

**GULF BREEZE CITY COUNCIL**  
**REGULAR MEETING AGENDA**

**OCTOBER 17, 2016**  
**MONDAY, 6:30 P.M.**  
**COUNCIL CHAMBERS**

1. **ROLL CALL, INVOCATION, AND PLEDGE OF ALLEGIANCE**

2. **APPROVAL OF MINUTES**

October 3, 2016, Regular Meeting Minutes  
October 3, 2016, Gulf Breeze Financial Services Board of Directors Meeting Minutes  
October 3, 2016, Community Redevelopment Agency Board of Directors Meeting Minutes  
October 12, 2016, Workshop (Bay Bridge/Deadman’s Island)

3. **PROCLAMATIONS AND PRESENTATIONS**

Recognition of Firefighter Carl Hoffman, III  
Presentation of Finance Dashboard

4. **RESOLUTIONS AND ORDINANCES**

- |                      |                                                                                                                                                                                                                                            |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Resolution No. 29-16 | Adopting a Master Resolution for the 2016 South Santa Rosa Utility System                                                                                                                                                                  |
| Resolution No. 30-16 | Adopting a Resolution for bond not to exceed \$2,700,000 of 2016 South Santa Rosa Utility System Refunding Revenue Note, Series 2016                                                                                                       |
| Resolution No. 33-16 | Adopting a Resolution requesting the U.S. Coast Guard and the Federal Highway Administration seek input from appropriate authorities with regards to the finding of no significant impact to Deadman’s Island from new bridge construction |

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***PUBLIC HEARING***

- |                      |                                                                               |
|----------------------|-------------------------------------------------------------------------------|
| Resolution No. 31-16 | Increasing Water and Waste Water Rates for City of Gulf Breeze Customers      |
| Resolution No. 32-16 | Increasing Water and Waste Water Rates for South Santa Rosa Utility Customers |

5. **CONSENT AGENDA ITEMS\***

- A. Authorization for the Mayor to sign a conflict of waiver letter with regards to the refinancing of the South Santa Rosa Utility bonds

- B. Declaring a 1995 6' x 10' utility trailer and a Vermeer V3550A Trencher, VIN#1VRS072P8Y1001589, as surplus property
- C. Approval of Development Order to replace an existing retaining wall at 107 Chanteclair Circle. Darryl G. and Colleen Lapointe, owners.
- D. Approval of a contract with Roads, Inc. for resurfacing a portion of Poinciana Court and Poinciana Drive from Laruna to Nandina Drive.
- E. Approval of a Memorandum of Understanding with the Department of Homeland Security for use of e-verify system.
- F. Approval of an emergency repair to the Bahama Bay Liftstation and authorizing payment to Utility Services Company in the amount of \$45,166.50.
- G. Approval to readvertise the sale of 417 Fairpoint via bids
- H. Approval to pay \$880.00 to the West Florida Regional Planning Council for Fiscal Year 2017 dues
- I. Consideration of a Masters Services Agreement with Dewberry Engineers
- J. Discussion of AT&T Class Action Settlement

*\*These are items considered routine in nature and will be considered by one motion. If any citizen wishes to voice an opinion on one of the items, you should advise the Council immediately.*

6. **ACTION AGENDA ITEMS:**

- A. Approval of a Fall Festival to be held on November 19, 2016

7. **NEW ITEMS**

8. **INFORMATION ITEMS**

9. **PUBLIC FORUM**

10. **ADJOURNMENT**

*If any person decides to appeal any decisions made with respect to any matter considered at this meeting or public hearing, such person may need to insure that a verbatim record of the proceedings is made, which record includes the testimony and any evidence upon which the appeal is to be based. The public is invited to comment on matters before the City Council upon seeking and receiving recognition from the Chair. If you are a person with a disability who needs accommodation in order to participate in a public hearing you are entitled to the provision of certain assistance. Please contact the City Clerk's office at (850) 934-5115 or at 1070 Shoreline Drive, Gulf Breeze at least one (1) week prior to the date of the public hearing.*

MINUTES OF THE REGULAR MEETING OF THE  
CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA

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The 1,304<sup>th</sup> Regular Meeting of the Gulf Breeze City Council, Gulf Breeze, Florida, was held at Gulf Breeze City Hall on Monday, October 3, 2016, at 6:30 p.m.

**ROLL CALL, INVOCATION, AND PLEDGE OF ALLEGIANCE:**

Upon call of the roll the following Councilmembers were present: Councilwoman Renee Bookout, Mayor Matt Dannheisser, Councilwoman Cherry Fitch, Mayor Pro Tem Joseph B. Henderson, and Councilman David G. Landfair.

The City Clerk gave the invocation and led the Pledge of Allegiance.

**APPROVAL OF MINUTES:**

Councilwoman Fitch made a motion to approve the minutes from the September 19, 2016 Regular meeting. Mayor Pro Tem Henderson seconded. The vote for approval was unanimous.

**PRESENTATION AND PROCLAMATIONS:**

None

**RESOLUTIONS AND ORDINANCES:**

*PUBLIC HEARING*

**Ordinance No. 07-16** Amending Code of Ordinance Section 3-2 regarding the hours of sale of alcoholic beverages **(Second Reading)**

The City Clerk read the Ordinance by title. The Mayor opened the Public Hearing. Having received no comments, Mayor Dannheisser closed the Public Hearing.

Councilwoman Bookout moved for approval of Ordinance No. 07-16. Councilwoman Fitch seconded. The vote for approval was unanimous.

~~Resolution No. 27-16 Adopting a Plan of Finance for Covanta Holding Corporation of up to \$30,000,000 in Capital Trust Agency Bonds and authorizing the Mayor to enter into Amendment No. 71 to Interlocal Agreement  
(This item removed from agenda.)~~

Resolution No. 28-16 Authorizing the Mayor to enter into a Traffic Signal Maintenance and Compensation Agreement with the Florida Department of Transportation

Councilman Landfair moved for approval of Resolution No. 28-16. Councilwoman Bookout

MINUTES OF THE REGULAR MEETING OF THE  
CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA

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seconded. The vote for approval was unanimous.

**CONSENT AGENDA ITEM(S):**

- A. Approval of Special Events application for Gulf Breeze Area Chamber of Commerce for the Gulf Breeze Community Expo and Taste of Gulf Breeze

Reference: Acting Deputy Chief memo dated August 23, 2016

Recommendation: That the City Council approve the special event application request from Gulf Breeze Chamber of Commerce.

- B. Approval of Special Events application for Gulf Breeze Methodist Church for a Church Block Party

Reference: Acting Deputy Chief memo dated September 16, 2016

Recommendation: That the City Council approve the special event application request from Gulf Breeze Methodist Church.

- C. Authorizing the Fire Department to procure five portable radios and one mobile radio from Motorola for \$32,910.29

Reference: Director of Community Services memo dated September 23, 2016

Recommendation: That the City Council authorize the Fire Department to procure five portable radios and one mobile radio to be converted to a base station from Motorola for \$32,910.29.

- D. Approval of Interlocal Agreement with Community Redevelopment Agency

Reference: Deputy City Manager memo dated September 23, 2016

Recommendation: That the City Council enter into an Interlocal Agreement with the Community Redevelopment Agency of Gulf Breeze.

- E. Authorization to pay invoice 337471 in the amount of \$19,863.88 to the Galloway/Johnson Law Firm

Reference: City Clerk memo dated September 22, 2016

Recommendation: That the City Council approve for payment invoice 337471 in the amount of \$19,863.88 to the Galloway/Johnson Law Firm.

MINUTES OF THE REGULAR MEETING OF THE  
CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA

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- F. Authorization to pay invoices 96486 and 96487 in the amount of \$25,532.68 to Smolker, Bartlett, Loeb, Hinds and Sheppard P.A.

Reference: City Clerk memo dated September 22, 2016

Recommendation: That the City Council approve payment of invoices 96486 and 96487 in the amount of \$25,532.68 to Smolker, Bartlett, Loeb, Hinds and Sheppard P.A.

Councilman Landfair moved for approval of consent agenda items A through F. Mayor Pro Tem Henderson seconded. The vote for approval was unanimous.

**ACTION AGENDA ITEMS:**

- A. Authorization for Mayor to sign an Authorization with FS Advisors allowing it to make certain investments of surplus funds

Reference: City Manager memo dated September 23, 2016

Recommendation: That the City Council approve the authorization and that the Mayor sign the document.

Councilwoman Bookout made a motion to approve staff's recommendation. Councilman Landfair seconded. The vote for approval was 4 – 1 with Mayor Pro Tem Henderson dissenting.

*(See below for Action Agenda Items B and C)*

**NEW BUSINESS:**

**INFORMATION ITEMS:** None

**PUBLIC FORUM:**

Randall Sharp, 1634 Kalakaua Court, Gulf Breeze, spoke in opposition of the proposed utility rate increase and consideration of the automatic CPI increases.

Terry Mead, 102 Poinciana Drive, Gulf Breeze, spoke about the Catawba right-of-way lawsuit and attorney's fees related thereto.

Doug Wood, 175 Russ Drive, Gulf Breeze, spoke about the history of the Catawba beach access and the lawsuit.

MINUTES OF THE REGULAR MEETING OF THE  
CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA

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James Campbell, 7214 Lago Vista Court, asked when Ordinance No. 07-16 would take effect. Mayor Dannheisser advised it would take effect immediately.

**COUNCIL COMMENTS:**

Mayor Pro Tem Henderson asked for a report of the regenerative tissue lab and the due date for the Integrity payment. The City Manager advised that a report on the regenerative lab would be presented to Council in the next set of meetings and the Integrity payment is due at the end of October.

Councilman Landfair asked about the status of the golf cart policy. The City Manager advised that the Traffic Calming Task Force will be meeting on October 26, 2016, to have a mobility discussion regarding golf carts. The Mayor said in the meantime the Police Department should enforce the statute regulating golf carts until the Council adopts a different plan.

\* \* \* \* \*

Mayor Dannheisser suspended the Council meeting at 6:51 p.m. to hold the attorney – client session. All present were asked to exit Council Chambers with exception of the Mayor, City Council, City Manager, the City Attorney, Special Council, Ben Zimmern, and court reporter Terry Hoffman.

**ATTORNEY – CLIENT SESSION**

- A. The private attorney – client session confined to settlement negotiations or strategy sessions in connection with the lawsuit brought against the City by Lance Reese and Pete and Mitzi Peters was held after the Regular Meeting of the City Council was adjourned.

Mayor Dannheisser reconvened the City Council meeting at 8:03 p.m. to consider the remaining item on the agenda.

- B. Consideration of professional services agreement with Messer Caparello, P.A.

Reference: Email from Tom Findley dated September 15, 2016

Recommendation: That the City Council retain the law firm Messer Caparello to represent the City with regards to filing an appeal in the lawsuit filed by Lance Reese and Pete and Mitzi Peters against the City and enter into an engagement agreement.

Mayor Pro Tem Henderson made a motion to retain the Messer Caparello law firm. Councilman Landfair seconded. The vote for approval was unanimous.

MINUTES OF THE REGULAR MEETING OF THE  
CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA

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**PUBLIC FORUM: None**

*(Mayor Dannheisser opened the floor for public forum following the attorney-client session.)*

**ADJOURNMENT:** Mayor Dannheisser adjourned the meeting at 8:06 p.m.

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Stephanie D. Lucas, City Clerk

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Matt E. Dannheisser, Mayor

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS FOR THE  
GULF BREEZE FINANCIAL SERVICES**

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A meeting of the Board of Directors for the Gulf Breeze Financial Services, Gulf Breeze, Florida, was convened at the Gulf Breeze City Hall Council Chambers on Monday, October 3, 2016, at 6:46 p.m.

The following members were present: Councilwoman Renee Bookout, Councilwoman Cherry Fitch, Mayor Matt Dannheisser, Mayor Pro Tem Joseph B. Henderson, and Councilman David G. Landfair.

The purpose of the meeting was for the Board of Directors of the Gulf Breeze Financial Services to consider the following:

**AGENDA ITEM**

- A. Authorization to pay invoice 63129 in the amount of \$11,678.03 to Bryant Miller Olive, P.A.

Reference: City Clerk memo dated September 23, 2016

Recommendation: That the City Council meet as the Board of Directors of the Gulf Breeze Financial Services (GBFS) on October 3, 2016, to approve payment of invoice no. 63129 in the amount of \$11,678.03 to Bryant Miller Olive, P.A.

Mayor Pro Tem Henderson made a motion to approve staff's recommendations. Councilman Landfair seconded. The vote for approval was unanimous.

- B. Authorization to pay invoice 9372084 in the amount of \$50,445.16 to Jenner & Block, LLP

Reference: City Clerk memo dated September 22, 2016

Recommendation: That the City Council meet as the Board of Directors of the Gulf Breeze Financial Services (GBFS) on October 3, 2016, to approve payment of invoice no. 9372084 in the amount of \$50,445.16 to Jenner & Block LLP.

The Council asked to be provided with more information about the case. Staff will schedule individual meetings with any councilmember that wanted to meet with Ed Gray to discuss the case.

Mayor Pro Tem Henderson made a motion to approve staff's recommendations. Councilman Landfair seconded. The vote for approval was unanimous.

**ACTION ITEMS:** None

**INFORMATIONAL ITEMS:** None

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS FOR THE  
GULF BREEZE FINANCIAL SERVICES**

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**PUBLIC FORUM:** None

**ADJOURNMENT:** Mayor Dannheisser adjourned the meeting at 6:49 p.m.

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Stephanie D. Lucas, City Clerk

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Matt E. Dannheisser, Mayor

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS FOR THE COMMUNITY  
REDEVELOPMENT AGENCY**

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A meeting of the Board of Directors for the Community Redevelopment Agency, Gulf Breeze, Florida, was convened at the Gulf Breeze City Hall Council Chambers on Monday, October 3, 2016, at 6:49 p.m.

The following members were present: Councilwoman Renee Bookout, Mayor Matt Dannheisser, Councilwoman Cherry Fitch, Mayor Pro Tem Joseph B. Henderson, and Councilman David G. Landfair.

The purpose of the meeting was for the Board of Directors of the Community Redevelopment Agency to consider the following:

**AGENDA ITEM:**

- A. Approval of Interlocal Agreement between the City of Gulf Breeze and Community Redevelopment Agency of Gulf Breeze

Reference: Deputy City Manager memo dated September 23, 2016

Recommendation: That the City Council enter into an Interlocal Agreement with the Community Redevelopment Agency of Gulf Breeze.

Mayor Pro Tem Henderson made a motion to approve staff's recommendations. Councilwoman Bookout seconded. The vote for approval was unanimous.

- B. Authorization to pay invoice 226790 in the amount of \$2,520.00 to VHB

Reference: City Clerk memo dated September 23, 2016

Recommendation: That the City Council meet as the Board of Directors of the Community Redevelopment Agency on Monday, October 3, 2016, and approve payment of invoice no. 226790 in the amount of \$2,520 to VHB.

Councilwoman Fitch made a motion to approve staff's recommendation. Councilwoman Bookout seconded. The vote for approval was unanimous.

**ACTION ITEMS:**

**PUBLIC FORUM:**

**ADJOURNMENT:** Mayor Dannheisser adjourned the meeting at 6:51 p.m.

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Stephanie D. Lucas, City Clerk

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Matt E. Dannheisser, Mayor

## MINUTES OF THE WORKSHOP OF THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA

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A Workshop by the Gulf Breeze City Council, Gulf Breeze, Florida, was convened at Gulf Breeze City Hall on Wednesday, October 12, 2016, at 5:30 p.m.

The following Councilmembers were present: Councilwoman Renee Bookout, Mayor Matt Dannheisser, Councilwoman Cherry Fitch, Mayor Pro Tem Joseph Henderson, and Councilman David G. Landfair.

### 1. ACTION AGENDA ITEMS

- A. Discussion of potential impacts upon Deadman's Island from the project to replace the Pensacola Bay Bridge

Reference: Assistant to City Manager memo dated October 6, 2016

**Recommendation:** That the City Council direct staff to develop a Resolution for the October 17, 2016, agenda requesting that the Florida Department of Transportation and the U.S. Coast Guard seek input from all appropriate agencies and include measures in the permitting of the bridge construction project to protect Deadman's Island and surrounding shoreline for the ongoing effects of the Bay Bridge on Deadman's Island.

The Assistant to City Manager introduced the reason for the workshop and suggested starting with community comments.

Bill Wein, 409 Montrose Boulevard, advised the Council that he represented residents on Gilmore Bayou, Hoffman Bayou, and Woodland Bayou. He advised that the residents are concerned that construction of the new bridge would cause severe erosion and damage to Deadman's Island. He said that they are at risk of losing significant assets that have ecological, archeological, and historical value, as well as potential loss of a 10,000 year old salt marsh and ethical issues (human remains). He is asking that the City get involved in saving Deadman's Island.

Heather Reed with Ecological Consulting Services gave a brief presentation and answered questions from the Council. Ms. Reed offered historical and preservation information on Deadman's Island. She advised that the Florida Department of Transportation sent a letter to the United States Fish and Wildlife Service stating that Deadman's Island may have "indirect impacts" due to the construction of the new bridge. Ms. Reed also stated that the permit is currently at the federal level for review. She advised that the City should contact the Coast Guard and let them know of our concerns.

MINUTES OF THE WORKSHOP OF THE CITY COUNCIL  
OF THE CITY OF GULF BREEZE, FLORIDA

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Dr. Bob Menzer, 88 Highpoint Drive, suggested retaining Dr. Stephen Leatherman (“Dr. Beach”) as an expert to assist the City. He read a brief article outlining Dr. Leatherman’s expertise in environmental (coastal) sciences.

Russ Nolan, 126 Highpoint Drive, asked if Mr. Morgan’s report was being utilized. He asked that the City obtain more breakwater, decide where to place it, how to renourish the island/isthmus, obtain the permits, etc.

Bob Ozburn, 88 Highpoint Drive, suggested getting all concerned agencies together to form a committee.

Staff was been instructed to prepare a resolution asking the proper authorities to consider the negative impacts the new bridge construction will have on Deadman’s Island and ask that measures be taken to preserve and protect the Island. It was also suggested that an ad hoc committee of concerned citizens be created to communicate with the regulatory agencies.

**OPEN FORUM:** None

**ADJOURNMENT:** Mayor Dannheisser adjourned the workshop meeting at 6:25 p.m.

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Stephanie D. Lucas, City Clerk

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Matt E. Dannheisser, Mayor

The Gulf Breeze City Council held an Executive Meeting at Gulf Breeze City Hall on Wednesday, October 12, 2016, at 6:35 p.m.

### **ROLL CALL**

Upon call of the roll the following Councilmembers were present: Councilwoman Renee Bookout, Mayor Matt Dannheisser, Councilwoman Cherry Fitch, Mayor Pro Tem Joseph B. Henderson, and Councilman David G. Landfair.

### **PROCLAMATIONS AND PRESENTATIONS:**

Presentation of Finance Dashboard (*this presentation was moved to the October 17, 2016, Regular meeting*)

### **ACTION AGENDA ITEMS**

A. Setting Fiscal Year 2017 water and sewer rates for utility customers

Reference: City Manager memo dated October 7, 2016

Recommendation: That the City Council hold a Public Hearing on Monday, October 17, 2016, and adopt resolutions increasing water and sewer rates for City and South Santa Rosa Utility customers.

Mayor Pro Tem Henderson made a motion to hold a Public Hearing on October 17, 2016, and adopt resolutions approving the same. Councilman Landfair seconded. The vote for approval was 4 – 1 with Councilwoman Bookout dissenting.

B. Adoption of Resolution 29-16 and Resolution 30-16 for the purpose of refinancing of South Santa Rosa Utility Bonds

Reference: City Manager memo dated October 6, 2016

Recommendation: That the City Council adopt Resolution 29-16 (the Master Resolution) and Resolution No. 30-16 (the Supplemental Resolution) effecting the refinancing of the \$2,700,000 South Santa Rosa Utility bonds.

The City Manager advised that modifications to the resolutions were anticipated once they had been reviewed by the Lender's counsel. The changes are expected to be non-substantive. The City Attorney advised that the Mayor was also being asked to sign a conflict of waiver letter and he had no objections to the form of the waiver.

Councilman Landfair made a motion to approve staff's recommendation and place Resolution 29-16 on the October 17, 2016, Regular Council Meeting Agenda for approval. Mayor Pro Tem Henderson seconded. The vote for approval was unanimous.

Councilwoman Bookout made a motion to approve staff's recommendation and place Resolution 30-16 on the October 17, 2016, Regular Council Meeting Agenda for approval. Councilwoman Fitch seconded. The vote for approval was unanimous.

Councilwoman Bookout made a motion to approve staff's recommendation and place the execution of the conflict of waiver on the October 17, 2016, Regular Council Meeting Agenda for approval. Councilwoman Fitch seconded. The vote for approval was unanimous.

- C. Declaring a 1995 6' X 10' utility trailer and a Vermeer V3550A Trencher, VIN#1VRS072P8Y1001589, as surplus property

Reference: Operations Consultant memo dated September 26, 2016

Recommendation: That the City Council declare the 6' X 10' utility trailer and Vermeer Trencher V3550A surplus and authorize the units to be sold.

Mayor Pro Tem Henderson made a motion to approve staff's recommendation and place the item on the October 17, 2016, Regular Council Meeting Agenda for approval. Councilman Landfair seconded. The vote for approval was unanimous.

- D. Approval of Development Order to replace an existing retaining wall at 107 Chanteclair Circle. Darryl G. and Colleen Lapointe, owners.

Reference: Development Review Board October 4, 2016, Minutes

Recommendation: That the City Council approve the Development Review Board's recommendation to approve the project as submitted.

Mayor Pro Tem Henderson made a motion to approve staff's recommendation and place the item on the October 17, 2016, Regular Council Meeting Agenda. Councilwoman Bookout seconded. The vote for approval was unanimous.

- E. Approval of a contract with Roads, Inc., for resurfacing a portion of Poinciana Court and Poinciana Drive from Laruna to Nadina Drive

Reference: Assistant Director of Public Services memo dated October 5, 2016

Recommendation: That the City Council approve the contract with Roads, Inc., for completion of the Poinciana Court and Poinciana Drive resurfacing for the amount of \$131,358.93.

Council asked staff to determine if this project would cause an amendment to the budget and asked that an update be provided in Monday's Regular meeting packet.

Councilman Landfair made a motion to approve staff's recommendation and place the item on the October 17, 2016 Regular Council Meeting Agenda for approval. Mayor Pro Tem Henderson seconded. The vote for approval was unanimous.

