SERIES 19__

KNOW ALL MEN BY THESE PRESENTS, that the City of Mexico Beach, Florida, a municipal corporation created and existing under and by virtue of the laws of the State of Florida (the "Issuer"), for value received, hereby promises to pay to the United States of America (the "Government") from the special funds hereinafter mentioned, the principal sum of _____ Dollars (\$____) on the first day of September in the years and installments as follows:

YEAR AMOUNT YEAR AMOUNT YEAR AMOUNT

and to pay, solely from such special funds, interest on the principal sum from time to time remaining unpaid, from the date of the delivery of this Bond to the purchaser hereof, at the rate of _____ percent (_____%) per annum, payable on September 1, ____, and annually thereafter on the first day of September of each year. Both principal of and interest on this Bond are payable to the Government at the offices of the United States Department of Agriculture, 932 North Ferdon Boulevard, Suite B, Crestview, Florida 32536, or at such places as the Government shall from time to time in writing designate to the Issuer, in lawful money of the United States of America. Payments of principal and interest, including prepayments of installments of principal as hereinafter provided, shall be noted by the owner hereof on the Payment Record made a part of this Bond, and written notice of the making of such notation shall be promptly sent to the Issuer. Upon final payment of principal and interest, this Bond shall be surrendered to the Issuer.

This Bond represents an authorized issue of Bonds in the aggregate principal amount of \$_____ issued to finance a part of the cost of constructing improvements to the wastewater collection system of the Issuer (the "System"), under the authority of and in full compliance with the Constitution and Statutes of the State of Florida, particularly Chapter 166, Part II, Florida Statutes, the Charter of the City of Mexico Beach, Florida, and an ordinance duly enacted by the Issuer on _____, 1997, as supplemented and amended (the "Ordinance"), and is subject to all the terms and conditions of the Ordinance. All capitalized undefined terms used herein shall have the meaning set forth in the Ordinance.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of the Net Revenues to be derived from the operation of the Sewer System and the Water System of the Issuer. The lien on the Net Revenues of the Water System will be junior, inferior and subordinate to the rights of certain other obligations more fully described in the Ordinance.

It is expressly agreed by the owner of this Bond that the full faith and credit of the Issuer are not pledged to the payment of the principal of and interest on this Bond and that such owner shall never have the right to require or compel the exercise of any ad valorem taxing power of the Issuer to the payment of such principal and interest or the cost of maintaining, repairing and operating the Systems of the Issuer. This Bond and the obligation evidenced hereby shall not constitute a lien upon the System or any part thereof or upon any other property of the Issuer or situated within its corporate limits, but shall constitute a lien only on the revenues pledged for the payment thereof, all in the manner provided in the Ordinance.

In and by the Ordinance the Issuer has covenanted and agreed with the owners of the Bonds of this issue that it will fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the product, services and facilities of the sewer system and the water system which will always produce cash revenues which will be sufficient to pay, and out of such funds pay the necessary expenses of operating and maintaining the System and out of such funds pay, as the same shall become due, the principal of and interest on the Bonds and all reserve, sinking fund or other payments required by the Ordinance and that such rates, rentals, fees or other charges will not be reduced so as to be insufficient to provide funds for such purposes.

As provided in the Ordinance, this Bond is exchangeable at the expense of the owner hereof at any time, not more than ninety days after surrender of this Bond to the Clerk, as Bond Registrar, for an equal aggregate principal amount of serial Bonds, registered as to both principal and interest, in the denomination of \$1,000 each, or multiples or fractions thereof, and maturing in the amounts and on September 1 of the years corresponding to the years and amounts of the unpaid installments of principal of this Bond, and in the form of such serial Bonds as provided for in the Ordinance.

The installments of principal payable upon this Bond may, at the option of the Issuer, be prepaid in whole or in part, but only in multiples of \$1,000, in inverse chronological order of the installments, on any interest payment date at par and accrued interest, without premium. Notice of such prepayment shall be given in the manner required by the Ordinance.