- F. Approval of a Memorandum of Understanding with the Department of Homeland Security for use of E-Verify system

Reference: Assistant Director of Public Services memo dated October 3, 2016

Recommendation: That the City Council approve the use of the Department of Homeland Security E-Verify System and authorize the Mayor to sign the Memorandum of Understanding.

Mayor Pro Tem Henderson made a motion to approve staff's recommendation and place the item on the October 17, 2016, Regular Council Meeting Agenda for approval. Councilman Landfair seconded. The vote for approval was unanimous.

- G. Approval of an emergency repair to the Bahama Bay Liftstation and authorizing payment to Utility Services Company in the amount of \$45,166.50

Reference: Operations Consultant memo dated October 3, 2016

Recommendation: That the City Council declare the repair as an emergency and authorize payment to Utility Services Company of \$45,166.50 to repair the Bahama Bay Liftstation.

Councilwoman Fitch made a motion to approve staff's recommendation and place the item on the October 17, 2016, Regular Council Meeting Agenda. Councilman Landfair seconded. The vote for approval was unanimous.

- H. Approval to readvertise the sale of 417 Fairpoint via bids

Reference: City Manager memo dated October 6, 2016

Recommendation: That the City Council direct staff to readvertise the property at 417 Fairpoint for sale via bids.

Councilwoman Bookout made a motion to approve staff's recommendation and place the item on the October 17, 2016, Regular Council Meeting Agenda for approval. Councilwoman Fitch seconded. The vote for approval was unanimous.

- I. Approval to pay \$880.00 to the West Florida Regional Planning Council for Fiscal Year 2017 dues

Reference: City Manager memo dated October 6, 2016

Recommendation: That the City Council approve the payment of \$880 to the West Florida Regional Planning Council for Fiscal Year 2017 dues.

Councilman Landfair made a motion to approve staff's recommendation and place the item on the October 17, 2016, Regular Council Meeting Agenda for approval. Councilman Bookout seconded. The vote for approval was unanimous.

J. Consideration of a Master Services Agreement with Dewberry Engineers

Reference: Deputy City Manager memo dated October 6, 2016

Recommendation: That the City Council approve the Dewberry Master Services Agreement.

The Deputy City Manager addressed the Council and introduced Bryon Griffith, Stella Wilson, and Joe Rector of Dewberry Engineers. Mr. Griffith addressed the Council and answered questions.

Noah Berry, 6 Cadiz Street, asked questions of Dewberry representatives and the City Manager.

Mayor Pro Tem Henderson made a motion to approve staff's recommendation and place the item on the October 17, 2016, Regular Council Meeting Agenda for approval. Councilwoman Bookout seconded. The vote for approval was unanimous.

K. Setting a date for a capital projects planning workshop

Reference: City Manager memo dated October 7, 2016

Recommendation: That the City Council select a date for a workshop relative to long term capital projects planning.

The Council asked the City Clerk to coordinate the workshop and asked to be provided with the plan and the items discussed during the visioning sessions prior to the meeting.

No action was taken with regards to this item.

**DISCUSSION ITEMS:**

A. Discussion of AT&T Class Action Settlement

Reference: Assistant Director of Public Services memo dated September 22, 2016

Recommendation: That the City Council accept the settlement and not pursue an individual action.

Councilwoman Bookout made a motion to approve staff's recommendation and the place the item on the October 17, 2016, Regular Council Meeting Agenda for approval. Councilwoman Fitch seconded. The vote for approval was unanimous.

**NEW ITEMS:**

- A. Approval of Fall Festival to be held on November 19, 2016

Reference: Verbal report from City Manager

The City Manager would like the Council to place on the October 17, 2016, Regular Council Meeting Agenda consideration of a Fall Festival to be held on November 19, 2016.

With no objection, the item will be placed on the October 17, 2016, agenda.

**INFORMATION ITEMS:** None**PUBLIC FORUM:**

Noah Berry, 6 Cadiz Street, suggested using lots in Peake's Point as public beach access and spoke against the City continuing legal proceedings with regards to the Catawba lawsuit.

**COUNCIL COMMENTS:**

*Councilwoman Bookout* asked if there was an update on settlement negotiations with regards to the Catawba right-of-way lawsuit. She was advised there were no updates.

*Councilman Fitch* advised that Dr. Anz with Andrews Institute Regenerative Lab spoke at the Rotary Club and thanked the City of Gulf Breeze for its support. Dr. Anz had positive comments about the City.

*Mayor Pro Tem Henderson* asked if the CIP report had been received from Integrity and when to expect the \$100,000 from Integrity. The City Manager advised that we had not received the report and the funds would be received by the end of the month.

*Councilman Landfair* advised that GBSA was working on an emergency plan for active shooters. He also stated that the City should consider paying future Councilmembers.

**ADJOURNMENT** Mayor Dannheisser adjourned the meeting at 7:36 p.m.



# *City of Gulf Breeze*

## MEMORANDUM

TO: EDWIN A EDDY, CITY MANAGER  
FROM:  CRAIG S. CARMICHAEL, FIRE CHIEF  
DATE: OCTOBER 6, 2016  
SUBJECT: RECOGNITION OF FIREFIGHTER CARL HOFFMAN, III

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I would like to recognize Firefighter Carl Hoffman, III for his accomplishment of successfully completing Pensacola State College's Emergency Medical Technician (EMT) Program and passed his certification exam. The EMT certification is the first step into the field of pre-hospital care and one of the core certifications for individuals who want to pursue a career in the fire service.

Carl has been with the department for approximately seven years starting out as an Explorer. Since joining, he has also obtained his Firefighter I certification. He comes from a family that has a strong commitment to serving the public. His father, mother and sister are members of the fire department as well. Additionally, his uncle and cousin have been members of this department and currently serve as firefighters with the City of Pensacola and Escambia County.



# City of Gulf Breeze

OFFICE OF THE CITY MANAGER

## MEMORANDUM

To: Mayor and City Council

From:  Edwin A. Eddy, City Manager

Date: October 14, 2016

Subject: Resolution 29-16 and 30-16 – Approving Various Changes to Finance Document and Approving the Refinancing of Not Exceeding \$2,700,000, South Santa Rosa Utility Revenue Bonds

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As discussed by the City Council previously, The City is in position to refinance existing 2004 Revenue Bonds with the issuance of Series 2016 Revenue Refinancing Note. Resolution 29-16 restates and updates the original commitment and statements and Resolution 30-16 authorizes issuance of the 2016 Notes.

The purpose of this action is to lower the interest rate on the existing Revenue Bonds. The result will be a savings of approximately \$40,000 per year for 2017 through 2020 for the South Santa Rosa Utility System. (The interest rate is presently approximately 4%. The new rate will be 1.349%.)

The documents associated with the refinancing are also attached. These include necessary disclosures, form of documents and legal opinions. These documents were prepared by the City's Bond Counsel, Bryant, Miller, and Olive. The documents are acceptable to attorneys for the refinancing lender and the City attorney.

The closing of the new financing is scheduled for Tuesday, October 18. It may be necessary to make minor, non-substantive changes to some of the documents and attachments prior to closing.

### **RECOMMENDATION:**

**THAT THE CITY COUNCIL ADOPT RESOLUTIONS 29-16 AND 30-16 AUTHORIZING AND APPROVING REFINANCING OF EXISTING SOUTH SANTA ROSA UTILITY SYSTEM REVENUE BONDS.**

RESOLUTION NO. 29-16

Adopted October 17, 2016

CITY OF GULF BREEZE, FLORIDA

RELATING TO:

CITY OF GULF BREEZE, FLORIDA  
SOUTH SANTA ROSA UTILITY SYSTEM REVENUE BONDS

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RESOLUTION NO. 29-16

A RESOLUTION OF THE CITY OF GULF BREEZE, FLORIDA, PROVIDING FOR THE ISSUANCE OF SOUTH SANTA ROSA UTILITY SYSTEM REVENUE BONDS TO PAY THE COST OF CERTAIN CAPITAL IMPROVEMENTS TO THE UTILITY SYSTEM AND TO PAY THE COST OF REFUNDING CERTAIN OUTSTANDING OBLIGATIONS OF THE ISSUER; PLEDGING CERTAIN NET REVENUES OF THE UTILITY SYSTEM FOR THE PAYMENT OF SUCH BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA:

**SECTION 1. AUTHORITY FOR THIS RESOLUTION.** This Resolution is adopted pursuant to the Constitution of the State of Florida, Chapter 163, Florida Statutes, Chapter 166, Part II, Florida Statutes, as amended, the Charter of the City of Gulf Breeze, Florida (the "Issuer") and other applicable provisions of law (collectively, the "Act").

**SECTION 2. DEFINITIONS.** Unless the context otherwise requires, the terms used in this Resolution shall have the meanings specified in this Section 2. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Acquired Obligations" shall mean cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination thereof).

"Additional Parity Obligations" shall mean additional obligations issued or incurred in compliance with the terms, conditions and limitations contained herein and which (i) shall have a lien on the Pledged Revenues equal to that of the Outstanding Bonds, (ii) shall be payable from the Pledged Revenues on a parity with the Outstanding Bonds, and (iii) shall rank equally in all other respects with the Outstanding Bonds.

"Amortization Installment" with respect to any Term Bonds of a Series means an amount so designated for mandatory principal installments for the Term Bonds of such Series, and provided that each such installment shall be deemed to be due on a principal maturity anniversary date of each applicable year and the aggregate of such installments for such Series shall equal the aggregate principal amount of Term Bonds of such Series delivered.

“Average Annual Bond Service Requirement” shall mean, as of each date on which a Series of Bonds is issued, the total amount of Bond Service Requirement which is to become due on all Bonds deemed to be Outstanding immediately after the issuance of such Series of Bonds divided by the total number of years for which Bonds are deemed to be Outstanding, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments to be made in prior Bond Years.

“Bond Anticipation Notes” shall mean notes of the Issuer issued in anticipation of any Series of Bonds and shall be secured by a first lien on the proceeds of the Bonds for which such Bond Anticipation Notes were issued.

“Bond Counsel” shall mean any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Service Fund” shall mean the Bond Service Fund created and established pursuant to Section 15 of this Resolution.

“Bond Service Requirement” shall mean, for any Bond Year, at any time, the amount required to be deposited in such Bond Year into the Bond Service Fund, as provided herein. In calculating such amount, the Issuer shall subtract therefrom any amounts to be transferred from the Project Fund for the purpose of paying interest on the Bonds.

“Bond Year” shall mean the period commencing on October 2 of the preceding year and ending twelve months later on October 1.

“Bonds” shall mean ~~Bonds~~bonds, notes or other debt obligations authorized and issued pursuant to this Resolution and any Additional Parity Obligations issued hereafter in accordance with the provisions hereof.

“City Clerk” shall mean the City Clerk of the Issuer or any assistant or deputy City Clerk.

“City Manager” shall mean the City Manager of the Issuer or any acting, assistant or deputy City Manager.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

“Consulting Engineers” shall mean one or more independent, qualified and recognized consulting engineers or firm of consulting engineers having favorable reputation, skill and

experience with respect to the planning and operation of the System who shall be retained from time to time by the Issuer.

“Contributions in Aid of Construction” shall mean any amount or item of money, services, or property received by the Issuer, any portion of which is provided at no cost to the System, which represents an addition or transfer to the capital of the System, and which is utilized to offset the acquisition, improvement or construction costs of the System.

“Cost of Operation and Maintenance” shall mean the then current expenses, paid or accrued, in the operation, maintenance and repair of the System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, allocable administrative and indirect labor costs related to the System, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include expenses not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation, any Bond Service Requirement, any payments in lieu of taxes, franchise fees or other transfers.

“Cost of Operation and Maintenance of the Municipal System” shall mean the then current expenses, paid or accrued, in the operation, maintenance and repair of the Municipal System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, allocable administrative and indirect labor costs related to the System, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include expenses not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation, any debt service on Municipal System Bonds, any payments in lieu of taxes, franchise fees or other transfers.

"Credit Facility" or "Credit Facilities" shall mean either individually or collectively, as appropriate, any Bond Insurance Policy, surety bond, letter of credit, line of credit, guaranty or other instrument or instruments that would enhance the credit of the Bonds.

“Federal Securities” shall mean direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America or obligations guaranteed as to principal or interest by the United States of America, including, but not limited to, obligations of the Resolution Funding Corporation.

“Finance Director” shall mean the Finance Director of the Issuer.

“Financial Advisor” shall mean the financial advisor appointed from time to time by the Issuer.

“Fiscal Year” shall mean the period commencing on October 1 of each year and ending on the next succeeding September 30 or such other annual period as may be prescribed by law from time to time for the Issuer.

“Fitch” shall mean Fitch Ratings, and any assigns or successors thereto.

“Gross Revenues” or “Revenues” shall mean all income and earnings, received by the Issuer or accrued to the Issuer from the ownership, use or operation of the System and all parts thereof, moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms hereof, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year may be designated by the Issuer as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to this Resolution, except the Rebate Fund, and also including any income or earnings (including investment income) derived from the System in any prior Fiscal Year and which is redeposited into the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, but “Gross Revenues” or “Revenues” shall not include proceeds from the sale or other disposition of the System or any part thereof, condemnation awards or proceeds of insurance received with respect to the System and moneys deposited to the Rate Stabilization Fund or the Operating Reserve Fund from the Surplus Fund, including any moneys transferred from the Surplus Fund to the Rate Stabilization Fund within 90 days following the end of a Fiscal Year which the Issuer determines not to be Gross Revenues of such prior Fiscal Year, Contributions in Aid of Construction, or unrealized gains or losses from investments.

“Gross Revenues of Municipal System” shall mean all income and earnings, received by the Issuer or accrued to the Issuer from the ownership, use or operation of the Municipal System and all parts thereof, and shall also include investment income, if any, earned on any fund or account created pursuant to any document authorizing the issuance of any Municipal System Bonds (other than amounts on deposit in any rebate fund), all as calculated in accordance with generally accepted accounting principles, but “Gross Revenues of Municipal System” shall not include proceeds from the sale or other disposition of the Municipal System or any part thereof, condemnation awards or proceeds of insurance received with respect to the Municipal System, Contributions in Aid of Construction with respect to the Municipal System, or unrealized gains or losses from investments.

“Holder” or “Bondholders” or any similar term shall mean any persons who shall be the registered owner of any outstanding Bonds.

“Interest Account” shall mean the special account of the same name created within the Bond Service Fund.

“Interest Date” or “interest payment date” shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

“Issuer” shall mean the City of Gulf Breeze, Florida, a municipal corporation of the State of Florida.

“Maximum Bond Service Requirement” shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirement for the then current or any future Bond Year, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such

Bonds that are to be redeemed from Amortization Installments which were to be made in prior Bond Years.

“Mayor” means the Mayor or Mayor Pro Tem of the Issuer.

“Moody’s” or “Moody’s Investors Service” shall mean Moody’s Investors Services, Inc., and any assigns or successors thereto.

“Municipal System” shall mean the complete and combined (i) water and sewer utility system within the city limits of the Issuer and (ii) gas utility system of the Issuer, now owned, operated and/or maintained by the Issuer and which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

“Municipal System Bonds” shall mean any senior lien bonds of the Issuer payable from the Net Revenues of the Municipal System, any additional parity obligations of such Municipal System Bonds and any obligations issued to refund such Municipal System Bonds, so long as the projected debt service thereon does not increase in any Bond Year.

“Municipal System Net Revenues” shall mean Gross Revenues of Municipal System less Cost of Operation and Maintenance of Municipal System.

“Municipal System Pledged Revenues” shall mean the Municipal System Net Revenues remaining after payment has been made of all required principal, interest, reserves, renewals and replacements in respect of the Municipal System Bonds to the extent required under the terms of such Municipal System Bonds.

“Net Revenues” or “[Net Revenues](#) of the System” shall mean the Gross Revenues or Revenues, after deduction of the Cost of Operation and Maintenance.

“Operating Reserve Fund” shall mean the Operating Reserve Fund created and established pursuant to Section 15 of this Resolution.

“Outstanding” or “Outstanding Bonds” shall mean all Bonds which have been issued pursuant to this Resolution, except:

(i) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(ii) Bonds for the payment or redemption of which cash funds or Acquired Obligations or any combination thereof shall have been theretofore irrevocably set aside in a special account with an escrow agent (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Acquired

Obligations, will be sufficient to pay the principal of, interest on and any redemption premium with respect to such Bonds at maturity or upon their earlier redemption; provided that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of this Resolution or irrevocable instructions directing the timely publication of such notice and directing the payment of the principal of and interest on all such Bonds at such redemption dates shall have been given; and

(iii) Bonds which are deemed paid pursuant to this Resolution or in lieu of which other Bonds have been issued under Sections ~~11~~10 and ~~13~~12 hereof.

“Paying Agent” shall mean any paying agent for Bonds appointed by or pursuant to a Supplemental Resolution and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to a Supplemental Resolution. Once appointed, no resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of Paying Agent.

“Permitted Investments” shall mean investments permitted by applicable law and the Issuer’s written investment policy, if any, as may be further limited as set forth in a Supplemental Resolution of the Issuer.

“Person” shall mean an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

“Pledged Revenues” shall mean (i) the Net Revenues of the System, (ii) to the extent necessary, the Municipal System Pledged Revenues, (iii) until applied in accordance with this Resolution, the moneys on deposit in the various funds and accounts created pursuant to this Resolution, except (A) as for the Rebate Fund and (B) the Revenue Fund, to the extent moneys therein shall be required to pay the Cost of Operation and Maintenance in accordance with the terms hereof.

“Principal Account” shall mean the special account of the same name created within the Bond Service Fund.

“Project” or “Projects” shall mean any actual, proposed or potential acquisition, addition, extension, supplement, or replacement of the System or joint ownership of similar properties or any interest therein or any right to use the capacity from any facilities or services thereof, any related capital improvements, or any other lawful purpose, all as determined by the Issuer and in accordance with plans and specifications on file or to be filed with the Issuer.

“Project Costs” shall mean all costs authorized to be paid from the Project Fund pursuant to Section 17 hereof to the extent permitted under the laws of the State. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities related to the System, the Project or approved by the Issuer for a lawful purpose which on the date of this Resolution or in the future shall be permitted to be funded with the proceeds of any Series of Bonds pursuant to the laws of the State.

“Project Fund” shall mean the Project Fund created and established pursuant to Section 15 of this Resolution.

“Prudent Utility Practice” shall mean, in respect of any particular municipal utility industry, any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of such utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

“Qualified Independent Consultant” shall mean one or more qualified and recognized independent consultants, having favorable repute, skill and experience with respect to the acts and duties of the Qualified Independent Consultant to be provided to the Issuer, as shall from time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants.

“Rate Stabilization Fund” shall mean the “Rate Stabilization Fund” established pursuant to Section 15 hereof.

“Rebate Fund” shall mean the Rebate Fund created pursuant to Section ~~2827~~ of this Resolution.

“Record Date” shall mean each date that is 15 days prior to an interest payment date.

“Redemption Account” shall mean the special account of the same name created within the Bond Service Fund.

“Refunding Bonds” shall mean that amount of any Series of Bonds, the proceeds of which will be applied to the refunding of any previously issued Bonds.

“Registrar” shall mean any registrar for the Bonds appointed by or pursuant to Supplemental Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution. Once appointed, no resignation or removal of the Registrar shall become effective until a successor has been appointed and has accepted the duties of Registrar.

“Renewal, Replacement and Improvement Fund” shall mean the Renewal, Replacement and Improvement Fund created and established pursuant to Section 15 of this Resolution.

“Reserve Fund” shall mean the Reserve Fund created and established pursuant to Section 15 of this Resolution.

"Reserve Fund Insurance Policy" shall mean an insurance policy or surety bond deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 19(B)(2) hereof. The Reserve Fund Insurance Policy is a Credit Facility.

"Reserve Fund Letter of Credit" shall mean an unconditional irrevocable letter of credit or line of credit (other than a Reserve Fund Insurance Policy) deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 19(B)(2) hereof. The Reserve Fund Letter of Credit is a Credit Facility.

"Reserve Requirement" shall be the lesser of (i) the Maximum Bond Service Requirement with respect to Bonds secured by the Reserve Fund, (ii) 125% of the Average Annual Bond Service Requirement with respect to Bonds secured by the Reserve Fund, or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes with respect to Bonds secured by the Reserve Fund; provided, however, the Issuer shall establish by Supplemental Resolution a different Reserve Requirement for an account of the Reserve Fund which secures a Series of Bonds pursuant to Section 19(B)(2) hereof.

"Resolution" shall mean this Resolution as from time to time may be amended or supplemented by Supplemental Resolution, in accordance with the terms hereof.

"Revenue Fund" shall mean the Revenue Fund created and established pursuant to Section 15 of this Resolution.

"Separately Financed Project" means any Project described as such in Section ~~27~~26 hereof.

"Serial Bonds" shall mean all of the Bonds other than Term Bonds.

"Series" or "Series of Bonds" or "Bonds of a Series" shall mean all Bonds designated as being of the same Series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to this Resolution.

"Series 2016A Loan" shall mean the loan to the Issuer pursuant the Series 2016A Loan Agreement.

"Series 2016A Loan Agreement" shall mean the Loan Agreement dated as of May 4, 2016, between the Issuer, as sponsor of the Series 2016 Local Government Loan Program and the Issuer, as Participant in such Program.

"South Santa Rosa Sewer System" shall mean the complete sewer system now owned, operated and/or maintained by the Issuer in that portion of the county east of the city limits of the Issuer, and which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or

intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

“South Santa Rosa Water System” shall mean the complete water system now owned, operated and/or maintained by the Issuer in that portion of the county east of the city limits of the Issuer, or which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

“SRF Loan Agreement” shall mean the Clean Water System Revolving Fund Loan Agreement WW722120 dated as of October 6, 2009, between the Issuer and the State of Florida Department of Environmental Protection, as heretofore amended and as may be hereafter amended.

“State” shall mean the State of Florida.

“Standard & Poor’s” or “Standard & Poor’s Corporation” or “S&P” shall mean Standard and Poor’s Ratings Group and any assigns and successors thereto.

“Subordinated Debt” shall mean (i) the SRF Loan Agreement, (ii) the Series 2016A Loan, (iii) Limited Guaranty pursuant to a Limited Guaranty Agreement between the Issuer and AmSouth Bank (the “Bank”) of one-third of certain indebtedness of Fairpoint Regional Utility System, Inc. (“Fairpoint”), under a reimbursement agreement between Fairpoint and AmSouth Bank entered into in connection with the Bank’s issuance of a letter of credit securing Fairpoint’s Variable Rate Demand Taxable Notes, Series 2002, issued in the aggregate principal amount of \$13,000,000, and (iv) any obligations payable on a junior, inferior and subordinate basis under Section 19(B)(~~23~~) hereof. “Subordinated Debt” shall include any other obligations payable from any of the Pledged Revenues on a junior, inferior and subordinate basis to the Bonds.

“Subordinated Debt Service Fund” shall mean the Subordinated Debt Service Fund.

“Supplemental Resolution” shall mean any Resolution of the Issuer amending or supplementing this Resolution adopted and becoming effective in accordance with the terms of Sections ~~2221~~ and ~~2322~~ hereof.

“System” or “Utility System” shall mean, collectively, the South Santa Rosa Water System and the South Santa Rosa Sewer System of the Issuer. Upon compliance with the provisions of Section ~~2625~~ hereof, the term “System” may be deemed to include other utility functions added to the System, including, but not limited to a residential reuse system, the acquisition, distribution and sale of natural gas, the providing and/or undergrounding of electricity, the providing of cable television services, the providing of telecommunication services or other utility functions that are authorized from time to time pursuant to the Act.

Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interest in properties of the Issuer which the Issuer determines shall not constitute a part of the System for the purpose of this Resolution.

“Term Bonds” shall mean the Bonds other than Serial Bonds which shall be stated to mature on one date, and shall have such Amortization Installments, as shall be determined by Supplemental Resolution of the Issuer.

The terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms shall refer to this Resolution; the term “heretofore” shall mean before the date of adoption of this Resolution; and the term “hereafter” shall mean after the date of adoption of this Resolution. Words importing the masculine gender include every other gender. Words importing the singular number include the plural number, and vice versa.

**SECTION 3. FINDINGS.** It is hereby ascertained, determined and declared that:

(A) The Issuer now owns, operates and maintains the System and Municipal System and is empowered to maintain, operate, improve and extend such System and Municipal System and regulate and fix reasonable rates and charges for the services furnished thereby.

(B) It serves a paramount public purpose and is in the best interests of the Issuer, the residents thereof and the other current users of the System that the Issuer authorizes the issuance of Bonds for the constructing and acquiring of certain additions, extensions, replacements and improvements to the Utility System as more particularly described herein.

(C) The costs associated with issuance of Bonds shall be deemed to include, but not limited to, legal fees and expenses, engineering expenses, fiscal expenses, underwriting fees and expenses, rating agency fees, expenses for estimates of costs and of revenues, accounting expenses, municipal bond insurance premiums, surety policy premiums, if applicable, costs of printing, fees and expenses for the escrow agent, fees and expenses for the paying agent and registrar, fees and expenses for verification, accrued and capitalized interest, provisions for reserves, and such other fees and expenses as may be necessary or incidental for the financing herein authorized.

(D) The principal of and interest and redemption premium on the Bonds and all reserve and other payments shall be payable solely from the Pledged Revenues. **The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Bonds herein authorized or to make any other payments provided for herein. The Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer or upon any property other than the Pledged Revenues.**

(E) The Pledged Revenues should be sufficient to pay all principal of and interest and redemption premium on the Bonds issued hereunder, as the same become due, and to make all required deposits or payments required by this Resolution.

(F) While the purpose of this Resolution is to establish general terms of the Bonds, it is recognized that new, innovative and beneficial methods of financing may exist or may be developed in future years which are not specifically authorized by this Resolution. Because of such fact, it is the intention of the Issuer that the amendment provisions contained herein be broadly interpreted in order to provide the broadest possible financing alternatives for the Issuer for so long as the security of the Holders of any Bonds then Outstanding shall not be impaired.

**SECTION 4. THIS RESOLUTION TO CONSTITUTE CONTRACT.** In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of the Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided therein and herein.

**SECTION 5. AUTHORIZATION OF BONDS.** Subject and pursuant to the provisions hereof, obligations of the Issuer to be known as "South Santa Rosa Utility System Revenue Bonds", which may be issued from time to time, are hereby authorized to be issued. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs. The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined herein or by Supplemental Resolution of the Issuer.

**SECTION 6. DESCRIPTION OF THE BONDS.** Any Bonds issued hereunder are hereby authorized to be issued in fully registered form without coupons; may be Serial Bonds or Term Bonds; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R" if Serial Bonds or Term Bonds; shall be in the denomination of \$5,000 each, or integral multiples thereof for the Serial Bonds and Term Bonds, or such other denominations as shall be approved by the Issuer in a Supplemental Resolution; shall bear interest at such rate or rates not exceeding the maximum rate allowed by State law, the actual rate to be approved by the governing body of the Issuer prior to or upon the sale of the Bonds; such interest to be payable semiannually at such times as are fixed by Supplemental Resolution of the Issuer if Serial Bonds or Term Bonds, and shall mature annually on such date in such years and such amounts or such other payment dates as will be fixed by Supplemental

Resolution of the Issuer prior to or upon the sale of the Bonds; all as the Issuer shall provide herein or hereafter by Supplemental Resolution.

Each Serial or Term Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication, payment of any interest which is due and payable has not been made, such Serial or Term Bond shall bear interest from the date to which interest shall have been paid.

The principal of and the interest and redemption premium, if any, on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The interest on the Serial or Term Bonds shall be payable by the Paying Agent on each interest payment date, or the first business day following an interest payment date if such interest payment date is not a business day, to the person appearing on the registration books of the Issuer hereinafter provided for as the registered Holder thereof, by check or draft mailed to such registered Holder at his address as it appears on such registration books or by wire transfer to Holders of \$1,000,000 or more in principal amount of the Bonds. Payment of the principal of all Serial or Term Bonds (reduced by any Amortization Installments previously paid by the Issuer on any Term Bonds) shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

As long as any Bonds are outstanding in book-entry form, the provisions of this Resolution which are inconsistent with such system of book-entry registration shall not be applicable to such Bonds, and the Issuer covenants to cause adequate records to be kept with respect to the ownership of any Series of Bonds issued in book-entry form or the beneficial ownership of bonds issued in the name of a nominee.

**SECTION 7. EXECUTION OF BONDS.** The Bonds in the form herein below set forth shall be signed by, or bear the facsimile signature of the Mayor and shall be attested by, or bear the facsimile signature of, the City Clerk, and a facsimile of the official seal of the Issuer shall be imprinted on the Bonds. In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if such person remained in office until such delivery. Any Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Bond, shall be the proper officers to sign such Bonds although, at the date of such Bond, such persons may not have been such officers.

**SECTION 8. AUTHENTICATION OF BONDS.** Only such of the Bonds as shall have endorsed thereon a certificate of authentication substantially in the form herein below set forth, duly executed by the Registrar, as authenticating agent, shall be entitled to any benefit or security under this Resolution. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and

such certificate of the Registrar upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The Registrar's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication of all of the Bonds that may be issued hereunder at any one time.

**SECTION 9. EXCHANGE OF BONDS.** Any Bonds, upon surrender thereof at the designated corporate trust office of the Registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Bondholder, be exchanged for an aggregate principal amount of Bonds of the same Series equal to the principal amount of the Bond or Bonds so surrendered.

The Registrar shall make provision for the exchange of Bonds at the designated corporate trust office of the Registrar.

**SECTION 10. NEGOTIABILITY, REGISTRATION AND TRANSFER OF BONDS.** The Registrar shall keep books for the registration of and for the registration of transfers of Bonds as provided in this Resolution. The transfer of any Bonds may be registered only upon such books and only upon surrender thereof to the Registrar together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such registration of transfer, the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Bond, a new Bond or Bonds registered in the name of the transferee, and in an aggregate principal amount equal to the principal amount of such Bond or Bonds so surrendered and of the same Series.

In all cases in which Bonds shall be exchanged, the Issuer shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, a new Bond or Bonds of the same type (e.g., Serial Bonds will be exchanged for Serial Bonds) and of the same Series in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Registrar. The Issuer or the Registrar may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Bondholder for the privilege of exchanging or registering the transfer of Bonds under the provisions of this Resolution. Neither the Issuer nor the Registrar shall be required to make any such exchange, registration or transfer of Bonds between an interest payment date and the Record Date to which [the](#) interest payment date relates.

**SECTION 11. OWNERSHIP OF BONDS.** The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Bond, and the interest on any such Bonds shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and

discharge the liability upon such Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

**SECTION 12. BONDS MUTILATED, DESTROYED, STOLEN OR LOST.** In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, cause to be executed, and the Registrar shall authenticate and deliver, a new Bond of like date and tenor as the Bond so mutilated, destroyed, stolen or lost (e.g., Serial Bonds shall be issued in exchange for Serial Bonds) in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer and the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be canceled by the Issuer. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 12 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder.

**SECTION 13. PROVISIONS FOR REDEMPTION.** The Bonds shall be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by Supplemental Resolution of the Issuer prior to or at the time of sale of such Series of Bonds.

Notice of such redemption shall, at least thirty (30) days prior to the redemption date or such other date as fixed by Supplemental Resolution, be filed with the Registrar, and mailed by the Registrar on behalf of the Issuer, first class mail, postage prepaid, to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books hereinbefore provided for on the Record Date, but failure to mail such notice to one or more Holders of Bonds, or any defect therein, shall not affect the validity of the proceedings for such redemption with respect to Holders of Bonds to which notice was duly mailed hereunder and no defect occurred. Such notice shall also be sent to the registered securities depositories and to the Electronic Municipal Market Access System ("EMMA"). Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds of one maturity are to be called, the distinctive numbers of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Any notice of optional redemption given pursuant to this Section 13 may state that it is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price, plus interest accrued to the redemption date, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price and accrued

interest if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Paying Agent to affected Holders of Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Each check or other transfer of funds issued by the Registrar for the purpose of the payment of the redemption price of Bonds being redeemed shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Holder a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such partially redeemed Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

**SECTION 14. FORM OF BONDS.** The text of the Bonds, together with the certificate of authentication to be endorsed therein, shall be in substantially the following form, with such omissions, insertions and variations as may be necessary, desirable, authorized or permitted by this Resolution or by any Supplemental Resolution adopted prior to the issuance of a Series of Bonds, or as may be necessary to comply with applicable laws, rules and regulations of the United States and of the State in effect upon the issuance thereof.

[Remainder of page intentionally left blank]

[FORM OF BOND]

No. R-\_\_\_\_\_

\$\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF FLORIDA  
COUNTY OF SANTA ROSA  
CITY OF GULF BREEZE, FLORIDA  
SOUTH SANTA ROSA UTILITY SYSTEM REVENUE BONDS, SERIES \_\_\_\_\_

MATURITY DATE:      INTEREST RATE:      DATED DATE:      CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The City of Gulf Breeze, Florida (hereinafter called the "Issuer") for value received, hereby promises to pay to the order of the Registered Owner identified above or registered assigns, as herein provided, on the Maturity Date identified above, upon the presentation and surrender hereof at the designated corporate trust office of \_\_\_\_\_, \_\_\_\_\_, from the sources hereinafter mentioned, the Principal Amount identified above in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, solely from said sources, to the Registered Owner hereof by wire transfer or check transmitted to the Registered Owner at his address as it appears on the Bond registration books of the Issuer as it appears on the 15th day of the calendar month preceding the applicable interest payment date, interest on said Principal Amount at the Interest Rate per annum identified above on each \_\_\_\_\_ 1 and \_\_\_\_\_ 1 commencing \_\_\_\_\_ 1, \_\_\_\_\_ from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated as of an interest payment date, in which case it shall bear interest from said interest payment date, or unless this Bond is registered and authenticated prior to \_\_\_\_\_, \_\_\_\_\_, in which event this Bond shall bear interest from \_\_\_\_\_, \_\_\_\_\_.

The Bonds of this issue shall be subject to redemption prior to their maturity at the option of the Issuer.

(Insert Optional and/or Mandatory Redemption Provisions, prepayment waiver provisions)

Notice of such redemption shall be given in the manner required by the Resolution described below.

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, principal amount, maturity, redemption provisions and interest rate, issued to \_\_\_\_\_, all in full compliance with the Constitution of the State of Florida, Chapter 163, Florida Statutes, Chapter 166, Part II, Florida Statutes, as amended, the Charter of the City of Gulf Breeze, Florida (the "Issuer") and other applicable provisions of law, and Resolution No. 29-16 duly adopted by the Issuer on \_\_\_\_\_, \_\_\_\_\_, as amended and supplemented (hereinafter collectively called the "Resolution") and is subject to all the terms and conditions of such Resolution. All capitalized undefined terms used herein shall have the meaning set forth in the Resolution.

This Bond is payable solely from and secured by a pledge of (i) the Net Revenues of the System, (ii) to the extent necessary, the Municipal System Pledged Revenues, (iii) until applied in accordance with the Resolution, the moneys on deposit in the various funds and accounts created pursuant to the Resolution, except (A) as for the Rebate Fund and (B) the Revenue Fund, to the extent moneys therein shall be required to pay the Cost of Operation and Maintenance in accordance with the terms hereof (collectively, the "Pledged Revenues") in the manner and to the extent provided in the Resolution. Reference is made to the Resolution for more complete definition and description of the System and the Pledged Revenues.

**This Bond does not constitute a general indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provision or limitation, and it is expressly agreed by the Holder of this Bond that such Bondholder shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer or taxation of any real or personal property therein for the payment of the principal of and interest on this Bond or the making of any debt service fund, reserve or other payments provided for in the Resolution.**

It is further agreed between the Issuer and the Holder of this Bond that this Bond and the indebtedness evidenced thereby shall not constitute a lien upon the System, or any part thereof, or on any other property of or in the Issuer, but shall constitute a lien only on the Pledged Revenues all in the manner provided in the Resolution.

The Issuer covenants to 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 products, services and facilities of the System which will always be sufficient to provide Gross Revenues, together with the Municipal System Pledged Revenues available therefor, in each year sufficient to pay, and out of such funds pay, one hundred percent (100%) of all Cost of Operation and Maintenance of the System in such year and all reserve and other payments provided for in this Resolution, and which will always be sufficient to provide Net Revenues, together with Municipal System Pledged Revenues available therefor, in each year sufficient to pay, and out of such funds pay, one hundred twenty-five percent (125%) of the Bond Service Requirement due in such year on all outstanding Bonds. Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide Gross Revenues, together with

the Municipal System Pledged Revenues available therefor, for such purposes, including, but not limited to, the Rate Covenant set forth above.

The Issuer has entered into certain further covenants with the Holders of the Bonds of this issue for the terms of which reference is made to the Resolution.

It is certified that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and Statutes of the State of Florida.

This Bond is and has all the qualities and incidents of a negotiable instrument under Article 8 of the Uniform Commercial Code, the State of Florida, Chapter 678, Florida Statutes, as amended.

The transfer of this Bond is registrable by the Bondholder hereof in person or by his attorney or legal representative at the designated corporate trust office of the Registrar but only in the manner and subject to the conditions provided in the Resolution and upon surrender and cancellation of this Bond.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Resolution until it shall have been authenticated by the execution by the Registrar of the certificate of authentication endorsed hereon.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the City of Gulf Breeze, Florida, has issued this Bond and has caused the same to be signed by the Mayor and countersigned and attested to by the City Clerk (the signatures of the Mayor and the City Clerk being authorized to be facsimiles of such officers' signatures), and its seal or facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, all as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

CITY OF GULF BREEZE, FLORIDA

(SEAL)

By: \_\_\_\_\_ (manual or facsimile)  
Mayor

ATTESTED:

By: \_\_\_\_\_ (manual or facsimile)  
City Clerk

**CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds issued under the provisions of the within mentioned Resolution.

\_\_\_\_\_  
Registrar, as Authenticating Agent

Date of Authentication:

\_\_\_\_\_ By: \_\_\_\_\_ (manual or facsimile)  
Authorized Officer

**ASSIGNMENT AND TRANSFER**

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_  
\_\_\_\_\_ (Please insert Social Security or other identifying number of transferee) \_\_\_\_\_  
\_\_\_\_\_ the attached bond of the City of Gulf Breeze, Florida, and does hereby constitute  
and appoint, \_\_\_\_\_, attorney, to transfer the said Bond on the books kept for  
Registration thereof, with full power of substitution in the premises.

Date: \_\_\_\_\_

Signature Guaranteed by \_\_\_\_\_

[member firm of the New York Stock  
Exchange or a commercial bank or a trust  
company.]

\_\_\_\_\_

NOTICE: No transfer will be registered and  
no new Bonds will be issued in the name of  
the transferee, unless the signature to this  
assignment corresponds with the name as it  
appears upon the face of the within Bond in  
every particular, without alteration or  
enlargement or any change whatever and the  
Social Security or Federal Employer  
Identification Number of the transferee is  
supplied.

By: \_\_\_\_\_ (manual or facsimile)  
Authorized Officer

[END OF FORM OF BOND]

**SECTION 15. CREATION OF FUNDS.** There are hereby created and established the following funds and accounts, which funds and accounts shall be trust funds held by the Finance Director for the purposes herein provided and used only in the manner herein provided:

(A) The "City of Gulf Breeze South Santa Rosa Utility System Revenue Fund" (hereinafter sometimes called the "Revenue Fund") to be held by the Issuer and to the credit of which deposits of Gross Revenues shall be made as required by Section 19(A) hereof.

(B) The "City of Gulf Breeze South Santa Rosa Utility System Bond Service Fund" (hereinafter sometimes called the "Bond Service Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 19(B)(1) hereof. In such fund there shall be maintained the following accounts: the Principal Account, the Interest Account, and the Redemption Account.

(C) The "City of Gulf Breeze Utilities System Reserve Fund" (hereinafter sometimes called the "Reserve Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 19(B)(2) hereof. In such Fund, there may hereafter be established accounts pursuant to a Supplemental Resolution.

(C) The "City of Gulf Breeze South Santa Rosa Utility System Subordinated Debt Service Fund" (hereinafter sometimes called the "Subordinated Debt Service Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 19(B)(3) hereof.

(D) The "City of Gulf Breeze South Santa Rosa Utility System Renewal, Replacement and Improvement Fund" (hereinafter sometimes called the "Renewal, Replacement and Improvement Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 19(B)(4) hereof.

(E) The "City of Gulf Breeze South Santa Rosa Utility System Rate Stabilization Fund" (hereinafter sometimes called the "Rate Stabilization Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 19(C) hereof.

(F) The "City of Gulf Breeze South Santa Rosa Utility System Operating Reserve Fund" (hereinafter sometimes call the "Operating Reserve Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 19(D) hereof.

(G) The "City of Gulf Breeze South Santa Rosa Utility System Surplus Fund" (hereinafter sometimes called the "Surplus Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 19(B)(5) hereof.

(H) The "City of Gulf Breeze South Santa Rosa Utility System Project Fund" (hereinafter sometimes called the "Project Fund") to be held by the Issuer and to the credit of

which deposits shall be made as required by Section 17 hereof. Within such fund there shall be created, established and maintained separate accounts for each Series of Bonds and furthermore be created, established and maintained separate accounts for capitalized interest funded from the proceeds of any Series of Bonds.

The Revenue Fund, the Bond Service Fund (including the accounts therein), the Renewal, Replacement and Improvement Fund, the Project Fund, the Rate Stabilization Fund, the Operating Reserve Fund, the Surplus Fund and any other special funds herein established and created shall be deemed to be held in trust for the purposes provided herein for such funds. The money in all such funds shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State of Florida.

The moneys required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single account, and funds allocated to the various funds and accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts as herein provided. The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

**SECTION 16. APPLICATION OF BOND PROCEEDS.** The proceeds, including accrued interest and premium, if any, received from the sale of a Series of Bonds shall be applied by the Issuer simultaneously with the delivery of such Series of Bonds to the purchaser thereof, as provided in a Supplemental Resolution authorizing the issuance of such Series of Bonds.

**SECTION 17. DISBURSEMENTS FROM PROJECT FUND.** Moneys on deposit from time to time in the Project Fund shall be used to pay or reimburse the following Project Costs:

(A) Costs incurred directly or indirectly for or in connection with a Project or a proposed or future Project or acquisition including, but not limited to, those for preliminary planning and studies, architectural, legal, financial, engineering and supervisory services, labor, services, materials, equipment, accounts receivable, acquisitions, land, rights-of-way, improvements and installation;

(B) Premiums attributable to all insurance required to be taken out and maintained during the period of construction with respect to a Project to be acquired or constructed, the premium on each surety bond, if any, required with respect to work on such facilities, and taxes, assessments and other charges hereof that may become payable during the period of construction with respect to such a Project;

(C) Costs incurred directly or indirectly in seeking to enforce any remedy against a contractor or subcontractor in respect of any default under a contract relating to a Project or costs incurred directly or indirectly in defending any claim by a contractor or subcontractor with respect to a Project;

(D) Financial, legal, accounting, appraisals, title evidence and printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of such Series of Bonds;

(E) Capitalized interest funded from Bond proceeds, if any, for a reasonable period of time, which shall be deposited in a separate subaccount of the Project Fund and shall be used as provided in a Supplemental Resolution of the Issuer;

(F) Any other incidental and necessary costs including without limitation any expenses, fees and charges relating to the acquisition, construction or installation of a Project, and the making of extraordinary repairs, renewals and replacements, decommissioning or retirement of any portion of the System, including the cost of temporary employees of the Issuer retained to carry out duties in connection with the acquisition, construction or erection of a Project and costs related to transition of such Project into ownership by the Issuer;

(G) Costs incurred directly or indirectly in placing any Project in operation in order that completion of such Project may occur;

(H) Any other costs relating to the System authorized pursuant to a Supplemental Resolution of the Issuer and permitted under the laws of the State subject to the prior written approval of Bond Counsel; and

(I) Reimbursements to the Issuer for any of the above items hereinbefore paid by or on behalf of the Issuer, to the extent deemed advisable by Bond Counsel.

Notwithstanding anything else in this Resolution to the contrary, in the Event of Default, the trustee acting for the Holders of Bonds shall, to the extent there are no other available funds held hereunder, use the remaining funds in the Project Fund to pay principal and interest on the Series of Bonds to which such funds relate and were provided by.

**SECTION 18. SPECIAL OBLIGATIONS 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 the State, but shall be payable solely from and secured by a first lien upon and a pledge of the Pledged Revenues as herein provided. No Holder or Holders of any Bonds issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real or personal property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer.

The payment of principal of and interest on the Bonds shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Bondholders an irrevocable lien on the Pledged Revenues, prior and superior to all other liens or encumbrances on such Pledged Revenues and the Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of, redemption premium, if any, and interest on the Bonds, for the reserves therefor and for all other payments required hereunder. Such amounts hereby pledged and assigned shall immediately be subject to the lien of this pledge without any further physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof.