It is hereby certified and recited that all acts, conditions, and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, exist, have happened and have been performed, in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto; and that the issuance of this Bond does not violate any constitutional or statutory limitations or provisions.

This Bond is and has all the qualities and incidents of a negotiable instrument under the

Uniform Commercial Code - Investment Securities Law of the State of Florida.

This Bond is transferable by the registered owner hereof in person or by his attorney or legal representative at the office of the Bond Registrar in the manner and subject to the conditions provided in the Ordinance.

IN WITNESS WHEREOF, the City of Mexico Beach, Florida, has issued this Bond and has caused the same to be executed in its name and on its behalf by its Mayor and its corporate seal to be impressed hereon, attested and countersigned by its Clerk, all as of the ____ day of _____, 199__.

CITY OF MEXICO BEACH, FLORIDA

(SEAL)

By _____
Mayor

ATTESTED AND COUNTERSIGNED:

Clerk

Approved as to the terms and
correctness thereof:

City Attorney

VALIDATION CERTIFICATE

This Bond is one of a series of bonds which were validated by judgment of the Circuit Court for Bay County, Florida, rendered on _____, 19__.

Mayor

ASSIGNMENT

For valuable consideration, the UNITED STATES OF AMERICA, acting through the UNITED STATES DEPARTMENT OF AGRICULTURE, does hereby assign, transfer and deliver to _____ all of its right, title and interest in and to this Bond and all rights belonging or appertaining to the assignor under and by virtue of this Bond.

U.S. DEPARTMENT OF AGRICULTURE

By _____
Title _____

Witnesses:

**PRINCIPAL INSTALLMENTS ON WHICH PAYMENTS HAVE
BEEN MADE PRIOR TO DUE DATE**

<u>Principal Due Date</u>	<u>Amount</u>	<u>Principal Prepaid</u>	<u>Principal Balance Due</u>	<u>Date Paid</u>	<u>Signature of Owner</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

[END OF FORM OF FULLY REGISTERED SINGLE BOND]

SECTION 6. Article III, Section 3.01. Bonds Not to be Indebtedness of Issuer. is hereby amended as follows:

3.01. Bonds Not to be Indebtedness of Issuer. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of Florida, but shall be payable solely from and secured by a lien on the Net Revenues of the Sewer System and a lien on the Net Revenues of the Water System of the Issuer. The lien on the Net Revenues of the Water System will be junior, inferior and subordinate to the lien thereon in favor of the holders of the Prior Bonds. No holder of any Bond issued hereunder shall ever have the right to compel the exercise of any ad valorem taxing power, to pay such Bond, the cost of operating and maintaining the System, or be entitled to payment of such Bond from any funds of the Issuer except from the Net Revenues derived from the operation of the Sewer System and the Net Revenues of the Water System in the manner provided herein.

SECTION 7. Article III, Section 3.02. Bonds Secured by Pledged of Net Revenues. is hereby amended as follows:

3.02. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all of the Bonds issued hereunder shall be secured forthwith equally and ratably by a pledge of and a lien upon the Net Revenues derived from the operation of the Sewer System and Net Revenues of the

Water System, as now or hereafter constituted. The lien on the Net Revenues of the Water System will be subject to a prior lien in favor of the holders of the Prior Bonds. The Issuer does hereby irrevocably pledge such funds to the payment of the principal of and interest on the Bonds issued pursuant to this Ordinance, and to the payment therefrom into the Sinking Fund, as hereinafter defined, at the times provided of the sums required to secure to the holders of the Bonds issued hereunder the payment of the principal of and interest thereon at the respective maturities of the Bonds so held by them. The Net Revenues shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claim of any kind in tort, contract or otherwise against the Issuer.

SECTION 8. Article III, Section 3.04. Covenants of the Issuer. is hereby amended as follows:

(A) Annual Budget of Operating Expenses. The Issuer covenants and agrees that on or before the date of completion of construction of the Project, or the date of delivery of the Bonds to the purchasers thereof if either the Sewer System or the Water System shall then be revenue producing, it will adopt a budget of Operating Expenses for the Sewer System and a budget of Operating Expenses for the Water System (the "Annual Budgets") for the remainder of the then current Fiscal Year and thereafter, on or before the first day of each Fiscal Year during which any of the Bonds are outstanding, it will adopt Annual Budgets of Operating Expenses for the ensuing Fiscal Year, and will mail a copy of such budget or amendments thereto to any requesting holder of a Bond. The Issuer covenants that the Operating Expenses incurred in any year will not exceed the reasonable and necessary amounts required therefor, and that it will not expend any amount or incur any obligations for operations, maintenance and repair in excess of the amount provided for Operating Expenses in the Annual Budgets, except upon ordinance by its City Council that such expenses are necessary to operate and maintain the Systems.

(B) Revenue Fund. The Issuer covenants and agrees that as soon as the Bonds shall be delivered to the purchasers thereof, it will establish with a depository in the State of Florida, which is a member of the Federal Deposit Insurance Corporation and which is eligible under the laws of the State of Florida to receive municipal funds, and maintain so long as any of the Bonds are Outstanding, a special fund to be known as the "City of Mexico Beach Water and Sewer Revenue Fund", hereinafter called the "Revenue Fund". Into such Revenue Fund the Issuer shall deposit promptly as received all Gross Revenues of the Sewer System and all Gross Revenues of the Water System; provided, however, that until such time as the Prior Bonds shall no longer be outstanding, the Issuer shall only deposit such revenues of the Water System as shall be available pursuant to the resolutions and ordinances authorizing the Prior Bonds. The Revenue Fund shall be held by the Issuer separate and apart from all other funds and shall be expended and used only in the manner and order specified in paragraphs (C), (D) and (E) of this Section.

(C) Operation and Maintenance Fund. The Issuer hereby agrees to establish with a depository in the State of Florida, which is a member of the Federal Deposit Insurance Corporation, and which is eligible under the Laws of the State of Florida to receive municipal funds, a special fund

to be known as the "City of Mexico Beach Sewer System Operation and Maintenance Fund" which is to be used exclusively for the purpose of receiving funds to be transferred monthly by the Issuer from the Revenue Fund and for paying, as they accrue, the Operating Expenses of the Sewer System and at such time as the Prior Bonds shall no longer be outstanding, the Operating Expenses of the Water System pursuant to the Annual Budgets or pursuant to ordinances by its City Council that such expenses are necessary to operate and maintain the System as provided for in 3.04(A) above. The Issuer shall transfer on or before the 15th day of each month from the Revenue Fund and deposit to the credit of the Operation and Maintenance Fund a sum sufficient to pay the Operating Expenses of the Sewer System and to the extent applicable, the Water System for the current month, all in accordance with the Annual Budget or pursuant to ordinances as provided for herein. Any balance remaining in the Operation and Maintenance Fund at the end of the Fiscal Year and not required to pay costs incurred during said Fiscal Year shall be deposited promptly into the Revenue Fund.

(D) Revenue Bond and Interest Sinking Fund. The Issuer covenants and agrees that as soon as the Bonds are delivered to the purchasers thereof, it will establish with a depository in the State of Florida, which is a member of the Federal Deposit Insurance Corporation, and which is eligible under the laws of the State of Florida to receive municipal funds, and shall maintain so long as any of the Bonds are outstanding, a special fund or funds, collectively called the "City of Mexico Beach Sewer System Revenue Bonds, Series 19__, Bond and Interest Sinking Fund," hereinafter called the "Sinking Fund," to be used exclusively for the purposes hereinafter mentioned. After making the transfers required in paragraph (C), the Issuer shall transfer on or before the 15th day of each month from the Revenue Fund and deposit to the credit of the Sinking Fund the following amounts, in the following order:

(1) Beginning on the 15th day of the month following delivery of the Bonds, an equal pro rata sum sufficient to pay interest on the Bonds on the next ensuing interest payment date when taking into consideration the months remaining until such interest payment date, and the funds on deposit in the Sinking Fund for interest, if any. Thereafter, a sum equal to 1/12 of the amount of one year's interest on all the Bonds then Outstanding, together with the amount of any deficiency in prior deposits for interest; and

(2) Beginning on the 15th day of the month following delivery of the Bonds, an equal pro rata sum sufficient to pay principal due on the next ensuing principal payment date when taking into consideration the months remaining until such principal payment date, and the funds on deposit in the Sinking Fund for principal, if any. Thereafter, a sum equal to 1/12 of the principal of the Bonds maturing on the next succeeding anniversary date, together with the amount of any deficiency in prior deposits for principal.

(3) After fulfillment of the requirements of paragraphs (D)(1) and (2), the Issuer shall transfer on or before the 15th day of each month from the Revenue Fund and deposit to the credit of a special account in the Sinking Fund created pursuant to this Ordinance called the "Reserve Account", the sum of one-twelfth of one-tenth of the Maximum Bond Service Requirement until such time as the funds and investments therein shall equal the Maximum Bond Service Requirement, and

monthly thereafter such amount as may be necessary to maintain the Maximum Bond Service Requirement in the Reserve Account, but not exceeding one-twelfth of one-tenth of the Maximum Bond Service Requirement monthly. Moneys in the Reserve Account shall be used only for (1) paying the principal of and interest on the Bonds in the event that the moneys in the Sinking Fund shall ever be insufficient to meet such payments, (2) paying the cost of repairing or replacing any damage to the Systems which shall be caused by an unforeseen catastrophe, (3) constructing improvements or extensions to the Systems which shall increase Net Revenues and which shall be approved by the Consulting Engineers, if the Issuer shall not then be in default under any of the provisions of this Ordinance, and (4) repaying governmental advances as provided in Section 3.04(U) of this Ordinance.

(E) Transfer of Excess Funds and Provisions for Deficiencies. Subject to the provisions for the disposition of revenues in paragraphs (C) and (D), which are cumulative, the Issuer shall pay any administrative costs which may be due under the Gulf Breeze Loan Agreement, and if no such amounts are due, the Issuer may either (i) transfer on or before the 15th day of each month the balance of excess funds in the Revenue Fund to a special account hereby created and established, to be known as the "City of Mexico Beach Sewer Revenue Bonds Redemption Account", hereinafter referred to as the Redemption Account for prompt use in redeeming Bonds in inverse numerical and maturity order or acquiring Outstanding Bonds for retirement at not to exceed the price of par and accrued interest, subject to such minimum aggregate principal amount of Bonds that may be redeemed as may be specified by subsequent ordinance or resolution of the Issuer or (ii) use such excess funds for any lawful purpose.

If at any time the funds on deposit in the Revenue Fund shall be insufficient to make any payment or deposit required by this Ordinance, the Issuer covenants and agrees that it will make such necessary deposit or payment from any other funds of the Issuer derived from sources other than ad valorem taxation and which may be legally available for such purpose; provided, however, this covenant shall not be read to prohibit the use of such funds for any municipal purpose of the Issuer. Furthermore, this covenant shall not be deemed to be a pledge of or a lien on any legally available funds of the Issuer, other than the Net Revenues of the Sewer System and the Water System.

(G) Rates and Charges. The Issuer covenants and agrees to maintain and collect, so long as any of the Bonds are outstanding, such schedule of rates and charges for the services and facilities of the Sewer System and the Water System which will produce revenues which will be sufficient to pay the Operating Expenses of the Systems and which will be sufficient to provide for the payment of the principal and interest, reserve fund and all other funds and all other payments on all requirements for the Bonds herein authorized; and the Issuer covenants and agrees that so long as any of the Bonds are outstanding and unpaid, at the same time and in like manner that the Issuer prepares its Annual Budget of the Operating Expenses, the Issuer shall annually prepare an estimate of Net Revenues to be derived from the operation of the Sewer System and the Water System for the ensuing Fiscal Year, and to the extent that said Net Revenues are insufficient to pay the debt service requirements on the Bonds during such ensuing year, build up and maintain the required reserve enumerated in paragraph (D) and pay Operating Expenses, the Issuer shall from time to time revise

the fees and rates charged for the use of the services and facilities of the Systems sufficiently to provide the funds required. Such rates, rentals, fees and charges will never be reduced so as to be insufficient to provide funds for such purposes.