**SECTION 19. COVENANTS OF THE ISSUER.** For so long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or until the Issuer has made provision for payment of principal, interest and redemption premiums, if any, with respect to the Bonds, as provided herein, the Issuer covenants with the Holders of any and all Bonds as follows:

(A) **REVENUE FUND.** All Gross Revenues of the System shall, upon receipt thereof, be deposited in the Revenue Fund. All deposits into such Revenue Fund shall be deemed to be held in trust for the purposes herein provided and used only for the purposes and in the manner herein provided.

(B) **DISPOSITION OF REVENUES.** All Gross Revenues in the Revenue Fund, after payment of Cost of Operation and Maintenance, shall be disposed of monthly, but not later than the twenty-fifth (25th) day of each month commencing in the month immediately following the delivery of the Bonds only in the following manner and the following order of priority:

(1) The Issuer shall first deposit into the Bond Service Fund and credit to the following accounts, in the following order (except that payments into the Principal Account and the Redemption Account shall be on a parity with each other), the following identified sums:

(a) **Interest Account:** Taking into account actual and anticipated earnings in the Interest Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Outstanding Bonds on the next interest payment date; provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within such Interest Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such Series. Moneys in the Interest Account may be used only for the purposes set forth in this paragraph (a).

(b) **Principal Account:** Taking into account actual and anticipated earnings in the Principal Account of the Bond Service Fund within the current Bond Year, such sum as

will be sufficient to pay one-twelfth (1/12th) of the principal amount of the Outstanding Bonds which will mature and become due on such annual maturity dates beginning the month which is twelve (12) months prior to the first principal maturity date; provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series. Moneys in the Principal Account may be used only for the purposes set forth in this paragraph (b).

(c) Redemption Account: Taking into account actual and anticipated earnings in the Redemption Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such annual maturity date beginning the month which is twelve (12) months prior to the first Amortization Installment date; provided, however, that monthly deposits into the Redemption Account, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting Amortization Installments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Amortization Installments applicable to such Series. The moneys in the Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The Issuer may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the Issuer may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. If Term Bonds are so purchased by the Issuer, the Issuer shall credit the account of such purchased Term Bonds against any current Amortization Installment to be paid by the Issuer. If the Issuer shall purchase or call for redemption in any year Term Bonds in excess of the Amortization Installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the Issuer shall determine. Moneys in the Redemption Account in the Debt Service Fund may be used only for the purposes set forth in this paragraph (c).

(2) To the extent that the amounts on deposit in the Reserve Fund (or any account therein) are less than the applicable Reserve Requirement, the Issuer shall next make deposits into the Reserve Fund (or any account therein) in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund (or any account therein) shall be subsequently restored from the first moneys available in the Revenue Fund, after all required current payments for Cost of Operation and Maintenance as set forth above and all current applications and allocations to the Bond Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal from the Reserve Fund (or any account therein), in no event shall the Issuer be required to deposit into the Reserve Fund (or any account therein) an amount greater than that amount necessary to ensure that the difference between the applicable Reserve Requirement

and the amounts on deposit in the Reserve Fund (or any account therein) on the date of calculation shall be restored not later than sixty (60) months after the date of such deficiency (assuming equal monthly payments into the Reserve Fund (or any account therein) for such sixty (60) month period).

Notwithstanding anything herein to the contrary, the Issuer may establish a separate account in the Reserve Fund for any Series of Bonds and provide a pledge of such account to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by an account of the Reserve Fund, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Fund or any other account therein. Moneys in a separate account of the Reserve Fund shall be maintained at the Reserve Requirement applicable to such Series of Bonds secured by the account; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate account of the Reserve Fund at such level as the Issuer deems appropriate. Moneys shall be deposited in the separate accounts in the Reserve Fund on a pro-rata basis.

Notwithstanding the foregoing, in lieu of or in substitution for the required deposits into the Reserve Fund (or any account therein), the Issuer may cause to be deposited into the Reserve Fund (or any account therein) a Reserve Fund Insurance Policy and/or a Reserve Fund Letter of Credit in an amount equal to the difference between the applicable Reserve Requirement and the sums then on deposit in the Reserve Fund (or any account therein) plus the amounts to be deposited therein pursuant to the preceding paragraph.

In the event the Reserve Fund (or any account therein) contains both a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit. In the event more than one Reserve Fund Insurance Policy or Reserve Fund Letter of Credit is on deposit in the Reserve Fund (or any account therein), amounts required to be drawn thereon shall be done on a pro-rata basis calculated by reference to the maximum amounts available thereunder.

Moneys in the Reserve Fund and accounts therein shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Outstanding Bonds secured thereby when the other moneys allocated to the Bond Service Fund are insufficient therefor, and for no other purpose.

Permitted Investments on deposit in the Reserve Fund (or any account therein) shall be valued at fair value pursuant to Accounting Principles at least annually. In the event of the refunding of any Series of Bonds, the Issuer may withdraw from the Reserve Fund or account securing such Series, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the Supplemental Resolution authorizing the refunding of such Series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the Reserve Fund (or any account therein) after giving effect to the issuance of such refunding obligations and the

disposition of the proceeds thereof shall not be less than the applicable Reserve Requirement for any Bonds then Outstanding which are secured thereby.

(3) From the moneys remaining in the Revenue Fund, the Issuer shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the Resolution or agreement of the Issuer authorizing such Subordinated Debt, but for no other purposes.

(4) The Issuer shall next apply and deposit monthly from the moneys remaining on deposit in the Revenue Fund into the Renewal, Replacement and Improvement Fund, an amount at least equal to one-twelfth (1/12) of one percent (1%) of the Gross Revenues of the System for the previous Fiscal Year. The moneys in the Renewal, Replacement and Improvement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System or emergency repairs or extraordinary repairs thereto. No further deposits will be required to be made into the Renewal, Replacement and Improvement Fund when there shall be on deposit therein an amount equal to or greater than one percent (1%) of the gross book value of the fixed assets of the System pursuant to generally accepted accounting principles, or such other amount as may be determined from time to time by the Consulting Engineer. Funds on hand in the Renewal, Replacement and Improvement Fund may be used to pay current Cost of Operation and Maintenance to the extent moneys on deposit in the Revenue Fund are insufficient for such purposes. The moneys on deposit in such fund may also be used, if necessary, in order to prevent a default in the payment of the principal and interest on the Bonds.

(5) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made shall be deposited into the Surplus Fund and may be used for any lawful purpose of the Issuer; provided, however, that none of such moneys shall be used for any purposes other than those hereinabove specified unless all current payments, including any deficiencies for prior payments, have been made in full and unless the Issuer shall have complied fully with all the covenants and provisions of this Resolution.

(6) In the event that the Net Revenues of the System are insufficient in any month to make the required deposits to the Bond Service Fund set forth in (1)(a) through (c) of this Section 19(B), the Issuer shall apply the Municipal System Pledged Revenues in each month to make deposits to the Bond Service Fund as follows: (1) to cure any deficiencies in the Interest Account of the Bond Service Fund, (2) to cure any deficiencies in the Principal Account and the Redemption Account of the Bond Service Fund and (3) after all such deficiencies shall have been cured, the balance of the Municipal System Pledged Revenues shall be applied as provided in any document authorizing Municipal System Bonds, if any, otherwise for any lawful purpose of the Issuer.

(C) RATE STABILIZATION FUND. The Issuer may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Surplus Fund as it deems appropriate. The Issuer may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each

principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Principal Account and the Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Surplus Fund and Renewal, Replacement and Improvement Fund for such purposes pursuant to Sections 19(B)(~~34~~) and ~~2019~~19(B)(~~45~~) hereof, shall be inadequate to fully provide for such insufficiency.

(D) OPERATING RESERVE FUND. The Issuer may transfer into the Operating Reserve Fund such moneys which are on deposit in the Surplus Fund as it deems appropriate. The moneys in the Operating Reserve Fund shall be used only for the purpose of paying for emergencies, working capital needs or unexpected contingencies. Funds on hand in the Operating Reserve Fund may be used to pay current Cost of Operation and Maintenance to the extent moneys on deposit in the Revenue Fund are insufficient for such purposes. The moneys on deposit in such fund may also be used, if necessary, in order to prevent a default in the payment of the principal and interest on the Bonds.

(E) INVESTMENTS. Moneys in any fund or account created hereunder may be invested and reinvested in Permitted Investments which mature not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. All income on such investments, except as otherwise provided, shall be deposited in the respective funds and accounts from which such investments were made and be used for the purposes thereof unless and until the maximum required amount (or, with respect to the Project Fund, the amount required to acquire, construct and erect the Project) is on deposit therein, and thereafter shall be deposited in the Revenue Fund.

In determining the amount of any of the payments required to be made pursuant to Section 19(B), credit may be given for all investment income accruing to the respective funds and accounts described herein, except as otherwise provided.

The Issuer may at any time and from time to time appoint one or more depositories to hold, for the benefit of the Bondholders, any one or more of the funds, accounts and subaccounts established hereby. Such depository or depositories shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees. Any such depository shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than fifty million dollars (\$50,000,000).

(F) OPERATION AND MAINTENANCE. The Issuer will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

(G) RATE COVENANT. The Issuer 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 products, services and facilities of the System which will always provide, Net Revenues in each Fiscal Year, together with the Municipal System Pledged Revenues available therefor, sufficient to pay one hundred twenty-five percent (125%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year and one hundred percent (100%) of the required deposits into (i) the Reserve Fund (less any portion thereof to be deposited from proceeds of Bonds) and (ii) the Renewal, Replacement and Improvement Fund in such Bond Year.

In addition to compliance with the preceding paragraph above, Net Revenues in each Fiscal year shall also be sufficient to provide one hundred percent (100%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, any amounts required by the terms hereof to be deposited for debt service on other obligations payable from the Net Revenues of the System, and other payments, and all allocations and applications of revenues herein required in such Fiscal Year.

Net Revenues shall not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by this Resolution.

(H) BOOKS AND ACCOUNTS; AUDIT. The Issuer shall keep proper books, records and accounts, separate and apart from all other records and accounts, showing correct and complete entries of all transactions of the System, and the Holders of any of the Bonds or any duly authorized agent or agents of such Holders shall have the right at any and all reasonable times to inspect such books, records and accounts. The Issuer shall, within two hundred seventy (270) days following the close of each Fiscal Year of the Issuer, cause an audit of such books, records and accounts to be made by an independent firm of certified public accountants.

Copies of each such audit report shall be placed on file with the Issuer and be made available at reasonable times for inspection by Holders of the Bonds.

(I) DISPOSITION OF SYSTEM.

(1) The System may be sold or otherwise disposed of as a whole or substantially as a whole, only if the net proceeds to be realized, together with other moneys available for such purpose, shall be sufficient to fully retire all of the Outstanding Bonds issued pursuant to this Resolution and all interest thereon to their respective dates of maturity or earlier redemption dates. The proceeds from such sale or other disposition of the System shall immediately be deposited first in the Bond Service Fund and then in the Subordinated Debt Service Fund and shall be used only for the purpose of paying the principal of and interest on the Bonds and Subordinated Debt as the same shall become due, or the redemption of callable Bonds and Subordinated Debt, or the purchase of Bonds and Subordinated Debt at a price not greater than the redemption price of said Bonds and Subordinated Debt, or, if the Bonds or

Subordinated Debt are not then redeemable prior to maturity, at prices not greater than the redemption price of such Bonds or Subordinated Debt on the next ensuing redemption date.

(2) The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease, exchange or otherwise dispose of any of the tangible property or ownership interest in tangible property comprising a part of the System in the following manner, if any one of the following conditions exist: (a) such property is not necessary for the operation of the System or (b) such property is not useful in the operation of the System or (c) such property is not profitable in the operation of the System.

(3) Prior to any sale, lease, exchange or other disposition of said property:

(a) if the amount to be received therefor is not in excess of one-half of one percent (.5%) of the value of the gross plant investment in the System, the officer of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought, may determine that such property comprising a part of such System is either no longer necessary, useful or profitable in the operation thereof.

(b) if the amount to be received therefor is in excess of one-half of one percent (.5%) of the value of the gross plant investment in the System, the officer of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought and the Consulting Engineer shall each first make a finding in writing determining that such property comprising a part of such System is either no longer necessary, useful or profitable in the operation thereof, and the Issuer shall, by resolution duly adopted, approve and concur in the finding of such authorized officer and the Consulting Engineer.

The net proceeds realized from such disposal of a part of the System shall be deposited in the Renewal, Replacement and Improvement Fund to the extent necessary to make the amount on deposit therein equal to the amount then required to be on deposit therein; and any additional moneys not needed for said fund shall be used for any capital expenditures in connection with the System or the purchase or redemption of Outstanding Bonds.

(4) Notwithstanding any other provision of this Section 19(I) or this Resolution to the contrary, except for the initial paragraph of this Section 19(I), the Issuer may sell, lease, exchange or otherwise dispose of tangible property or an ownership interest in tangible property comprising a part of the System provided the duly authorized officer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought, and the Qualified Independent Consultant each make a finding in writing, adopted and confirmed by resolution of the Issuer, determining that (i) such sale, lease, exchange or other disposition will not materially impair or restrict the Issuer's ability to realize Gross Revenues in compliance with the requirements therefor as set

forth herein, (ii) such sale, lease, exchange or other disposition is in the economic best interests of the Issuer, and (iii) no Event of Default, or event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default, has occurred and is continuing.

(5) Notwithstanding any other provision of this Section 19(I) or this Resolution to the contrary, the Issuer may transfer ownership and/or operation of all or a portion of the System to any public body authorized by the laws of the State to own and/or operate such System on an installment sale basis provided that the Issuer (a) has received an opinion of Bond Counsel stating the federal income tax exemption of the interest on the Bonds (not including taxable Bonds) will not be affected and has received an opinion of Bond Counsel stating that such sale is not prohibited by any applicable Florida law, and (b) the Issuer adopts a resolution to the effect that, based upon such certificates and opinions of its Consulting Engineer, independent certified public accountants, Bond Counsel, Financial Advisor or other Qualified Independent Consultant as the Issuer shall deem necessary, desirable or appropriate, such transfer will not materially adversely affect the rights of the Holders of the Bonds. For the avoidance of doubt, it is understood that the proceeds of any installment sale authorized pursuant to this paragraph shall constitute Gross Revenues.

(6) Any provision hereof to the contrary notwithstanding, the Issuer may merge and combine the System into the Municipal System at any time provided that the Issuer shall have received:

(a) a certificate of the Issuer's Finance Director stating: (i) that the books and records of the Issuer relative to the System and the Municipal System and the Net Revenues and Municipal System Pledged Revenues have been reviewed by the Finance Director; and (ii) that the amount of the Net Revenues, together with the Municipal System Pledged Revenues, derived for any consecutive twelve (12) months out of the preceding thirty (30) months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as provided in paragraphs 19(S)(2), (3), (4) and/or (5), is equal to not less than 125% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made;

(b) an opinion of nationally recognized Bond Counsel to the effect that such combination will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation; and

(c) an opinion of counsel to the Issuer to the effect that following the merger of the System and the Municipal System, all of the covenants contained herein regarding the terms of the Bonds, the payment of principal, premium, if any, and interest on the Bonds and the tax-exempt status of interest on the Bonds will continue to remain in full force and effect.–

Upon any such merger and combination, all of the covenants contained herein regarding the terms of the Bonds, the payment of principal, premium, if any, and interest on the Bonds and the tax-exempt status of interest on the Bonds shall continue to remain in full force and effect. In such event, (1) the Municipal System and the Gross Revenues of Municipal System shall be combined and consolidated with the System and the Gross Revenues of the System, (2) the covenants contained herein regarding the System, the Pledged Revenues and the lien and pledge of the Bonds upon the Pledged Revenues shall be applied and construed, as applicable, to include such Municipal System and Gross Revenues of the Municipal System, and amounts deposited in the funds and accounts hereunder shall be increased to provide for payment of the Municipal System Bonds, if any, (3) the Municipal System Bonds shall be deemed Additional Parity Obligations under this Resolution, entitled to the benefits and protections thereof.

(J) INSURANCE. The Issuer shall provide protection for the System both in accordance with the requirements of all agreements, if any, to which the Issuer may at the time be a party with respect to joint ownership of properties by the Issuer with others which is part of the System, and in accordance with Prudent Utility Practice. Said protection may consist of insurance, self insurance and indemnities. The Issuer will keep, or cause to be kept, the works, plants and facilities comprising the properties of the System insured, and will carry such other insurance against fire and other risks, accidents or casualties at least to the extent and of the kinds that insurance is usually carried by utilities operating like properties. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the Issuer and may provide for such deductibles, exclusions, limitations, restrictions, and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the System. Any self insurance shall be in the amounts, manner and of the type provided by entities operating properties similar to the properties of the System. In the event of any loss or damage to the System covered by insurance, the Issuer will, with respect to each such loss, promptly repair, reconstruct or replace the parts of the System affected by such loss or damage to the extent necessary to the proper conduct of the operation of the business of the System in accordance with Prudent Utility Practice, shall cause the proceeds of such insurance to be applied for that purpose to the extent required therefor, and pending such application, shall hold the proceeds of any insurance policy covering such damage or loss in trust to be applied for that purpose to the extent required therefor. Any excess insurance proceeds received by the Issuer may be used by the Issuer for any lawful purpose. Notwithstanding the foregoing or any provisions of this Resolution to the contrary, the Issuer shall not be required to maintain insurance with respect to facilities for which insurance shall not be available or for facilities which, in accordance with Prudent Utility Practice, are not customarily insured.

(K) NO FREE SERVICE. So long as any Bonds are outstanding, the Issuer shall not furnish or supply the facilities, services and commodities of the System either free of charge or for a nominal charge to any person, firm or corporation, public or private, including the Issuer's departments, agencies and instrumentalities which avail themselves of the services of the System. The Issuer shall promptly enforce the payment of any and all accounts owing to the

Issuer and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

(L) MANDATORY CUT OFF; ENFORCEMENT OF COLLECTIONS.

(1) The Issuer shall establish a written policy consistent with sound business judgment for the disconnection from the System of any customer who fails to pay for services rendered by the System, and shall enforce such policy diligently and fairly.

~~(M) ENFORCEMENT OF COLLECTIONS.~~ 2) The Issuer will diligently enforce and collect the rates, fees and other charges for the services and facilities of the System and will take all 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 shall, as collected, be held in trust to be applied as herein provided.

~~(N)~~ OPERATING BUDGET. The Issuer shall annually, prior to commencement of each of its Fiscal Years, prepare and adopt a budget of the estimated expenditures for the operation and maintenance of the System during such next succeeding Fiscal Year. The Issuer shall mail copies of such annual budgets (including any amendments thereto) to any Holder or Holders of Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets be furnished him and shall make available such budgets of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders. Bondholders shall pay reasonable actual cost of printing and mailing of such copies.

~~(N)~~ MANDATORY CONNECTIONS; NO COMPETING SYSTEM. So long as service is in fact available as reasonably determined by the Issuer, the Issuer will, to the full extent permitted by law, require all lands, buildings and structures within the area being served by the System as of the date of issuance of the Bonds, to connect with and use such facilities within sixty (60) days after notification. To the extent permitted by law, the Issuer will not grant a franchise for the operation of any competing utility system or systems within the area served by the System as of the date of issuance of the Bonds until all Bonds issued hereunder, together with the interest thereon, and premium, if any, have been paid in full. Notwithstanding the foregoing, the Issuer shall not be required to duplicate services being provided by private or public utilities in the area being served by such private or public utilities on the date of issuance of the Bonds. In addition, the Issuer shall not be prohibited from allowing other private or public utilities to provide services within the area being served by the System as of the date of issuance of the Bonds, if the Issuer shall not be providing such service in such area on that date. Nothing herein shall be deemed to constitute the approval of the Issuer for any private or public utility (other than the System) to provide any services within the boundaries of the Issuer or within the area being served by the System as of the date of issuance of the Bonds or within any other area of the Issuer.

(~~P~~O) SUPERVISORY PERSONNEL. The Issuer, in operating the System, will employ or designate, as manager, one or more of its qualified employees, or an independent contractor, who have demonstrated ability and experience in operating similar facilities, and will require all such employees or independent contractors, as the case may be, who may have possession of money derived from the operation of the System to be covered by a fidelity bond, written by a responsible indemnity company in amounts fully adequate to protect the Issuer from loss.

(~~P~~) PAYMENT OF TAXES, ASSESSMENTS AND OTHER CLAIMS. The Issuer shall from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the properties constituting the System or the Gross Revenues when the same shall become due, as well as all lawful claims for labor and materials and supplies which, if not paid, might become a lien or charge upon such properties or any part thereof, or upon the Gross Revenues or which might in any way impair the security of the Bonds, except assessments, charges or claims which the Issuer shall in good faith contest by proper legal proceedings.

(~~R~~O) ISSUANCE OF OTHER OBLIGATIONS. The Issuer shall issue no bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Bonds with respect to payment or lien, nor shall the Issuer create or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds upon said Pledged Revenues. Notwithstanding any other provision in this Section 19(~~R~~O), the Issuer may issue Additional Parity Obligations under the conditions and in the manner provided herein. Any obligations of the Issuer, other than the Bonds, which are payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on and source and security for payment from such Pledged Revenues.

(~~S~~R) ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. No Additional Parity Obligations shall be issued except upon the conditions and in the manner hereinafter provided:

(1) There shall have been obtained and filed with the City Clerk a certificate of the Issuer's Finance Director stating: (a) that the books and records of the Issuer relative to the System and the Municipal System and the Net Revenues and Municipal System Pledged Revenues have been reviewed by the Finance Director; and (b) that the amount of the Net Revenues, together with the Municipal System Pledged Revenues, derived for any consecutive twelve (12) months out of the preceding thirty (30) months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as provided in paragraphs (2), (3), (4) and/or (5) below, is equal to not less than 125% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Qualified Independent Consultants, the Net Revenues certified pursuant to (b) in the previous paragraph may be adjusted for purposes

of this Section 19(~~SR~~) by including: (a) 100% of the additional Net Revenues which in the opinion of the Qualified Independent Consultant would have been derived by the Issuer from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been implemented before the commencement of such Bond Year and (b) 100% of the additional Net Revenues estimated by the Qualified Independent Consultant to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(3) Upon recommendation of the Qualified Independent Consultants, if the number of connections as of the first day of the month in which the proposed Additional Parity Obligations are to be issued exceeds the average number of such connections during ~~such twelve (12) consecutive month period~~ Test Period, then the Net Revenues certified pursuant to Section 19(~~SR~~)(1)(b) may be adjusted to include the Net Revenues which would have been received in such twelve (12) consecutive months if those additional connections had also been connected to the System during all of such twelve (12) consecutive months.