(H) Issuance of Other Obligations.

(1) The Issuer covenants and agrees that in the event the cost of construction or completion of the Project shall exceed the dollar amount of Bonds herein authorized, it shall deposit into the Construction Account the amount of such excess out of funds available to it for such purpose, and the Issuer may provide such excess, and only such excess, through the issuance of parity bonds conforming to the requirements of paragraph (3) of this subsection; but except to complete the Project, it will not issue any other obligations payable from or secured by the Net Revenues of the Sewer System and the Water System or any other security pledged to secure payment of the Bonds herein authorized, unless the conditions hereinafter set forth shall be met, or unless the lien of such obligations is junior and subordinate in all respects to the lien of the Bonds.

(2) The Issuer shall have the right to add or finance water or wastewater facilities and related auxiliary facilities, including facilities owned or operated on the Issuer's behalf by other entities, by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the Net Revenues of the Sewer System and the Water System and any other security pledged to these Bonds, provided in each instance that:

(a) The facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the Sewer System or the Water System, as applicable, or its or their revenues are pledged as additional security for the additional parity bonds and the outstanding Bonds.

(b) The Issuer is in compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the revenues of the Systems or any part thereof and has not been in default as to any payments required to be made under this Ordinance for a period of at least the next preceding 24 months, or if at such time the Bonds shall have not been outstanding for 24 months then for the period that the Bonds have been outstanding.

(c) The annual Pledged Revenues for the Fiscal Year next preceding the issuance of additional parity bonds are certified by an independent public accountant employed by the Issuer, to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all the Bonds then outstanding and payable from such pledged revenues, together with 100% of all amounts required to be paid by the Issuer under the ordinances and ordinances authorizing the Prior Bonds.

(d) The estimated average annual Pledged Revenues of the facility or facilities to be constructed and acquired with the proceeds of such additional bonds (and any other funds

pledged as security), when added to the estimated future average annual Pledged Revenues of the then existing Systems shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding Bonds payable from the Pledged Revenues and on the additional Bonds proposed to be issued, together with 100% of all amounts required to be paid by the Issuer under the ordinances and ordinances authorizing the Prior Bonds. Estimates of future revenues and operating expenses shall be furnished by recognized independent consulting engineers and approved by the City Council of the Issuer and by the Mayor thereof, and shall be forecast over a period of not less than ten years from the date of the additional bonds proposed to be issued; provided, however, the conditions provided by this paragraph and by the next preceding paragraph (c) may be waived or modified by the written consent of the holders of seventy-five percent (75%) of the Bonds then outstanding.

(3) Except to the extent provided in (4) below, the Issuer hereby covenants and agrees that in the event additional series of parity bonds are issued, it will provide that said parity bonds shall mature according to a schedule which most closely approximates equal annual installments of combined principal and interest payments for such parity bonds and all other bonds payable from the revenues of the Systems; it will adjust the required deposits into and the maximum amount to be maintained in the Sinking Fund, including the Reserve Account therein, on the same basis as hereinabove prescribed, to reflect the average annual debt service on the additional bonds; and it will make such additional bonds. If in any subsequently issued series of bonds secured by a parity lien on the Pledged Revenues it is provided that excess revenues shall be used to redeem bonds in advance of scheduled maturity or if the Issuer at its option undertakes to redeem outstanding Bonds in advance of scheduled maturity, the Issuer covenants that calls of bonds will be applied to each series of bonds on an equal pro rata basis (reflecting the proportion of the original amount of each series of Bonds outstanding at the time of such call) to the extent that this may be accomplished in accordance with the call provisions of the respective bond series, but the Issuer shall have the right to call any or all outstanding Bonds which may be called at par prior to calling any bonds that are callable at a premium.

(4) Notwithstanding the foregoing, or any provision of the Ordinance to the contrary, the Issuer may enter into one or more loan agreements with the City of Gulf Breeze, Florida, individually or collectively (the "Gulf Breeze Loan Agreement"), providing for the borrowing of funds from the City of Gulf Breeze, Florida Variable Rate Demand Revenue Bonds, Series 1995A, and may grant a lien or liens upon the Net Revenues of the Water System and the Sewer System to secure such obligations on a parity with the liens granted herein to secure the Bonds, provided (i) the holder of the Bonds has consented in writing to the execution of such agreement or agreements. The payments described in Section 3.04(D)(1) and (2) shall be increased to the extent required to pay principal or purchase price of and interest on obligations issued pursuant to the Gulf Breeze Loan Agreement.

(I) Disposal of Facilities. The Issuer covenants and agrees that, so long as any of the Bonds are outstanding, it will maintain its corporate identity and existence and will not sell or otherwise dispose of any of the facilities of the Systems or any part thereof, and, except as provided for above,

it will not create or permit to be created any charge or lien on the revenues thereof ranking equal to or prior to the charge or lien of these Bonds. Notwithstanding the foregoing, the Issuer may at any time permanently abandon the use of, or sell at fair market value, any of its facilities, provided that:

(1) It is in compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the Pledged Revenues, and the debt service reserve for such bonds has been fully established;

(2) It will, in the event of sale, apply the proceeds to either (a) redemption of outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (b) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the Systems as hereinbefore provided;

(3) It has certified, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing Net Revenues; and

(4) It has certified that the estimated Net Revenues of the remaining facilities of the Systems for the next succeeding Fiscal Year, plus the estimated Gross Revenues of the facility, if any, to be added to the Systems, satisfy the earnings test hereinbefore provided in this subsection governing issuance of additional parity bonds.

(J) Insurance on Systems. While any of the Bonds shall remain outstanding, the Issuer shall carry at least the following insurance coverage:

(1) Fire and extended coverage insurance on the insurable portions of the Systems in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any facility or facilities of the Systems, the Issuer shall deposit the insurance proceeds in the Reserve Account and promptly arrange for the application thereof to the repair or reconstruction of the damaged or destroyed portion thereof.

(2) Public liability insurance relating to the operation of the Systems, to the extent of any statutory waiver of sovereign immunity applicable to the Issuer from claims for bodily injury, death or either of such occurrences; and not less than \$10,000 against claims for damage to property of others which may arise from the Issuer's operation of the Systems.

(3) If the Issuer owns or operates a vehicle in the operation of the Systems, vehicular public liability and property damage insurance to the extent of any statutory waiver of sovereign immunity applicable to the Issuer to protect the Issuer from claims for bodily injury and death, and not less than \$10,000 against claims for damage to property of others which may arise from the Issuer's operation of vehicles.

(4) All such insurance shall be carried for the benefit of the holders of the Bonds. All

moneys received for losses under any of such insurance, except public liability are hereby pledged by the Issuer as security for the Bonds herein authorized, until and unless such proceeds are used to remedy the loss or damage for which such proceeds are received, either by repairing the property damaged or replacing the property destroyed within ninety (90) days from the receipt of such proceeds.

(K) Maintenance of Systems. The Issuer will complete the construction of the Project as provided for in this Ordinance in an economical and efficient manner with all practicable dispatch, and thereafter will maintain the Systems in good condition and continuously operate the same in an efficient manner and at a reasonable cost.

(L) No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its Systems nor will any preferential rates be established for users of the same class, and if the Issuer shall avail itself of the facilities or services provided by the Systems, or any part thereof, then the same rates, fees or charges applicable to other customers receiving like service under similar circumstances shall be charged to the Issuer. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges. The revenues so received shall be deemed to be revenues derived from the operation of the Systems and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the Systems.