(4) Upon recommendation of the Qualified Independent Consultant, if the Issuer shall have entered into a contract, which contract shall be for a duration of not less than the final maturity of the proposed Additional Parity Obligations, with any public body, whereby the Issuer shall have agreed to furnish services for the collection, treatment or disposal of sewage or agreed to furnish services in connection with any water system or any other utility system, then the Net Revenues certified pursuant to Section 19(~~SR~~)(1)(b) may be increased (to the extent such amounts were not reflected in such Net Revenues) by the minimum amount which the public body shall guarantee to pay in any one year for the furnishing of services by the Issuer, after deducting from such payment the estimated Cost of Operation and Maintenance attributable in such year to such services.

(5) Upon recommendations of the Qualified Independent Consultants, if there is an estimated increase in Net Revenues to be received by the Issuer as a result of additions, extensions or improvements to the System during the period of three (3) years following the completion of such additions, extensions or improvements financed with the proceeds of Bonds or Additional Parity Obligations, then the Net Revenues derived from the System certified pursuant to Section 19(~~SR~~)(1)(b) may be increased by fifty percent (50%) of the average annual additional Net Revenues calculated for such three year period.

(6) The Issuer need not comply with the provisions of paragraph (1) of this Section 19(~~SR~~) if and to the extent the Bonds to be issued are Refunding Bonds, if the Issuer shall cause to be delivered a certificate of the Finance Director of the Issuer setting forth the Average Annual Debt Service Requirement (i) for the Bonds then Outstanding and (ii) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Average Annual Debt Service Requirement pursuant to (ii) above is not greater than that set forth pursuant to (i) above.

(7) The Issuer need not comply with the provisions of paragraph (1) of this Section 19(~~SR~~) if and to the extent the Bonds to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the System (“Completion Bonds”) if originally financed with the proceeds of Bonds; provided that such Completion Bonds for which the Issuer need not comply with the provision of such paragraph (1) of this Section 19(~~SR~~) may not exceed 10% of the total principal amount of Bonds estimated to be required for such improvements to the System at the time of issuance of the initial Series of Bonds to finance such improvements.

(8) The Finance Director of the Issuer shall have certified that the Issuer is not in default in the carrying out of any of the obligations assumed under this Resolution or any Supplemental Resolution and no event of default shall have occurred under this Resolution or any Supplemental Resolution and shall be continuing, and all payments required by this Resolution to be made into the funds and accounts established hereunder shall have been made to the full extent required.

(9) The Supplemental Resolution authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained herein will be applicable to such Additional Parity Obligations.

(~~TS~~) MUNICIPAL SYSTEM PLEDGED REVENUES. Unless the System and the Municipal System have been merged under the conditions described in Section 19(I)(6) of this Resolution,

(1) the Issuer shall take all action legally available to it to receive, collect and enforce the payment of the rates, fees and charges for the Municipal System so as to ensure receipt of sufficient Municipal System Pledged Revenues for the purposes hereof, and for any Municipal System Bonds, if any;

(2) the Issuer shall take no action which would have a material adverse effect upon the receipt or collection of sufficient Municipal System Pledged Revenues for the purposes hereof; provided, however, that the Issuer may amend its rates, fees and charges for the services and facilities of the Municipal System or dispose of any portion of the Municipal System at any time, so long as the Municipal System Pledged Revenues anticipated as a result of such amendment or disposition to be available for the purposes hereof are not less than 25% of the Maximum Bond Service Requirement on all Bonds and Municipal System Bonds then Outstanding;

(3) the Holders of the Bonds shall be deemed to be third-party beneficiaries of the covenants contained in any instrument authorizing Municipal System Bonds, for the purpose of assuring the receipt and application of the Municipal System Pledged Revenues and securing the lien and pledge thereon in favor of the Bonds, all as provided herein;

(4) the Issuer may issue Municipal System Bonds secured by a lien on the Municipal System Net Revenues provided that there shall have been obtained and filed with

the Issuer a certificate of the Issuer's Finance Director stating: (a) that the books and records of the Issuer relative to the System and the Municipal System and the Net Revenues and Municipal System Pledged Revenues have been reviewed by the Finance Director; and (b) that the amount of the Net Revenues, together with the Municipal System Pledged Revenues, derived for any consecutive twelve (12) months out of the preceding thirty (30) months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as provided in paragraphs 19(~~SR~~)(2), (3), (4) and/or (5), is equal to not less than 125% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made; and

(5) the Issuer shall not issue any additional obligations having priority over the Bonds as to lien and pledge of any of the Pledged Revenues, and will not issue any additional obligations on a parity with the Bonds as to the lien and pledge of the Municipal System Pledged Revenues except as permitted in Subsection 19(~~SR~~) or Section 19(~~TS~~)(4) above; and

(6) the Issuer covenants to 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 Municipal System which will always provide Municipal System Pledged Revenues in each year sufficient, together with the Gross Revenues of the System, to pay all Costs of Operation and Maintenance of the System, all other required payments to reserve accounts and 110%, of the Bond Service Requirement due in such year on all outstanding Municipal System Bonds and all Bonds then Outstanding. Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide Municipal System Net Revenues for such purposes.

**SECTION 20. DEFAULTS; EVENTS OF DEFAULT AND REMEDIES.** Except as provided below, if any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default:"

(A) Default in the due and punctual payment of any interest on the Bonds;

(B) Default in the due and punctual payment of the principal of (including any Amortization Payment) and premium, if any, on any Bond, at the stated maturity thereof, or upon proceedings for redemption thereof;

(C) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in this Resolution, any Supplemental Resolution or in the Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Issuer given by the Holders of not less than twenty-five percent (25%) of aggregate principal amount of Bonds then Outstanding (provided, however, that with respect to any obligation, covenant, agreement or condition which requires performance by a date certain, if the Issuer performs such obligation, covenant, agreement or condition within thirty (30) days of written notice as provided above, the default shall be deemed to be cured);

(D) Failure by the Issuer promptly to remove any execution, garnishment or attachment of such consequence as will materially impair its ability to carry out its obligations hereunder; or

(E) Any act of bankruptcy or the rearrangement, adjustment or readjustment of the obligations of the Issuer under the provisions of any bankruptcy or moratorium laws or similar laws relating to or affecting creditors' rights.

The term "default" shall mean default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Resolution, any Supplemental Resolution or in the Bonds, exclusive of any period of grace required to constitute a default or an "Event of Default" as hereinabove provided.

Any Holder of Bonds issued under the provisions hereof or any trustee acting for the Holders of such Bonds may, either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under State or federal law, or granted and contained herein, and may enforce and compel the performance of all duties required herein or by any applicable law to be performed by the Issuer or by any officer thereof.

Nothing herein, however, shall be construed to grant to any Holder of the Bonds any lien on any property of the Issuer, except the Pledged Revenues.

The foregoing notwithstanding:

(i) No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder.

(ii) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient.

(iii) No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Bondholders shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and the funds pending such proceedings, with such powers as the court making such appointment shall confer.

On the occurrence of an Event of Default, to the extent such rights may then lawfully be waived, neither the Issuer nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Resolution, and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent it may lawfully do so, the benefit of all such laws and all right of redemption to which it may be entitled.

**SECTION 21. AMENDING AND SUPPLEMENTING OF RESOLUTION WITHOUT CONSENT OF HOLDERS OF BONDS.** The Issuer, from time to time and at any time and without the consent or concurrence of any Holder of any Bonds, may adopt a Supplemental Resolution amendatory hereof or supplemental hereto if the provisions of such Supplemental Resolution shall not materially adversely affect the rights of the Holders of the Bonds then Outstanding, for any one or more of the following purposes:

(A) To make any changes or corrections in this Resolution as to which the Issuer shall have been advised by Bond Counsel that are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or omission or mistake or manifest error contained in this Resolution, or to insert in this Resolution such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable;

(B) To add additional covenants and agreements of the Issuer for the purpose of further securing the payments of the Bonds;

(C) To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Resolution;

(D) To confirm, as further assurance, any lien, pledge or charge or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Resolution;

(E) To grant to or confer upon the Holders any additional right, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(F) To assure compliance with federal "arbitrage" provisions in effect from time to time;

(G) To provide for the combining of the System with any other utility provided the conditions set forth in Section 25 hereof are satisfied;

(H) To provide for the transfer of the ownership and/or operation of the System pursuant to a governmental reorganization as set forth in Section 24 hereof; or

(I) To modify any of the provisions of this Resolution in any other aspects provided that such modifications shall not be effective until after the Outstanding Bonds at the time such Supplemental Resolution is adopted shall cease to be Outstanding, or until the holders thereof consent thereto pursuant to Section 22 hereof, and any Bonds issued subsequent to any such

modification shall contain a specific reference to the modifications contained in such Supplemental Resolution.

Except for Supplemental Resolutions providing for the issuance of Bonds pursuant hereto, the Issuer shall not adopt any Supplemental Resolution authorized by the foregoing provisions of this Section unless, in the opinion of Bond Counsel, the adoption of such Supplemental Resolution is permitted by the foregoing provisions of this Section.

**SECTION 22. AMENDMENT OF RESOLUTION WITH CONSENT OF HOLDERS OF BONDS.** Except as provided in Section 21 hereof, no material modification or amendment of this Resolution or of any Resolution supplemental hereto shall be made without the consent in writing of the Holders of fifty-one percent (51%) or more in the principal amount of the Bonds so affected and then Outstanding. No modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or Amortization Payments thereunder or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent of the Holder or Holders of all such obligations.

**SECTION 23. DEFEASANCE.** The covenants and obligations of the Issuer shall be defeased and discharged under terms of this Resolution as follows:

(A) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, then the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Outstanding Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Issuer to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) The Bonds, redemption premium, if any, and interest due or to become due for the payment or redemption of which moneys shall have been set aside and shall be held in trust (through deposit by the Issuer of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section 23. Any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the escrow agent instructions accepted in writing by the escrow agent to notify Holders of Outstanding Bonds in the manner required herein of the redemption of such Bonds on said date, and (ii) there shall have been deposited with the escrow agent either moneys in an amount which shall be sufficient, or Acquired Obligations (including any Acquired Obligations issued

or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the escrow agent at the same time, shall be sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be. In the event of an advance refunding pursuant to clause (ii) above, the Issuer shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding project relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement and this Resolution, the terms of the escrow agreement and this Resolution shall be controlling.

**SECTION 24. GOVERNMENTAL REORGANIZATION.** Notwithstanding any other provisions of this Resolution, this Resolution shall not prevent any lawful reorganization of the governmental structure of the Issuer, including a merger or consolidation of the Issuer with another public body or the transfer of a public function of the Issuer to another public body, provided that any reorganization which affects the System shall provide that the System shall be continued as a single enterprise and that any public body which succeeds to the ownership and operation of the System shall also assume all rights, powers, obligations, duties and liabilities of the Issuer under this Resolution and pertaining to all Bonds.

**SECTION 25. ADDITIONAL UTILITY FUNCTIONS.** The Issuer may expand the utility functions of the System as they exist on the date hereof as permitted in the definition of "System" contained herein and adopted resolutions or Resolutions of the Issuer to the effect that, based upon such certificates and opinions of its Consulting Engineer, independent certified public accountants, Bond Counsel, Financial Advisor or other Qualified Independent Consultants as the Issuer shall deem necessary, desirable or appropriate, the addition of such utility functions (a) will not impair the ability of the Issuer to comply with the provisions of this Resolution, and (b) will not materially adversely affect the rights of the Holders of the Bonds.

**SECTION 26. SEPARATELY FINANCED PROJECT.** Nothing in this Resolution shall prevent the Issuer from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness other than Bonds or Subordinated Debt, for any purpose of the Issuer authorized by the Act or from financing any such purpose from other available funds (such purpose being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Issuer's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other legally available funds of the Issuer, including but not limited to funds withdrawn from the Revenue Fund pursuant to Section 19(A) hereof.

**SECTION 27. TAX COVENANTS.** With respect to any Bonds for which the Issuer intends on the date of issuance thereof for the interest thereon to be excluded from gross income for purposes of Federal income taxation:

(A) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become includable in the gross income of the Holder thereof for federal income tax purposes.

(B) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that (i) neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes, and (ii) the Issuer will comply in all material respects with the provisions of any tax certificate or agreement executed and delivered by the Issuer in connection with any Series of Bonds (other than Taxable Bonds).

(C) The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion of interest on the Bonds from the gross income of the Holder thereof for federal income tax purposes, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

(D) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income tax purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become includable in the gross income of the Holder thereof for federal income tax purposes. The covenants set forth in paragraphs (A), (B) and (C) above shall not apply to any Taxable Bonds.

(E) There is hereby created and established a fund to be known as the “City of Gulf Breeze Utility System Revenue Bonds Rebate Fund” (the “Rebate Fund”), and a separate account therein for each Series of Bonds. The Issuer shall deposit into the appropriate account in the Rebate Fund, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Issuer, an amount equal to the Rebate Amount for such Rebate Year. The Issuer shall use such moneys deposited in the appropriate account in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by this Section. In complying with the foregoing, the Issuer may rely upon any instructions or opinions from Bond Counsel.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder that are not Taxable Bonds and after payment in full of the Rebate Amount to the United States in accordance with the terms hereof, such amounts shall be available to the Issuer for any lawful purpose.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Issuer, shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

**SECTION 28. CONSENT.** The Issuer as Sponsor of the Series 2016 Local Government Loan Program and lender of the Series 2016A Loan hereby consents to the issuance of Bonds hereunder and acknowledges that the Bonds issued hereunder shall be “Senior Obligations” as described in and for the purposes of the Series 2016A Loan Agreement.

**SECTION 29. SEVERABILITY.** If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid or shall in any manner be held to adversely affect the validity of the Bonds, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

**SECTION 30. SALE OF BONDS.** The Bonds may be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the requirements of this Resolution and other applicable provisions of law.

**SECTION 31. GENERAL AUTHORITY.** The members of the City Council of the Issuer and the Issuer's officers, attorneys and other agents and employees are hereby authorized to perform all acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel to effectuate the sale of the Bonds to said initial purchasers.

**SECTION 32. NO THIRD PARTY BENEFICIARIES.** Except such other Persons as may be expressly described herein, in the Bonds, nothing in this Resolution, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person, other than the Issuer and the Holders, any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer and the Persons who shall from time to time be the Holders.

**SECTION 33. NO PERSONAL LIABILITY.** Neither the members of the City Council of the Issuer nor any person executing the Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

**SECTION 34. REPEAL OF INCONSISTENT INSTRUMENTS.** All Resolutions or parts of Resolutions in conflict herewith are hereby repealed to the extent of such conflict.

**SECTION 35. EFFECTIVE DATE.** This Resolution shall take effect immediately upon its adoption.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA, THIS  
17<sup>th</sup> DAY OF OCTOBER, 2016

(SEAL)

CITY OF GULF BREEZE, FLORIDA

By: \_\_\_\_\_  
Mayor

ATTEST:

By: \_\_\_\_\_  
City Clerk

RESOLUTION NO. 30-16

Adopted October 17, 2016

CITY OF GULF BREEZE, FLORIDA

RELATING TO:

NOT EXCEEDING \$2,700,000  
CITY OF GULF BREEZE, FLORIDA  
SOUTH SANTA ROSA UTILITY SYSTEM REFUNDING REVENUE NOTE,  
SERIES 2016

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RESOLUTION NO. 30-16

A RESOLUTION OF THE CITY OF GULF BREEZE, FLORIDA SUPPLEMENTING RESOLUTION NO. 29-16; AUTHORIZING THE NEGOTIATED AND PRIVATE SALE OF THE NOT TO EXCEED \$2,700,000 CITY OF GULF BREEZE, FLORIDA SOUTH SANTA ROSA UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2016; AWARDING THE SERIES 2016 NOTE TO THE LENDER (HEREIN DEFINED); APPROVING THE TERMS OF THE SERIES 2016 NOTE; PROVIDING FOR THE DELIVERY OF THE SERIES 2016 NOTE TO THE LENDER; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA:

WHEREAS, the City Council of the City of Gulf Breeze, Florida (the "Issuer") has previously adopted Resolution No. 29-16 adopted by the City Council on the date hereof, as may be further amended and supplemented from time to time (collectively, the "Resolution"); and

WHEREAS, the Refunded Bonds (as herein defined) are the only Bonds currently outstanding under the Resolution; and

WHEREAS, the City Council now desires to supplement the Resolution by adopting this supplemental resolution (the "Supplemental Resolution") to currently refund all of the Refunded Bonds through the issuance of its South Santa Rosa Utility System Refunding Revenue Note, Series 2016 (the "Series 2016 Note") and to legally defease the Refunded Bonds pursuant to an Escrow Deposit Agreement, a form of which is attached hereto as Exhibit D (the "Escrow Deposit Agreement") by and between the Issuer and ¶The Bank of New York Trust Company, N.A.¶ (the "Escrow Holder"); and

WHEREAS, the Series 2016 Note will be issued pursuant to the Resolution; and

WHEREAS, following a competitive solicitation of bank loan proposals conducted by the Issuer, the Issuer has determined to accept the proposal from U.S. Bancorp Government Leasing and Finance, Inc. (referred to herein as the "Lender") to purchase the Series 2016 Note; and

WHEREAS, pursuant to the Resolution, the Issuer has determined that it is necessary and desirable to adopt this Supplemental Resolution to provide for various details and other matters with respect to the Series 2016 Note.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF CITY OF GULF BREEZE, FLORIDA, THAT:

SECTION 1. AUTHORITY FOR THIS SUPPLEMENTAL RESOLUTION. This Supplemental Resolution is adopted pursuant to Chapter 2001-324, Laws of Florida, as

amended, Chapter 159, Part I, Florida Statutes, as amended, and other applicable provisions of law (collectively, the "Act"), and the Resolution.

SECTION 2. DEFINITIONS. All capitalized undefined terms shall have the same meaning as set forth in the Resolution. In addition, the following terms, unless the context otherwise requires, shall have the meanings specified in this Section. Words importing the singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Bond Registrar" shall mean, with respect to the Series 2016 Note, the City Clerk of the Issuer, or its successor and assigns.

"Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banks in the City of Gulf Breeze, Florida are authorized or required to be closed.

"Escrow Deposit Agreement" shall mean the escrow deposit agreement between the Issuer and The Bank of New York Mellon Trust Company, N.A., dated the date of delivery of the Series 2016 Note.

"Escrow Holder" shall mean The Bank of New York Mellon Trust Company, N.A., and its successors and assigns.

"Note Counsel" shall mean Bryant Miller Olive P.A., or other national recognized bond counsel firm.

"Paying Agent" shall mean, with respect to the Series 2016 Note, the City Clerk of the Issuer, or its successor and assigns.

"Refunded Bonds" shall mean all of the Series 2004 Bonds to be refunded with proceeds of the Series 2016 Note, to be described in detail in the Escrow Deposit Agreement.

"Series 2004 Bonds" shall mean the South Santa Rosa Utility System Refunding Revenue Bonds, Series 2004.

"Series 2016 Noteholder" shall mean any person in whose name the Series 2016 Note is registered, and shall mean initially with respect to the Series 2016 Note, the Lender.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

(A) The Issuer now owns, operates and maintains the System and Municipal System and is empowered to maintain, operate, improve and extend such System and Municipal System and regulate and fix reasonable rates and charges for the services furnished thereby

(B) The costs associated with the issuance of the Series 2016 Note shall be deemed to include, but not be limited to, legal and financial advisory fees and expenses, fiscal expenses,

expenses for estimates of costs and revenues, accounting expenses, costs of printing, fees and expenses for the Paying Agent and Bond Registrar, if any, accrued and capitalized interest, if any, provisions for reserves, and such other fees and expenses as may be necessary or incidental for the financing herein authorized.

(C) The Issuer deems it beneficial and in its best financial interest to provide for the refunding of the Refunded Bonds through the issuance of the Series 2016 Note in a more favorable interest rate environment. Issuance of the Series 2016 Note to refinance the Refunded Bonds satisfies a public purpose.

(D) The estimated Pledged Revenues will be sufficient to pay all principal of and interest on the Series 2016 Note, as the same become due, and to make all required Bond Service Fund, reserve, if any, or other payments required by the Resolution.

(E) The Pledged Revenues are not pledged or encumbered in any manner, except for payment of the Refunded Bonds which shall be refunded through the issuance of the Series 2016 Note and any obligations of the Issuer secured by a junior and subordinate lien upon the Pledged Revenues in accordance with Section 19(B)(~~23~~) of the Resolution.

(F) The principal of and interest and redemption premium on the Series 2016 Note and all reserve, if any, and other payments shall be payable solely from the Pledged Revenues. **The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Series 2016 Note herein authorized or to make any other payments provided for herein. The Series 2016 Note shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer or upon any property other than the Pledged Revenues.**

(G) It is necessary and desirable to refund the Refunded Bonds in order to (i) realize the advantages of current interest rates, and (ii) achieve a reduction in Bond Service Requirements. The amount needed to refund the Refunded Bonds is not less than the net proceeds to be derived from the sale of the Series 2016 Note allocable to the refunding of the Refunded Bonds and certain amounts set aside for the Refunded Bonds in the sinking fund at the time the Series 2016 Note is issued. An amount sufficient to effect the refunding of the Refunded Bonds will be deposited in an irrevocable escrow account established for the Owners of the Refunded Bonds, and shall be held uninvested in cash. Such uninvested cash will be sufficient to make timely payments of all principal, interest and redemption premiums, if any, with respect to the Refunded Bonds to their scheduled maturity and/or to redeem and retire the callable Refunded Bonds on the Refunded Bonds Redemption Date (as herein defined).

(H) The Issuer has received an offer from the Lender to purchase the Series 2016 Note.

(I) The Issuer is not in default in the carrying out of any of the obligations assumed under the Resolution, and all payments required by the Resolution to be made into the funds and accounts established thereunder have been made to the full extent required.

(J) The Series 2016 Note is issued pursuant to the Act. The Issuer is authorized to exercise the powers and authority thereby conveyed.

(K) This Supplemental Resolution shall constitute a supplemental resolution to the Resolution.

SECTION 4. AUTHORIZATION OF REFINANCING AND AUTHORIZATION OF SERIES 2016 NOTE. Subject and pursuant to the provisions of the Resolution and this Supplemental Resolution, an obligation of the Issuer to be known as the "South Santa Rosa Utility System Refunding Revenue Note, Series 2016," herein defined as the "Series 2016 Note," is authorized to be issued in the original principal amount of not to exceed \$2,700,000 for the purpose of providing funds, together with other legally available moneys of the Issuer, to currently refund the Refunded Bonds, and pay the cost of issuing the Series 2016 Note. The Series 2016 Note constitutes a "Term Bond" under the Resolution.

Because of the characteristics of the Series 2016 Note, prevailing market conditions, and additional savings to be realized from an expeditious sale of the Series 2016 Note, it is in the best interest of the Issuer to accept the offer of the Lender to purchase the Series 2016 Note at a private negotiated sale, which was based upon a competitive selection process. Prior to the issuance of the Series 2016 Note, the Issuer shall receive from the Lender a Purchaser's Certificate, the form of which is attached hereto as Exhibit B and the Disclosure Letter containing the information required by Section 218.385, Florida Statutes, a form of which is attached hereto as Exhibit C.

SECTION 5. THE RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Series 2016 Note authorized to be issued hereunder by those who shall be Registered Owners of the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Series 2016 Note, all of which shall be of equal rank and without preference, priority or distinction of any of the Series 2016 Note over any other thereof, except as expressly provided therein and herein.

SECTION 6. DESCRIPTION OF SERIES 2016 NOTE. The Series 2016 Note shall be a Term Bond dated the date of its execution and delivery, which shall be a date agreed upon by the Issuer and the Lender, subject to the following terms:

(A) Interest Rate. The initial fixed interest rate on the Series 2016 Note shall 1.339% (calculated on the basis of a 360-day year consisting of twelve 30-day months). Such interest rate is subject to change upon conditions set forth in the Series 2016 Note, a substantially final form of which is attached hereto as Exhibit A.

(B) Principal and Interest Payment Dates. Interest on the Series 2016 Note shall be paid semi-annually on each April 1 and October 1, commencing April 1, 2017. Amortization Installments on the Series 2016 Note shall be paid annually beginning on October 1, 2017, with a final maturity date of not to exceed October 1, 2020.

(C) Redemption of the Series 2016 Note. The Series 2016 Note shall be subject to redemption at the option of the Issuer in whole ~~for in part~~ on any interest payment date on or after ~~on or after~~ April 1, 2018, at a price equal to 103% of the outstanding principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption. The Issuer shall give the Lender at least (10) days prior written notice of its intent to redeem the Series 2016 Note. Notwithstanding the provisions of Section 19(B)(1)(c) of the Resolution, the Issuer shall not have the right to purchase the Series 2016 Note of any portion thereof.

(D) Form of the Series 2016 Note. The Series 2016 Note is to be in substantially the form set forth in Exhibit A attached hereto, together with such non-material changes as shall be approved by the Mayor, such approval to be conclusively evidenced by the execution thereof by the Mayor. The Series 2016 Note shall be executed on behalf of the Issuer with the manual or facsimile signature of the Mayor and the official seal of the Issuer, and be attested with the manual or facsimile signature of the City Clerk. In case any one or more of the officers who shall have signed or sealed the Series 2016 Note or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Series 2016 Note so signed and sealed has been actually sold and delivered, such Series 2016 Note may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2016 Note had not ceased to hold such office. The Series 2016 Note may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Series 2016 Note shall hold the proper office of the Issuer, although, at the date of such Series 2016 Note, such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Supplemental Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Series 2016 Note shall be actually sold and delivered.

(E) Original Denomination; Transfer. The Series 2016 Note shall originally be issued in a single denomination in an amount that does not exceed the original principal amount authorized hereunder. The Series 2016 Note shall be transferable in whole and not in part and only upon the registration books of the Issuer.

(F) Reserve Requirement. The Reserve Requirement for the Series 2016 Note shall be zero (\$0).

(G) Other Terms. The Series 2016 Note shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its dated date; provided, however, that if at the same time of authentication, payment of any interest which is due and payable has not been made, such Series 2016 Note shall bear interest from the date to which interest shall be paid.

The principal of and interest and prepayment premium, if any, on the Series 2016 Note shall be payable in any coin or currency of the United States of America which on the

respective dates of payment thereof is legal tender for the payment of public and private debts and shall be paid when due by the Paying Agent to the person appearing on the registration books of the Issuer by wire transfer to the Series 2016 Noteholder in accordance with wire transfer instructions provided by the Series 2016 Noteholder to the Paying Agent and Issuer. Presentment of the Series 2016 Note shall not be required, but the Series 2016 Noteholder agrees that promptly following the payment in full of the Series 2016 Note it shall return the Series 2016 Note marked "paid in full" to the Issuer.

(H) Events of Default. For so long as the Series 2016 Note is Outstanding, the Series 2016 Noteholder shall be entitled to give the notice referenced in Section 20(C) of the Resolution without regard to whether the Series 2016 Note represents 25 percent or more of the aggregate principal amount of Bonds then Outstanding.

(I) Amendments. For so long as the Series 2016 Note is Outstanding, the Issuer will not amend or modify the provisions of the Resolution without the prior written consent of the Series 2016 Noteholder, except as permitted by Section 21(B) through (I) of the Resolution. The Issuer will not amend the provisions of this Supplemental Resolution or the Series 2016 Note without the prior written consent of the Series 2016 Noteholder. Consents of the Series 2016 Noteholder required pursuant to this Section 6(I) shall not be unreasonably withheld.

(J) Jury Trial Waiver; Attorneys Fees. In connection with any suit or proceeding to enforce or interpret the provisions of the Resolution, this Supplemental Resolution or the Series 2016 ~~ote~~Note, the Issuer (and by its acceptance of the Series 2016 Note, the Series 2016 Noteholder) hereby irrevocably waives all right to a trial by jury. If an Event of Default occurs, the Issuer shall pay, but solely from Pledged Revenues, all attorneys fees and costs (at trial and on appeal) incurred by the Series 2016 Noteholder in connection with the exercise of its rights and remedies under the Resolution, this Supplemental Resolution or the Series 2016 Note.

(K) Replacement of the Series 2016 Note. For so long as the Series 2016 note is Outstanding, the Issuer and the Registrar shall have the obligation to execute, authenticate and deliver a new Series 2016 Note in replacement of a lost, mutilated, destroyed or stolen Series 2016 Note on the terms and conditions set forth in Section 12 of the Resolution.

(L) Disposition of System. For so long as the Series 2016 Note is Outstanding, any disposition of property of the System pursuant to Section 19(I)(3)(b) of the Resolution shall also comply with the conditions for disposition of property of the System set forth in Section 19(I)(4)(i) and (ii) of the Resolution.

## SECTION 7. APPLICATION OF PROVISIONS OF THE RESOLUTION.

(A) The Series 2016 Note shall be a limited and special obligation of the Issuer, payable solely from the Pledged Revenues as provided herein and in the Resolution. The Series

2016 Note shall be entitled to all the protection and security provided in the Resolution for the Bonds.

(B) Except as expressly provided herein, the covenants and pledges contained in the Resolution are hereby incorporated by reference herein and shall be applicable to the Series 2016 Note in like manner as applicable to all other Bonds. The principal of and interest on the Series 2016 Note shall be payable from the Principal Account, the Interest Account and the Redemption Account, each as established in the Bond Service Fund, and from other applicable funds and accounts established pursuant to the Resolution, all as provided in the Resolution; and payments shall be made into the Bond Service Fund by the Issuer in amounts fully sufficient to pay the principal of and interest on the Series 2016 Note herein authorized as such principal and interest become due.

SECTION 8. REPORTING REQUIREMENTS. While the Series 2016 Note remains outstanding, the Issuer covenants and agrees to provide the Series 2016 Noteholder the following items in an electronic or written format:

(A) Annual, audited financial statements of the Issuer within 270 days after the end of the Issuer's fiscal year;

(B) ~~Upon reasonable request by such Series 2016 Noteholder, the~~The adopted Annual Budget of the Issuer ~~and within thirty (30) days after adoption, and upon reasonable request of the Series 2016 Noteholder,~~ any additional information to supplement or verify financial information regarding the Issuer or verify the creditworthiness of the Issuer; and

(C) Copies of all certificates filed with the Issuer pursuant to the Resolution; and

(D) Any other documentation and information that the Series 2016 Noteholder may request to permit the Series 2016 Noteholder to comply with its obligations under the USA PATRIOT Act and other applicable "know your customer" and anti-money laundering rules and regulations.

(E) At least ten (10) days prior written notice of its intent to issue Additional Parity Obligations, and thereafter such supporting information regarding its determination of compliance with the requirements of Section 19(S) of the Resolution as the Series 2016 Noteholder may reasonably request.

SECTION 9. APPLICATION OF PROCEEDS OF SERIES 2016 NOTE; APPROVAL OF ESCROW DEPOSIT AGREEMENT. The proceeds received from the sale of the Series 2016 Note shall be applied by the Issuer simultaneously with the delivery of the Series 2016 Note to the Lender, as follows:

(A) To the extent not reimbursed or paid by the Lender, the Issuer shall pay all costs and expenses in connection with the preparation, issuance and sale of the Series 2016 Note.

(B) A sum specified in the Escrow Deposit Agreement which, together with other legally available funds of the Issuer, if any, when deposited and held uninvested as provided in the Escrow Deposit Agreement, will produce an amount sufficient (1) to pay, as of any date of calculation, the principal of and premium, if any, and interest on the Refunded Bonds as the same shall become due or are redeemed on the date of redemption of the Refunded Bonds, whichever is earlier, and (2) to pay the expenses specified in the Escrow Deposit Agreement, shall be deposited into the Escrow Account established in the Escrow Deposit Agreement, in the amounts sufficient for such purposes.

Simultaneously with the delivery of the Series 2016 Note to the Lender, the Issuer shall enter into the Escrow Deposit Agreement in substantially final form attached as Exhibit D, with the Escrow Holder, which shall provide for the deposit of sums into the Escrow Account to be held uninvested so as to produce sufficient funds to make all of the payments described in this Section. At the time of execution of the Escrow Deposit Agreement, the Issuer shall furnish to the Escrow Holder appropriate documentation to demonstrate that the sums being deposited will be sufficient for such purposes.

Subject to the execution and delivery of the Series 2016 Note for the purpose of refunding the Refunded Bonds, the Issuer hereby irrevocably calls the Refunded Bonds for early redemption on November 17, 2016, or such other date as determined by the Mayor in the Escrow Deposit Agreement (the "Refunded Bonds Redemption Date"). Not less than thirty (30) days prior to such redemption date, the Issuer hereby directs The Bank of New York Mellon Trust Company, N.A., in its capacity as Paying Agent for the Refunded Bonds (the "2004 Paying Agent"), to mail a notice of the redemption of the Refunded Bonds to each holder thereof in accordance with the requirements of Section 12 of Resolution No. 26-2004 adopted by the City Council of the Issuer on September 29, 2004, in the form to be prepared by Note Counsel. Furthermore, upon issuance of the Series 2016 Note for the purposes of refunding the Refunded Bonds, the Issuer hereby directs the 2004 Paying Agent to mail a notice of defeasance to each holder of the Refunded Bonds in the form to be prepared by Note Counsel.

SECTION 10. APPROVAL OF PAYING AGENT, BOND REGISTRAR AND ESCROW HOLDER. The Issuer is hereby appointed Paying Agent and Bond Registrar for the Series 2016 Note and The Bank of New York Mellon Trust Company, N.A., is hereby appointed as Escrow Holder with respect to the Refunded Bonds.

SECTION 11. BUSINESS DAYS. In any case where the due date of interest on or principal of a Series 2016 Note is not a Business Day, then payment of such principal or interest need not be made on such date but may be made on the next succeeding Business Day, provided that credit for payments made shall not be given until the payment is actually received by the Series 2016 Noteholder.

SECTION 12. TRANSFER OF FUNDS; TAX COVENANT. On the date of issuance of the Series 2016 Note, the Issuer may transfer moneys on deposit in the funds and accounts created for the benefit of the Refunded Bonds to the Escrow Holder to be held on behalf of the Issuer and to be used pursuant to the terms of the Escrow Deposit Agreement.

The Issuer covenants to the Holder of the Series 2016 Note provided for in this Supplemental Resolution that the Issuer will not make any use of the proceeds of the Series 2016 Note at any time during the term of the Series 2016 Note which would cause the Series 2016 Note to be an "arbitrage bond" within the meaning of the Code. The Issuer will comply with the requirements of the Code and any valid and applicable rules and regulations promulgated thereunder necessary to ensure the exclusion of interest on the Series 2016 Note from the gross income of the Holders thereof for purposes of federal income taxation.

SECTION 13. BANK QUALIFIED STATUS. The City Council designates the Series 2016 Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code. The Issuer and any issuer of "tax-exempt" debt that issues "on behalf of" the Issuer do not reasonably expect during the calendar year 2016 to issue more than \$10,000,000 of "tax-exempt" obligations including the Series 2016 Note, exclusive of any private activity bonds as defined in Section 141(a) of the Code (except for qualified 501(c)(3) bonds as defined in Section 145 of the Code).

SECTION 14. NO PERSONAL LIABILITY; AUTHORIZATION OF ALL OTHER NECESSARY ACTION. Neither the members of the City Council of the Issuer nor any person executing the Series 2016 Note shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof. The Mayor and City Clerk of the Issuer, the Attorney for the Issuer, and Bryant Miller Olive P.A., Note Counsel for the Issuer, are each designated agents of the Issuer in connection with the issuance and delivery of the Series 2016 Note, and are authorized and empowered, collectively or individually, to take all actions and steps to execute and deliver any and all instruments, documents or contracts on behalf of the Issuer which are necessary or desirable in connection with the execution and delivery of the Series 2016 Note and which are not inconsistent with the terms and provisions of the Resolution and other actions relating to the Series 2016 Note heretofore taken by the Issuer.

SECTION 15. REPEALING CLAUSE. All resolutions or parts thereof of the Issuer in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

SECTION 16. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Series 2016 Note issued hereunder.

SECTION 17. CAPTIONS. The captions and headings in this Resolution are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Resolution.

SECTION 18. EFFECTIVE DATE. This Resolution shall take effect immediately upon passage.

PASSED AND ADOPTED by the City Council of the City of Gulf Breeze, Florida, this 17<sup>th</sup> day of October, 2016.

(SEAL)

CITY OF GULF BREEZE, FLORIDA

By: \_\_\_\_\_  
Mayor

ATTEST:

By: \_\_\_\_\_  
City Clerk

**EXHIBIT A**

**[FORM OF SERIES 2016 NOTE]**

ANY HOLDER SHALL, PRIOR TO BECOMING A HOLDER, EXECUTE A PURCHASER'S CERTIFICATE IN SUBSTANTIALLY THE FORM EXECUTED AND DELIVERED BY THE ORIGINAL HOLDER.

R-1

\$ ~~\_\_\_\_\_~~ 2,650,000

STATE OF FLORIDA  
COUNTY OF SANTA ROSA  
CITY OF GULF BREEZE

SOUTH SANTA ROSA UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2016

<u>DATED DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>
October 18, 2016	1.339%	October 1, 2020

REGISTERED OWNER: U.S. BANCORP GOVERNMENT LEASING AND FINANCE, INC.

PRINCIPAL AMOUNT: TWO MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS that the City of Gulf Breeze, Florida (hereinafter called "Issuer"), for value received, hereby promises to pay to the order of the Registered Owner named above, or registered assigns, as herein provided, the Principal Amount set forth above, solely from the revenues hereinafter mentioned, and to pay solely from such revenues, interest on said Principal Amount from the Dated Date of this Note or from the most recent interest payment date to which interest has been paid at the Rate of Interest per annum set forth above, subject to adjustment as herein provided, until the payment of such Principal Amount, such interest being payable April 1, 2017, and semi-annually thereafter on the first days of October and April of each year. Interest due hereon shall be calculated on the basis of a 360-day year of twelve 30-day months. Notwithstanding anything to the contrary set forth in the Resolution, all payments hereon shall be paid in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts. All payments due hereunder shall be paid to the Registered Owner by wire transfer in accordance with wire transfer instructions provided by such Registered Owner to the Paying Agent and Issuer, without regard to the then-outstanding principal amount of this Note. Provided, however, if any principal of or interest on this Note is not paid when due, this Note and any amount so in default shall bear interest at the Default Rate until such default is cured. Anything provided herein or in this Note to the contrary notwithstanding, in no event shall this Note bear interest in excess of the maximum rate of interest permitted for non-rated

governmental bonds as set forth in Section 215.84(3), Florida Statutes, as may be amended from time to time. The Default Rate means the interest at which this Note would otherwise bear interest plus 200 basis points.

Principal on this Note shall amortize on October 1 of the following years:

	<u>Amortization Installments</u>
<u>Year</u>	
2017	<u>\$740,000</u>
2018	<u>775,000</u>
2019	<u>815,000</u>
2020*	<u>320,000</u>

\*Maturity

This Note shall be subject to redemption at the option of the Issuer in whole ~~for in part~~ on any interest payment date ~~on or after~~ on or after April 1, 2018, at a price equal to 103% of the outstanding principal amount thereof to be ~~prepaid~~ redeemed, plus accrued interest thereon to the date fixed for redemption. The Issuer shall give the Registered Owner at least ten (10) days prior written notice of its intent to redeem ~~the Series 2016~~ this Note.

In any case where the due date of interest on or principal of this Note is not a Business Day, then payment of such principal or interest need not be made on such date but may be made on the next succeeding Business Day, provided that credit for payments made shall not be given until the payment is actually received by the Registered Owner.

All payments by the Issuer pursuant to this Note shall apply first to accrued interest, then to other charges due the Registered Owner under the Resolution or this Note, and the balance thereof shall apply to principal.

The authorized amount of this Note is \$ ~~2,650,000~~ 2,650,000. This Note is being issued to finance the cost of refunding certain outstanding obligations of the Issuer, all in full compliance with the Constitution of the State of Florida, Chapter 163, Florida Statutes, Chapter 166, Part II, Florida Statutes, as amended, the Charter of the Issuer and other applicable provisions of law and Resolution No. 29-16 duly adopted by the Issuer on October 17, 2016, as supplemented by Resolution No. 30-16 duly adopted by the Issuer October 17, 2016 (hereinafter, collectively called the "Resolution") and is subject to all the terms and conditions of such Resolution. All capitalized undefined terms used herein shall have the meaning set forth in the Resolution.

This Note is payable solely from and secured by a pledge of the Pledged Revenues as defined in the Resolution.

The principal of and interest and redemption premium on this Note and all reserves, if any, and other payments shall be payable solely from the Pledged Revenues. **The Issuer shall**



CERTIFICATE OF AUTHENTICATION

This Note is issued under the provisions of the within mentioned Resolution.

Date of Authentication:

\_\_\_\_\_

\_\_\_\_\_  
Registrar, as Authenticating Agent

By \_\_\_\_\_ (manual signature)  
Authorized Officer

[END OF FORM OF NOTE]

EXHIBIT B

FORM OF LENDER'S CERTIFICATE

October 18, 2016

City of Gulf Breeze, Florida  
1070 Shoreline Drive  
Gulf Breeze, Florida

City of Gulf Breeze, Florida  
South Santa Rosa Utility System Refunding Revenue Note  
Series 2016

U.S. Bancorp Government Leasing and Finance, Inc. (the "Purchaser") has agreed to purchase the above-referenced debt obligation (the "Debt Obligation") in the amount of \$~~2,650,000~~ 2,650,000 which is being issued by the City of Gulf Breeze, Florida (the "Issuer") pursuant to Resolution No. 29-16 of the Issuer adopted October 17, 2016, as supplemented by Resolution No. 30-16 of the Issuer adopted October 17, 2016 (collectively, the "Resolution"). All capitalized terms used herein, but not defined herein, shall have the respective meanings set forth in the Resolution. The undersigned, an authorized representative of the Purchaser, hereby represents to you that:

1. No inference should be drawn that the Purchaser, in the acceptance of the Debt Obligation, is relying on Note Counsel or Issuer's Counsel as to any matters other than the legal opinions rendered by Note Counsel, Bryant Miller Olive P.A. and by Issuer's Counsel.

2. ~~We acknowledge and understand that the Resolution is not being qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"), and is not being registered in reliance upon the exemption from registration under Section 3(a)(2) of the Securities Act of 1933, Section 517.051(1), Florida Statutes, and/or Section 517.061(7), Florida Statutes, and that neither the Issuer, Note Counsel nor Issuer's Counsel shall have any obligation to effect any such registration or qualification.~~ 3. We understand that Debt Obligation is issued in a single denomination equal to the aggregate principal amount of the Debt Obligation and shall be transferable in whole and not in part.

~~4.~~ 3. The Purchaser has authority to purchase the Debt Obligation and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Debt Obligation.

~~5.4.~~ The Purchaser is controlled by or under common control with a national bank organized under the laws of the United States of America and is able to bear the economic risks of purchasing the Debt Obligation.

~~6.5.~~ The Purchaser understands that an official statement, prospectus offering, circular, or other comprehensive offering statement has not been provided with respect to the Debt Obligation. The Purchaser has made its own inquiry and analysis with respect to the Issuer or the Debt Obligation and the security therefor, and other material factors affecting the security for and payment of the Debt Obligation.

~~7.6.~~ The Purchaser acknowledges that it has reviewed information, including financial statements and other financial information regarding the Issuer, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Issuer, the Debt Obligation and the security therefor, so that it has been able to make an informed decision to purchase the Debt Obligation; provided, however, that this letter shall not constitute a waiver of any rights or remedies the Purchaser may have with respect to any untrue information it may have received or any material information which was withheld from its review.

~~8.7.~~ The Purchaser understands that the Debt Obligation: (i) is not registered under the ~~1933~~Securities Act of 1933, as amended, and is not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (ii) is not listed on any stock or other securities exchange and (iii) has not been rated by any credit rating agency. The Purchaser also understands that the Resolution is not being qualified under the Trust Indenture Act of 1939, as amended. The Purchaser further understands that neither the Issuer, Note Counsel nor Issuer's Counsel shall have any obligation to effect any such registration, qualification or listing.

~~9.~~8. ~~The~~ The Purchaser is not acting as a broker or other intermediary, and the Debt Obligation is being acquired by the Purchaser for its own account and not with a present view toward resale or distribution; provided, however, that the Purchaser ~~reserve~~reserves the right to sell, transfer or redistribute the Debt Obligation but agrees that any such sale, transfer or distribution by the Purchaser shall be to a Person:

- (a) ~~That~~that is an affiliate of the Purchaser;
- (b) ~~That~~that is a trust or other custodial arrangement established by the Purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers or accredited investors; or
- (c) ~~That~~that the Purchaser reasonably believes is qualified to purchase the Debt Obligation and that executes a letter substantially in the form of this letter.

[Remainder of page intentionally left blank]

DATED this 18<sup>th</sup> of October, 2016.