(M) Failure of User to Pay for Services. Upon failure of any user to pay for services rendered within sixty (60) days, the Issuer shall shut off the connection of such user and shall not furnish him or permit him to receive from the Systems further service until all obligations owed by him to the Issuer on account of services shall have been paid in full. This covenant shall not, however, prevent the Issuer from causing any Systems connection to be shut off sooner.

(N) Enforcement of Collections. The Issuer will diligently enforce and collect the rates, fees and other charges for the services and facilities of the Systems and will take all reasonable steps, actions and proceedings for the enforcement and collection of such rates, charges and fees as shall become delinquent to the full extent permitted or authorized by law, and will maintain accurate records with respect thereof. All such fees, rates, charges and revenues herein pledged shall, as collected, be held in trust to be applied as provided in this Ordinance and not otherwise.

(O) Compliance with Laws and Regulations. The Issuer covenants and agrees to perform and comply with, in every respect, any loan agreements relating hereto which it might have with the Government, or with any other governmental agency and all applicable State laws and regulations and to continually operate and maintain the Systems in good condition. All provisions of the Letter of Conditions of the Government dated as of March 25, 1996, as amended and supplemented, are incorporated herein by reference as if fully set forth at length.

(Q) Records and Audits. The Issuer shall keep books and records of the revenues of the Systems, which such books and records shall be kept separate and apart from all other books, records

and accounts of the Issuer, and any owner of a Bond or Bonds issued pursuant to this Ordinance shall have the right to, at all reasonable times, inspect all records, accounts and data of the Issuer relating thereto.

So long as any of the Bonds shall be outstanding, the Issuer will furnish on or before one hundred eighty (180) days after the close of each Fiscal Year, to any Bond owner who shall request the same in writing, copies of an annual audit report prepared by an independent public accountant or an auditing official of the State of Florida, covering for the preceding Fiscal Year, in reasonable detail, the financial condition and record of operation of the Systems and any other facilities the revenues of which are pledged to the payment of the Bonds.

(R) Connection with Systems. The Issuer will, to the full extent permitted by law, require all lands, buildings, residences and structures within its corporate limits which can use the facilities and services of the Systems to connect therewith and use the facilities and services thereof, and to cease the use of all other facilities. The Issuer will not grant a franchise for the operation of any competing wastewater or water system until all Bonds issued hereunder, together with interest thereon, shall have been paid in full.

(S) Fidelity Bond. The Issuer will require each employee who may have possession of money derived from the operation of the Systems to be covered by a fidelity bond written by a responsible indemnity company in an amount fully adequate to protect the Issuer from loss, all in compliance with the conditions imposed by the Government's Letter of Conditions.

(T) Government Approval of Extensions and Financing. Anything herein to the contrary notwithstanding, if the Government is the purchaser of any of the Bonds, the Issuer will not borrow any money from any source or enter into any contract or agreement or incur any other liability in connection with making extensions or improvements other than normal maintenance of the Systems, or make any substantial extensions or substantial enlargements of the Systems, or permit others to do so, without obtaining the prior written consent of the Government, while the Government continues to own any of the Bonds.

SECTION 9. All ordinances or parts of ordinances in conflict with the provisions of this Ordinance are hereby repealed to the extent of such conflict.

SECTION 10. If any word, phrase, clause, section, or portion of this Ordinance shall be held invalid or unconstitutional by a court of competent jurisdiction, such portion or words shall be deemed a separate and independent provision and such holding shall not affect the validity of the remaining portions thereof.

SECTION 11. This Ordinance shall take effect upon enactment by the City Council.

Enacted at a special meeting of the City Council on the 30th day of March, 1999.

CITY COUNCIL OF THE CITY OF MEXICO BEACH,
FLORIDA

(Seal)

By: *Garry L. Gaddis*
Mayor - Garry L. Gaddis

ATTEST:

Patricia L. Hutchinson
Clerk

APPROVED AS TO FORM:

City Attorney