U.S. BANCORP GOVERNMENT  
LEASING AND FINANCE, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT C

FORM OF DISCLOSURE LETTER

The undersigned, as purchaser, proposes to negotiate with the City of Gulf Breeze, Florida (the "Issuer") for the private purchase of its South Santa Rosa Utility System Refunding Revenue Note, Series 2016 (the "Series 2016 Note") in the principal amount of \$~~2,650,000~~. Prior to the award of the Series 2016 Note, the following information is hereby furnished to the Issuer:

1. Set forth is an itemized list of the nature and estimated amounts of expenses to be incurred for services rendered to us (the "Lender") in connection with the issuance of the Series 2016 Note (such fees and expenses to be paid by the Issuer):

Lender's Counsel

\$~~0~~

2. (a) No other fee, bonus or other compensation is estimated to be paid by the Lender in connection with the issuance of the Series 2016 Note to any person not regularly employed or retained by the Lender (including any "finder" as defined in Section 218.386(1)(a), Florida Statutes), except as specifically enumerated as expenses to be incurred by the Lender, as set forth in paragraph (1) above.

(b) No person has entered into an understanding with the Lender, or to the knowledge of the Lender, with the Issuer, for any paid or promised compensation or valuable consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the Issuer and the Lender or to exercise or attempt to exercise any influence to effect any transaction in the purchase of the Series 2016 Note.

3. The amount of the underwriting spread expected to be realized by the Lender is \$0.

4. The management fee to be charged by the Lender is \$0.

5. Truth-in-Bonding Statement:

The Series 2016 Note is being issued primarily to refinance the Refunded Bonds and pay the costs of issuance.

Unless earlier redeemed, the Series 2016 Note is expected to be repaid by October 1, 2020; at an interest rate of 1.339% and total interest paid over the life of the Series 2016 Note is estimated to be \$~~79,180.00~~.

The Series 2016 Note will be payable solely from the Pledged Revenues in the manner and to the extent described in Resolution No. 29-16 adopted on October 17, 2016, as supplemented by Resolution No. 30-16 adopted on October 17, 2016 (collectively, the "Resolution"). Issuance of the Series 2016 Note is estimated to result in ~~approximately~~ a maximum annual \$822,620.05 of revenues of the Issuer not being available to finance the services of the Issuer during the life of the Series 2016 Note. This paragraph is provided pursuant to Section 218.385, Florida Statutes.

6. The name and address of the Lender is as follows:

U.S. Bancorp Government Leasing and Finance, Inc.  
13010 SW 68<sup>th</sup> Parkway, Suite 100  
Portland, OR 97223

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Letter on behalf of the Lender this 18<sup>th</sup> day of October, 2016.

U.S. BANCORP GOVERNMENT  
LEASING AND FINANCE, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT D

FORM OF ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, dated as of October ~~17~~<sup>18</sup>, 2016, by and between the CITY OF GULF BREEZE, FLORIDA (the "Issuer"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Holder, and its successors and assigns (the "Escrow Holder");

WITNESSETH:

WHEREAS, the Issuer previously issued its South Santa Rosa Utility System Refunding Revenue Bonds, Series 2004 (the "2004 Bonds"); and

WHEREAS, the Issuer now desires to currently refund all of the 2004 Bonds (the "Refunded Bonds"); and

WHEREAS, the execution of this Escrow Deposit Agreement and full performance of the provisions hereof shall defease and discharge the Issuer's obligations relating to the Refunded Bonds; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Issuer and the Escrow Holder agree as follows:

SECTION 1. Definitions. As used herein, the following terms mean:

- (a) "Agreement" shall mean this Escrow Deposit Agreement.
- (b) "Escrow Account" shall mean the account hereby created and entitled Escrow Account established and held by the Escrow Holder pursuant to this Agreement in which cash will be held uninvested for payment of the principal, interest, and redemption premium, if any, on the Refunded Bonds.
- (c) "City Council" shall mean the City Council of the Issuer.
- (d) "Issuer" shall mean the City of Gulf Breeze, Florida, and its successors and assigns.
- (e) "Note Counsel" shall mean Bryant Miller Olive P.A., or any other law firm nationally-recognized in the area of public finance.
- (f) "Redemption Date" shall mean November ~~17~~<sup>18</sup>, 2016.

(g) "Refunded Bonds" shall have the meaning ascribed above.

(h) "Refunded Bonds Resolution" shall mean Resolution No. 2-94 adopted by the City Council of the Issuer on September 29, 1994, as amended and supplemented, and as particularly supplemented by Resolution No. 26-2004 and Resolution No. 26-2004A, each duly adopted by the Issuer on September 29, 2004.

(i) "Series 2016 Note" shall mean the \$~~( )~~2,650,000 City of Gulf Breeze, Florida South Santa Rosa Utility System Refunding Revenue Note, Series 2016.

(j) "Series 2016 Noteholder" shall mean U.S. Bancorp Government Leasing and Finance, Inc.

(k) "Total Debt Service for the Refunded Bonds" shall mean the sum of the principal of, redemption premium, if any, and interest remaining unpaid with respect to the Refunded Bonds in accordance with Schedule A attached hereto, taking into account that, pursuant to Section 9 of Resolution No. 30-16 adopted by the City Council of the Issuer on October 17, 2016, the Refunded Bonds shall be called for early redemption on the Redemption Date.

SECTION 2. Deposit of Funds. The Issuer hereby deposits \$~~( )~~2,666,930.56 with the Escrow Holder for deposit into the Escrow Account, in immediately available funds, which the Escrow Holder acknowledges receipt of, to be held in irrevocable escrow by the Escrow Holder separate and apart from other funds of the Escrow Holder and applied solely as provided in this Agreement. An amount equal to \$16,930.56 of such funds are being derived from other legally available moneys of the Issuer. An amount equal to \$~~( )~~2,650,000.00 of such funds are being derived from proceeds of the Series 2016 Note. The Issuer represents and warrants that the cash deposited into the Escrow Account (i) is at least equal to the Total Debt Service for the Refunded Bonds as of the date of such deposit, and (ii) is sufficient to pay principal, interest and redemption premium, if any, on the Refunded Bonds as they become due and payable in accordance with Schedule A attached hereto.

SECTION 3. Use of Funds. The Escrow Holder acknowledges receipt of the sum described in Section 2 and agrees to hold the funds uninvested pursuant to this Agreement in irrevocable escrow during the term of this Agreement for the sole benefit of the holders of the Refunded Bonds; and there will be no investment or reinvestment of funds.

SECTION 4. Payment of Refunded Bonds and Expenses.

(a) Refunded Bonds. On the dates and in the amounts set forth on Schedule A, the Escrow Holder shall transfer to The Bank of New York Mellon Trust Company, N.A., the Paying Agent for the Refunded Bonds (the "Paying Agent"), in immediately available funds solely from amounts available in the Escrow Account, a sum sufficient to pay the principal of, interest on and redemption premium, if applicable, on the Refunded Bonds, as shown on Schedule A.

(b) Expenses. The Issuer shall pay the fees and expenses of the Escrow Holder as set forth on Schedule B attached hereto. In addition, if the Escrow Holder is required by a governmental agency or court proceeding initiated by a third party to undertake efforts beyond that which is set forth herein but related thereto (other than due to the Escrow Holder's negligence or willful misconduct), the Escrow Holder shall notify the Issuer of the same in writing and the Issuer shall promptly pay the Escrow Holder for such extraordinary fees, costs and expenses reasonably and necessarily incurred in connection therewith.

(c) Surplus. After making the payments from the Escrow Account described in Subsections 4(a) and (b) above, the Escrow Holder shall retain in the Escrow Account any remaining cash in the Escrow Account in excess of the Total Debt Service for the Refunded Bonds until the termination of this Agreement pursuant to the terms of Section 12 hereof, and shall then pay any remaining funds to the Issuer to be used to pay debt service on the Series 2016 Note on the next interest payment date.

(d) Priority of Payments. The holders of the Refunded Bonds shall have an express first priority security interest in the funds in the Escrow Account until such funds are used and applied as provided in this Agreement.

SECTION 5. No Investment or Reinvestment.

The Escrow Holder shall have no power or duty to invest any funds held under this Agreement.

SECTION 6. No Redemption or Acceleration of Maturity. The Issuer will not accelerate the maturity of, or exercise any option to redeem before maturity, any Refunded Bonds, except as set forth on Schedule A attached hereto.

SECTION 7. Responsibilities of Escrow Holder. The duties and obligations of the Escrow Holder shall be determined solely by the express provisions of this Agreement and no implied duties or covenants shall be read into this Agreement against the Escrow Holder. The Escrow Holder may consult with counsel, who may or may not be counsel to the Issuer, at the Issuer's expense, and in reliance upon the opinion of such counsel, shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Holder shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer. The Escrow Holder may conclusively rely upon and shall be fully protected in acting and relying upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of counsel), affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the proper person or persons.

The Escrow Holder may act through its agents and attorneys appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any such person so appointed. Any payment obligation of the Escrow Holder hereunder shall be paid from, and is limited to funds available under this Agreement; the Escrow Holder shall not be required to expend its own funds for the performance of its duties hereunder. Notwithstanding any provision herein to the contrary, in no event shall the Escrow Holder be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Holder has been advised of the likelihood of such loss or damage and regardless of the form of action. The Escrow Holder shall not be responsible or liable for any failure or delay in the performance of its obligation under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Escrow Holder shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

SECTION 8. Resignation of Escrow Holder. The Escrow Holder may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the Issuer, any rating agency then providing a rating on either the Refunded Bonds or the Series 2016 Note, and the Paying Agent for the Refunded Bonds not less than sixty (60) days before such resignation shall take effect. Such resignation shall not take effect until the appointment of a new Escrow Holder hereunder.

SECTION 9. Removal of Escrow Holder.

(a) The Escrow Holder may be removed ~~at any time~~ with a 30 day notice by an instrument or concurrent instruments in writing, executed by the holders of not less than fifty-one percentum (51%) in aggregate principal amount of the Refunded Bonds then Outstanding, such instruments to be filed with the Issuer, and notice in writing given by such holders to the Series 2016 Noteholder and published by the Issuer once in a newspaper of general circulation in the territorial limits of the Issuer, and in a daily newspaper or financial journal of general circulation in the City of New York, New York, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photographic copy of any instrument filed with the Issuer under the provisions of this paragraph shall be delivered by the Issuer to the Escrow Holder.

(b) The Escrow Holder may also be removed ~~at any time~~ with a 30 day notice for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Agreement with respect to the duties and obligations of

the Escrow Holder by any court of competent jurisdiction upon the application of the Issuer or the Series 2016 Noteholder, or the holders of not less than five percentum (5%) in aggregate principal amount of the Refunded Bonds then Outstanding.

(c) The Escrow Holder may not be removed until a successor Escrow Holder has been appointed in the manner set forth herein.

SECTION 10. Successor Escrow Holder.

(a) If, at any time hereafter, the Escrow Holder shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Holder shall thereupon become vacant. If the position of Escrow Holder shall become vacant for any of the foregoing reasons or for any other reason, the Issuer shall immediately appoint an Escrow Holder to fill such vacancy and, upon such appointment, all assets held hereunder shall be transferred to such successor. The Issuer shall either (i) publish notice of any such appointment made by it once in each week for four (4) successive weeks in a newspaper of general circulation published in the territorial limits of the Issuer and in a daily newspaper or financial journal of general circulation in the City of New York, New York, or (ii) mail a notice of any such appointment made by it to the holders of the Refunded Bonds within thirty (30) days after such appointment.

(b) At any time within one year after such vacancy shall have occurred, the Series 2016 Noteholder or a majority in principal amount of the Refunded Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by either the Series 2016 Noteholder or such holders of the Refunded Bonds and filed with the City Council of the Issuer, may appoint a successor Escrow Holder, which shall supersede any Escrow Holder theretofore appointed by the Issuer. Photographic copies of each such instrument shall be delivered promptly by the Issuer, to the predecessor Escrow Holder and to the Escrow Holder so appointed by the Series 2016 Noteholder or such Bondholders. In the case of conflicting appointments made by the Series 2016 Noteholder or such Bondholders under this paragraph, the first effective appointment made during the one year period shall govern.

(c) If no appointment of a successor Escrow Holder shall be made pursuant to the foregoing provisions of this Section within sixty (60) days of the delivery of the notice of resignation or removal, the holder of any Refunded Bonds then Outstanding, or any retiring Escrow Holder, may apply to any court of competent jurisdiction to appoint a successor Escrow Holder. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Holder.

(d) Any corporation or association into which the Escrow Holder may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party,

ipso facto, shall be and become successor Escrow Holder hereunder and vested with all the trust, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any parties hereto, anything herein to the contrary notwithstanding, provided such successor shall have reported total capital and surplus in excess of \$15,000,000, provided that such successor Escrow Holder assumes in writing all the trust, duties and responsibilities of the Escrow Holder hereunder.

SECTION 11. Payment to Escrow Holder. The Escrow Holder hereby acknowledges that it has agreed to accept compensation under the Agreement pursuant to the terms of Schedule B attached hereto for services to be performed by the Escrow Holder pursuant to this Agreement. The Escrow Holder shall not be compensated from amounts on deposit in the Escrow Account, and the Escrow Holder shall have no lien or claim against funds in the Escrow Account for payment of obligations due it under this Section.

SECTION 12. Term. This Agreement shall commence upon its execution and delivery and shall terminate when the Refunded Bonds have been paid and discharged in accordance with the proceedings authorizing the Refunded Bonds, except as provided in Section 7.

SECTION 13. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Issuer or the Escrow Holder to be performed should be determined by a court of competent jurisdiction to be contrary to law, notice of such event shall be sent to the municipal bond insurer(s) for the Refunded Bonds, if any, as well as Moody's Investors Service, Inc., Fitch Ratings and Standard & Poor's Ratings Services (but only to the extent such agencies have a rating outstanding on any of the Refunded Bonds), and while such covenant or agreements herein contained shall be null and void, they shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. Amendments to this Agreement. This Agreement is made for the benefit of the Issuer and the holders from time to time of the Refunded Bonds and the Series 2016 Noteholder and it shall not be repealed, revoked, altered or amended in whole or in part without the written consent of all holders of Refunded Bonds, the Escrow Holder and the Issuer; provided, however, that the Issuer and the Escrow Holder may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Holder, for the benefit of the Series 2016 Noteholder and the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Holder; and

(c) to subject to this Agreement additional funds, securities or properties.

The Escrow Holder shall, at its option, be entitled to request, at the Issuer's expense, and rely exclusively upon an opinion of nationally recognized attorneys on the subject of municipal bonds acceptable to the Issuer with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section. Prior written notice of such amendments, together with proposed copies of such amendments, shall be provided to Moody's Investors Service, Inc., Fitch Ratings, and Standard & Poor's Ratings Services (but only to the extent such agencies have a rating outstanding on any of the Refunded Bonds).

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 16. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Florida without regard to conflict of law principles.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and their corporate seals to be hereunto affixed and attested as of the date first above written.

CITY OF GULF BREEZE, FLORIDA

(SEAL)

By: \_\_\_\_\_  
Mayor

ATTEST:

By: \_\_\_\_\_  
City Clerk

*[Signature page to Escrow Deposit Agreement]*

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Escrow Holder

By: \_\_\_\_\_

Title:

\_\_\_\_\_  
Vice President

*[Signature page to Escrow Deposit Agreement]*

SCHEDULE A

TOTAL DEBT SERVICE  
FOR THE REFUNDED BONDS

<b>Period Ending</b>	<b>Interest</b>	<b>Principal Maturity</b>	<b>Principal Redeemed</b>	<b>Redemption Premium</b>	<b>Total</b>
<u>11/17/2016</u>	<u>\$16,930.56</u>	<u>==</u>	<u>\$2,650,000.00</u>	<u>==</u>	<u>\$2,666,930.56</u>

SCHEDULE B

EXPENSES TO BE PAID TO ESCROW HOLDER

Upfront fee of ~~1\$~~ \$500.00, plus out of pocket expense

# *Verification Report*

**\$2,650,000**

**City of Gulf Breeze, Florida  
South Santa Rosa Utility System  
Refunding Revenue Note,  
Series 2016**

October 18, 2016

City of Gulf Breeze, Florida

Bryant Miller Olive P.A.

The Bank of New York Mellon Trust Company,  
N.A.

U.S. Bancorp Government Leasing  
and Finance, Inc.

**\$2,650,000**  
**City of Gulf Breeze, Florida**  
**South Santa Rosa Utility System**  
**Refunding Revenue Note,**  
**Series 2016**

We have completed our engagement to verify the mathematical accuracy of certain computations relating to the above-captioned issue (the “2016 Note”), prepared on behalf of the City of Gulf Breeze, Florida (the “City”) by The Bank of New York Mellon Trust Company, N.A. (“BNY Mellon”), and provided to us by that company. These computations quantitatively present the preparer’s assertions that:

- Proceeds of the 2016 Note, together with other legally available moneys provided by the City, which are held as cash in escrow will be sufficient to pay, when due, the principal and interest requirements of the Refunded Bonds (as hereinafter defined), assuming the Refunded Bonds maturing on October 1, 2018 (including the Amortization Installment due on October 1, 2017) to and including October 1, 2020 are called for redemption on November 17, 2016 at a price of 100% of the par amount plus accrued interest to the redemption date (the “Total Debt Service Requirements on the Refunded Bonds Assuming Early Redemption”).

The issue to be refunded (the “Refunded Bonds”) is:

	<u>Refunded Principal</u>
\$9,460,000	
City of Gulf Breeze, Florida	
South Santa Rosa Utility System	
Refunding Revenue Bonds, Series 2004	\$2,650,000

Our engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary under the circumstances. The scope of our engagement was limited to an independent verification of the mathematical accuracy of the computations provided by BNY Mellon.

In the course of our engagement, we prepared schedules similar to the computation provided by BNY Mellon based upon the related information provided to us. The schedules we prepared are attached to this report. In these schedules, the settlement date for the 2016 Note is assumed to be October 18, 2016.

Bryant Miller Olive P.A. provided us with applicable portions of the Official Statement for the Refunded Bonds. We compared the issue date, principal amounts, coupon rates, interest dates, maturity dates and redemption terms provided in the computations provided by BNY Mellon to the documents provided and found them to be in agreement.

In our opinion, the computations provided to us by BNY Mellon are mathematically correct. The computations provided to us by BNY Mellon and those prepared by us as part of our engagement to verify the mathematical accuracy of the computations reflect that:

- Proceeds of the 2016 Note, together with other legally available moneys of the City, totaling \$2,666,930.56 held as cash in escrow will be sufficient to pay, when due, the Total Debt Service Requirements on the Refunded Bonds Assuming Early Redemption.

The scope of our engagement was limited to verifying the mathematical accuracy of the computations provided to us, to the extent described herein. We express no opinion as to the reasonableness or attainability of the assumptions or the appropriateness of the methodologies used in preparing such schedules. We make no representations as to questions of legal interpretation and accordingly, we express no opinion with regard to any determination that the 2016 Note is being issued in accordance with existing statutes, regulations, administrative interpretations and court decisions. This report is issued solely for use by the addressees in connection with the issuance of the 2016 Note and should not be used by other parties. The terms of our engagement are such that we have no obligation to update this report because of events occurring, or data or information coming to our attention, subsequent to the date of this report.

*Integrity Public Finance Consulting*

October 18, 2016

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Redemption of the Refunded Bonds.....Schedule B

**\$2,650,000**  
**City of Gulf Breeze, Florida**  
**South Santa Rosa Utility System Refunding Revenue Note,**  
**Series 2016**

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**CASH FLOW SCHEDULE**

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<u>Date</u>	<u>Total Debt Service Req (1)</u>	<u>Cash Balance</u>
10/18/2016		2,666,930.56
11/17/2016	2,666,930.56	0.00
	<u>2,666,930.56</u>	

(1) Schedule B

**\$2,650,000**  
**City of Gulf Breeze, Florida**  
**South Santa Rosa Utility System Refunding Revenue Note,**  
**Series 2016**

**DEBT SERVICE REQUIREMENTS TO MATURITY AND TO EARLY REDEMPTION  
 OF THE REFUNDED BONDS**

Date	Principal		Interest		Total Debt		Principal		Total Debt	
	To Maturity	Coupon	Interest	Service to Maturity	Service to Maturity	To Early Redemption	Interest	Service to Early Redemption		
11/17/2016										
4/1/2017			66,250.00	66,250.00	66,250.00					
10/1/2017	740,000.00	5.000%	66,250.00	806,250.00	806,250.00					
4/1/2018			47,750.00	47,750.00	47,750.00					
10/1/2018	775,000.00	5.000%	47,750.00	822,750.00	822,750.00					
4/1/2019			28,375.00	28,375.00	28,375.00					
10/1/2019	815,000.00	5.000%	28,375.00	843,375.00	843,375.00					
4/1/2020			8,000.00	8,000.00	8,000.00					
10/1/2020	320,000.00	5.000%	8,000.00	328,000.00	328,000.00					
	<u>2,650,000.00</u>		<u>300,750.08</u>	<u>2,950,750.08</u>	<u>2,950,750.08</u>					
						<u>2,650,000.00</u>	<u>16,930.56</u>	<u>2,666,930.56</u>		



504 NORTH BAYLEN STREET  
PENSACOLA, FLORIDA 32501  
850.434.9922  
FACSIMILE: 850.432.2028

October 18, 2016

City Council  
City of Gulf Breeze, Florida  
1070 Shoreline Drive  
Gulf Breeze, Florida 32561

Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue, Suite 2200  
Miami, FL 33131

U.S. Bancorp Government Leasing and Finance, Inc.  
13010 SW 68<sup>th</sup> Parkway, Suite 100  
Portland, OR 97223

\$2,650,000

CITY OF GULF BREEZE, FLORIDA

SOUTH SANTA ROSA UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2016

Ladies and Gentlemen:

This opinion is being delivered as the opinion of Counsel to the City of Gulf Breeze, Florida (the "Issuer"), in connection with the issuance by the Issuer of its \$2,650,000 South Santa Rosa Utility System Refunding Revenue Note, Series 2016 (the "Series 2016 Note"). The Series 2016 Note is issued pursuant to the Constitution of the State of Florida, Chapter 163, Florida Statutes, Chapter 166, Part II, Florida Statutes, as amended, the Charter of the Issuer and other applicable provisions of law and Resolution No. 29-16 adopted by the City Council of the Issuer on October 17, 2016, as supplemented by Resolution No. 30-16 adopted by the City Council of the Issuer on October 17, 2016 (collectively, the "Resolution"). All terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In rendering my opinion, I have examined (1) the Series 2016 Note and (2) the Resolution and such proceedings, records and the Charter of the Issuer and made such inquiry of officials of the Issuer as I deem necessary to render this opinion, subject to the qualifications and limitations set forth herein, I am of the opinion, as of the date hereof, that:

1. The Issuer is a municipal corporation of the State of Florida, duly created and validly existing and has full legal right, power, and authority to adopt and perform its obligations under the Resolution, and to authorize, execute, and deliver and to perform its obligations under the Series 2016 Note.

2. The Issuer has duly adopted the Resolution and has duly authorized, executed and delivered the Series 2016 Note. The Series 2016 Note and the Resolution each constitute legal, binding and valid obligations of the Issuer, enforceable in accordance with their respective terms; provided, however, the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

3. The adoption of the Resolution, and the authorization, execution and delivery of the Series 2016 Note and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, consent decree, ordinance, resolution or any agreement or other instrument to which the Issuer was or is subject, as the case may be, nor will such adoption, execution, delivery, authorization or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer, or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly provided by the Resolution.

4. All approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the Issuer of its obligations under the Resolution have been obtained and are in full force and effect and the Issuer has complied with all conditions precedent to the issuance of the Series 2016 Note contained in resolutions and ordinances of the Issuer.

5. The Issuer is lawfully empowered to pledge the Pledged Revenues, as defined in Resolution 29-16, for payment of the principal of, redemption premium, if any, and interest on the Series 2016 Note in the manner and to the extent provided in the Resolution.

6. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, to my knowledge, pending or threatened against the Issuer, affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Series 2016 Note or the pledge of the Pledged Revenues without limitation, or contesting or affecting as to the Issuer the validity or enforceability in any respect of the Series 2016 Note, the Resolution or contesting the exclusion from gross income of interest on the Series 2016 Note, or contesting the powers of the Issuer and the City Council or any authority for the issuance of the Series 2016 Note, and the adoption of the Resolution.

I have not reviewed the financial condition of the Issuer or the adequacy of the security provided and I express no opinion relating thereto.

This opinion is furnished to you by this firm as counsel for the Issuer (and not as counsel for any other person or entity), is solely for your benefit and is rendered solely in connection with the transaction to which this opinion relates. This opinion may be relied upon only in connection with this transaction and may not be relied upon by any other persons without my prior written consent.

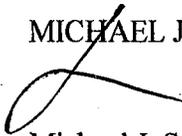
I am an attorney admitted to practice law only in the State of Florida. Nothing herein shall be construed to be an opinion as to (a) the applicability or the effect of laws of the United States or of any jurisdiction other than the State of Florida. The foregoing opinions are subject to the effect of, and restrictions and limitations imposed by or resulting from bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights and judicial discretion and the valid exercise of the sovereign police powers of the State of Florida and of the constitutional power of the United States of America.

The opinions set forth herein are limited to the matters expressly stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated herein or omitted herefrom. The opinions expressed herein are current as of the date hereof, and I assume no obligation and disclaim any undertaking to advise on any subsequent changes which may be brought to my attention or to update or supplement any such opinions to reflect any facts or circumstances that may hereafter come to my attention or any changes in law that may hereafter occur.

No attorney-client relationship has existed or exists between my firm and any party other than the Issuer in connection with the Series 2016 Note, the Resolution or by virtue of this letter.

Very truly yours,

MICHAEL J. STEBBINS, P.L.



Michael J. Stebbins  
For the Firm



# *City of Gulf Breeze*

## Memorandum

To: Buz Eddy, City Manager

From: Nathan G. Ford, Assistant to City Manager

Date: October 14, 2016

Subject: Pensacola Bay Bridge Replacement Impact to Deadman's Island

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The City Council held a special workshop on October 12, 2016 with community members on the potential impacts from the Pensacola Bay Bridge construction project on Deadman's Island. In response to direction from this meeting, Staff has developed the following resolution, requesting the US Coast Guard and Federal Highway Administration to review the Finding of No Significant Impact (FONSI) and associated environmental assessment and permit documents for the Pensacola Bay Bridge construction project.

During the meeting, establishing a "Deadman's Island Preservation Committee," was recommended. This group would work with staff on issues affecting the Island such as the current Pensacola Bay Bridge construction impact inquiry. Staff recommends the following individuals to serve on this committee:

- Mr. Bill Wein, Dr. Bob Menzer, Mr. Bob Ozburn, Mr. Bob Switzer

**Recommendation:** That the Council approve, Resolution 33-16, objecting to the Finding of No Significant Impact (FONSI) to Deadman's Island (FL 100) from future improvement to the Pensacola Bay Bridge, and the Council direct Staff to ask the identified residents of their willingness to serve on the "Deadman's Island Preservation Committee."

## **RESOLUTION 33-16**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA, OBJECTING TO THE FINDING OF NO SIGNIFICANT IMPACT (FONSI) TO DEADMAN'S ISLAND (FL 100) FROM FUTURE IMPROVEMENT OF THE PENSACOLA BAY BRIDGE.**

**WHEREAS**, the City of Gulf Breeze, Florida, and the United States Army Corps of Engineers, along with several community, state and federal agencies have invested in restorative projects to preserve Deadman's Island; and

**WHEREAS**, Deadman's Island, owned by the City of Gulf Breeze, is a unique location with diverse ecological features and significant historical, archeological, cultural resources; and

**WHEREAS**, accelerated erosion has been an issue for the viability of Deadman's Island since the initial bay bridge was erected, indirectly reducing the flow of natural sediment to the area's shoreline; and

**WHEREAS**, the City was notified by community residents of potential environmental impacts to Deadman's Island from construction of the new Pensacola Bay Bridge; and

**WHEREAS**, the City only recently learned that the Florida Department of Environmental Protection Bridge permit did not include a study of impacts to Deadman's Island; and

**WHEREAS**, the City held a public workshop on October 12, 2016, to discuss impacts associated with the bridge project and heard from area residents who disagree with the interpretation of the interagency review of the FONSI; and

**WHEREAS**, the United States Coast Guard and the Federal Highway Administration (FHWA) maintain jurisdiction over the permitting of the Pensacola Bay Bridge construction project.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA:**

#### **SECTION 1:**

That the US Coast Guard and the FHWA should immediately seek input from all appropriate agencies, including environmental, historical, and archaeological authorities, and

review the Finding of No Significant Impact (FONSI) of the Pensacola Bay Bridge construction project with regard to potential impacts to Deadman's Island.

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, SANTA ROSA COUNTY, FLORIDA, on this 17<sup>th</sup> day of October, 2016.**

CITY OF GULF BREEZE, FLORIDA

By: \_\_\_\_\_  
Matt E. Dannheisser, Mayor

ATTEST:

\_\_\_\_\_  
Leslie A. Guyer, City Clerk



# City of Gulf Breeze

OFFICE OF THE CITY MANAGER

## MEMORANDUM

To: Mayor and City Council

From:  Edwin A. Eddy, City Manager

Date: October 14, 2016

Subject: 1) Resolution 31-16, Increasing Water and Waste Water Rates in the City  
2) Resolution 32-16, Increasing Water and Waste Water Rates for the South Santa Rosa Utility System

---

There are a multitude of issues to consider relative to increasing water and waste water rates for the City and SSRUS customers. Among them are:

- Costs have gone up. Examples are payroll (4%), health insurance (11%) and the cost of goods and services.
- The best parameter for this type of “maintain the status quo” rate increase is the regional CPI as defined in the Resolution.

The questions about rate differential between City customers and SSRUS customers can be addressed with the following points:

- The SSRUS was purchased. The City system was acquired by developer dedication. As a result, the SSRUS has debt not attributable to the City.
- Acquisition and operation of the utility by the City has resulted in significant cost savings to SSRUS customers over the years. These savings arise from many factors such as lower borrowing rates, an exemption from sales taxes for products ranging from purchasing vehicles to major capital improvements, exemption from property taxes for utility owned property, the ability to receive co-op insurance rates via the Florida League of Cities, and the ability to seek FEMA reimbursement for storm damage.

The largest single cost savings for SSRUS customers due to City ownership is that there has been no built-in profit margin in the rates.

The attached report indicates that private utilities have financing costs of about 3% more than municipal utilities. Profits and taxes are estimated to add 20-30% to operation and maintenance costs.

Over the years, staff has been approached by private organizations interested in acquiring SSRUS. The basis for the acquisition is typically a bond issue to cover all existing debt and capital to upgrade facilities. The debt service and interest, operational costs and profit would be calculated into new rates that would be much higher.

The Resolutions set forth a method to consider rates for two fiscal years subsequent to FY17. Staff will utilize the Consumer Price Index as a budget setting guide. Based on staff and SSRUS Board recommendations, the Council will have the option to increase rates by the CPI.

**RECOMMENDATION:**

**THAT THE CITY COUNCIL ADOPT RESOLUTIONS 31-16 AND 32-16  
INCREASING WATER AND WASTEWATER RATES.**

**RESOLUTION NO. 31-16**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA, INCREASING WATER AND WASTE WATER RATES FOR WATER AND WASTE WATER UTILITY CUSTOMERS IN THE CITY OF GULF BREEZE.**

**WHEREAS**, the City of Gulf Breeze provides water and waste water utility operations to the residents within the city limits of the City of Gulf Breeze and , the City of Gulf Breeze must rely upon water and waste water rates to pay for the purchase of water, the costs to operate the water and waste water systems and provide for adequate reserves; and,

**WHEREAS**, the City Council has determined that the cost of operating the water and waste water utilities operations , including but not limited to personnel costs and the purchase of energy, have increased; and,

**WHEREAS**, the City Council has determined that the current water and waste water utilities operating revenues cannot support the current level of service, even with the cost cutting measures already taken; and,

**WHEREAS**, the City Council has determined that it may be necessary to increase water and waste water rates for this year as provided on Exhibit "A" and for the next two (2) years by an amount equal to the annual increase in the Consumer Price Index for All Urban Consumers, Southern Region, as published by the Bureau of Labor Statistics of the United States Department of Labor; and,

**WHEREAS**, the City Council held a Public Meeting on Monday, October 17, 2016, on this matter.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA AS FOLLOWS;**

**SECTION 1:** The water rates including volumetric and waste water rates for utility customers in the City of Gulf Breeze are hereby increased by two percent (2%) as illustrated on the attached Exhibit "A." Said increases to be implemented commencing with bills produced after October 17, 2016.

**SECTION 2:** In preparation of the annual budget for water and waste water utility operations, the City of Gulf Breeze will increase the water and waste water utility operations budget by the same amount as the increase in the Consumer Price Index. The City Council may decide in October 2017 and October 2018 to increase water and waste water utility rates for utility customers in the City of Gulf Breeze in an amount equal to the rate of increase in the Consumer Price Index.

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, SANTA ROSA COUNTY, FLORIDA ON THIS 17<sup>TH</sup> DAY OF OCTOBER, 2016.**

CITY OF GULF BREEZE, FLORIDA

By: \_\_\_\_\_  
Matt E. Dannheisser, Mayor

ATTEST

\_\_\_\_\_  
Leslie A. Guyer, City Clerk or  
Stephanie D. Lucas, City Clerk

EXHIBIT "A"

FUND 401 - CITY WATER & SEWER PROPOSED RATE INCREASE FY 2017

	Current	Revenue	FY 17	% Increase	Revenue
<b>VOLUMETRIC RATE</b>			<b>2.00%</b>		
Water	\$3.36	\$953,941	\$3.43	2.0%	\$973,020
Sewer	\$4.30	\$808,386	\$4.39	2.0%	\$824,554
<b>WATER BASE FEE</b>					
3/4"	\$12.00	\$342,377	\$12.24	2.0%	\$349,225
1"	\$20.91	\$58,098	\$21.33	2.0%	\$59,260
1 1/2"	\$50.85	\$12,448	\$51.87	2.0%	\$12,697
2"	\$81.30	\$37,814	\$82.93	2.0%	\$38,571
3"	\$161.69	\$1,979	\$164.92	2.0%	\$2,019
4"	\$242.09	\$11,853	\$246.93	2.0%	\$12,090
6"	\$475.39	\$5,819	\$484.90	2.0%	\$5,935
<b>SEWER BASE FEE</b>					
3/4"	\$17.00	\$281,116	\$17.34	2.0%	\$286,738
1"	\$29.48	\$48,713	\$30.07	2.0%	\$49,687
1 1/2"	\$66.56	\$12,220	\$67.89	2.0%	\$12,465
2"	\$104.75	\$33,336	\$106.85	2.0%	\$34,002
3"	\$204.63	\$7,514	\$208.72	2.0%	\$7,664
4"	\$302.08	\$7,395	\$308.12	2.0%	\$7,543
6"	\$580.61	\$7,107	\$592.22	2.0%	\$7,249
<b>INCOME GENERATED</b>		<b>\$2,630,116</b>			<b>\$2,682,718</b>
OTHER INCOME		90,500			90,500
EXPENSES		(2,689,271)			(2,689,271)
NET		31,345			83,947
Margin		1.17%			3.12%

<sup>1</sup>Includes \$30,000 for Innerarity Island Transfer

THE EFFECT OF THE PROPOSED RATE INCREASE ON CITY WATER & SEWER CUSTOMER

Gallons Used	Current	FY 17	% Incr
1000	\$36.66	\$37.39	2.00%
3000	\$51.98	\$53.02	2.00%
4000	\$59.64	\$60.83	2.00%
5000	\$67.30	\$68.65	2.00%
6000	\$74.96	\$76.46	2.00%
7000	\$82.62	\$84.27	2.00%
10000	\$105.60	\$107.71	2.00%

**RESOLUTION NO. 32-16**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA, INCREASING RATES FOR WATER, WASTE WATER, AND RECLAIMED WATER AND ADDING A SURCHARGE FOR UTILITY CUSTOMERS IN THE SOUTH SANTA ROSA UTILITY SYSTEM.**

**WHEREAS**, the City of Gulf Breeze provides water, waste water, and reclaimed water services to customers of the South Santa Rosa Utility System and must rely upon water, waste water, and reclaimed water use rates and surcharges to pay for the costs to operate the water, waste water and reclaimed water system and provide for adequate reserves; and,

**WHEREAS**, the City Council has determined that operating costs for the water, waste water and reclaimed water system for the South Santa Rosa Utility System, including but not limited to personnel costs and the purchase of energy, have increased; and,

**WHEREAS**, the City Council has determined that the current operating revenues for the water, waste water and reclaimed water system for the South Santa Rosa Utility System cannot support the current level of service, even with the cost cutting measures already taken; and,

**WHEREAS**, the City Council has determined that it may be necessary to increase water, waste water, and reclaimed water rates for this year and add a surcharge as provided on Exhibit "A" and for the next two (2) years increase water, waste water, and reclaimed water rates for this year by an amount equal to the annual increase in the Consumer Price Index for All Urban Consumers, Southern Region, as published by the Bureau of Labor Statistics of the United States Department of Labor; and,

**WHEREAS**, the City Council held a Public Meeting on Monday, October 17, 2016, on this matter.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, FLORIDA AS FOLLOWS:**

**SECTION 1:** Rates for water, sewer, and reclaimed water customers of the South Santa Rosa Utility System are hereby increased by two percent (2%). Said increases to be implemented commencing with bills produced after October 17, 2016.

**SECTION 2:** In addition, a three percent (3%) surcharge is added to the water, sewer, and reclaimed water rates for customers of the South Santa Rosa Utility System as illustrated in Exhibit A. Said surcharge is to be implemented commencing with bills produced after October 17, 2016.

**SECTION 3:** In preparation of the annual budget for water, sewer, and reclaimed water operations of the South Santa Rosa Utility System, the City will increase the budget by the same amount as the increase in the Consumer Price Index. The City Council may decide in October 2017 and October 2018 to increase water, sewer, and reclaimed water rates for customers of the South Santa Rosa Utility System in an amount equal to the rate of increase in the Consumer Price Index.

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF GULF BREEZE, SANTA ROSA COUNTY, FLORIDA ON THIS 17<sup>TH</sup> DAY OF OCTOBER, 2016.**

CITY OF GULF BREEZE, FLORIDA

By: \_\_\_\_\_  
Matt E. Dannheisser, Mayor

ATTEST

\_\_\_\_\_  
Leslie A. Guyer, City Clerk or  
Stephanie D. Lucas, City Clerk

EXHIBIT "A"

FUND 403 - SSRUS PROPOSED RATE INCREASE FY 2017

EFFECTIVE SURCHARGE - NOT ACTUAL RATES

	Current	Revenue	FY 17	% Increase	Revenue	3% Surcharge Effect	% Increase	Revenue	3% Surcharge Effect	% Increase	Revenue
<b>VOLUMETRIC RATE</b>			<b>2.00%</b>								
Water	\$3.50	\$874,559	\$3.57	2.00%	\$892,050	\$3.68	5.06%	\$918,812	\$3.78	8.12%	\$945,573
Sewer	\$4.60	\$2,257,961	\$4.69	2.00%	\$2,303,120	\$4.83	5.06%	\$2,372,213	\$4.97	8.12%	\$2,441,307
<b>WATER BASE FEE</b>											
3/4"	\$14.47	\$753,771	\$14.76	2.00%	\$768,847	\$15.20	5.06%	\$791,912	\$15.64	8.12%	\$814,977
1"	\$25.22	\$19,974	\$25.72	2.00%	\$20,374	\$26.50	5.06%	\$20,985	\$27.27	8.12%	\$21,596
1 1/2"	\$61.31	\$2,943	\$62.54	2.00%	\$3,002	\$64.41	5.06%	\$3,092	\$66.29	8.12%	\$3,182
2"	\$98.03	\$12,940	\$99.99	2.00%	\$13,199	\$102.99	5.06%	\$13,595	\$105.99	8.12%	\$13,991
3"	\$194.97	\$4,679	\$198.87	2.00%	\$4,773	\$204.84	5.06%	\$4,916	\$210.80	8.12%	\$5,059
4"	\$291.92	\$0	\$297.76	2.00%	\$0	\$306.69	5.06%	\$0	\$315.62	8.12%	\$0
6"	\$573.24	\$0	\$584.70	2.00%	\$0	\$602.25	5.06%	\$0	\$619.79	8.12%	\$0
<b>SEWER BASE FEE</b>											
3/4"	\$18.18	\$1,308,960	\$18.54	2.00%	\$1,335,139	\$19.10	5.06%	\$1,375,193	\$19.66	8.12%	\$1,415,248
1"	\$31.52	\$41,228	\$32.15	2.00%	\$42,053	\$33.11	5.06%	\$43,314	\$34.08	8.12%	\$44,576
1 1/2"	\$71.16	\$27,325	\$72.58	2.00%	\$27,872	\$74.76	5.06%	\$28,708	\$76.94	8.12%	\$29,544
2"	\$112.00	\$37,632	\$114.24	2.00%	\$38,385	\$117.67	5.06%	\$39,536	\$121.09	8.12%	\$40,688
3"	\$218.79	\$18,378	\$223.17	2.00%	\$18,746	\$229.86	5.06%	\$19,308	\$236.56	8.12%	\$19,871
4"	\$322.98	\$11,627	\$329.44	2.00%	\$11,860	\$339.32	5.06%	\$12,216	\$349.21	8.12%	\$12,571
6"	\$620.77	\$7,449	\$633.19	2.00%	\$7,598	\$652.18	5.06%	\$7,826	\$671.18	8.12%	\$8,054
<b>INCOME GENERATED</b>		\$5,379,428			\$5,487,016			\$5,651,627			\$5,816,237
<b>OTHER INCOME</b>		2,739,760			920,860			920,860			920,860
<b>EXPENSES</b>		(8,066,592)			(6,253,592)			(6,253,592)			(6,253,592)
<b>CITY SURCHARGE REVENUE</b>											
NET		52,596			154,284			164,610			329,221
Margin		0.65%			2.47%			2.47%			2.47%

THE EFFECT OF THE PROPOSED RATE INCREASE ON

Gallons Used	Current	FY 17	% Incr
1000	\$40.75	\$41.57	2.00%
3000	\$56.95	\$58.09	2.00%
4000	\$65.05	\$66.35	2.00%
5000	\$73.15	\$74.61	2.00%
6000	\$81.25	\$82.88	2.00%
7000	\$89.35	\$91.14	2.00%
10000	\$113.65	\$115.92	2.00%

EFFECT OF 3% SURCHARGE

3% Surcharge Effect	% Incr
\$42.81	5.06%
\$59.83	5.06%
\$68.34	5.06%
\$76.85	5.06%
\$85.36	5.06%
\$93.87	5.06%
\$119.40	5.06%

EFFECT OF 6% SURCHARGE

3% Surcharge Effect	% Incr
\$44.06	8.12%
\$61.57	8.12%
\$70.33	8.12%
\$79.09	8.12%
\$87.85	8.12%
\$96.61	8.12%
\$122.88	8.12%



# City of Gulf Breeze

## Memorandum

To: Buz Eddy, City Manager

From: Nathan G. Ford, Assistant to City Manager <sup>NF</sup>

Date: September 13, 2016

Subject: 2016 Autumn in the Breeze Festival

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The City of Gulf Breeze has organized, on several occasions in the past, a community wide festival for residents and visitors to our community. Based upon direction from City Council planning meetings, staff recommends planning an event for Saturday, November 19, 2016 outside of the Community Center and Shoreline Park. The "Autumn in the Breeze Festival" would be held from 2:00 – 8:30, featuring an open marketplace, food vendors, a live band in the evening and fireworks to close the event. The timing of year of this event would offer a shoulder season activity for visitors to our area and compliment sports calendars. Because a fireworks show would be a showcase and the highest expense of the event, staff performed some initial research to insure a credible estimate. Three bids would be sought for a 10 – 15 minute show. Below are conservative cost estimates for the event.

- Fireworks - \$8,000
- Band - \$2,000
- Portable Restroom Rental - \$250
- Stage - \$700
- Tables - \$300
- DJ/Sound - \$500
- Flyers/Advertisements - \$1,000
- Kid's Zone Houses - \$900

**Approximate: \$13,650**

City Staff asks Council to consider this program conceptually. Staff recommends adding this event and its cost as a budgeted TDC funded program for the 2016-2017 budget year. If approved, Staff will inform Council of developments and work with the Tourist Development Advisory Board and Parks and Recreation staff to advertise, plan, and execute the event. After the event is held, staff will evaluate success of the program for potential future offerings.

**RECOMMENDATION:** That the City Council conceptually approve staff to plan the Autumn in the Breeze Festival for November 19, 2016.

**Recommendation:** That the City Council approve the funding request from Gulf Breeze Celebrates the Arts for \$6,000 to assist in operational costs associated with the 2017 Gulf Breeze Celebrates the Arts Festival.