SEB DRAFT - 07/20/16

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST ___, 2016

NEW ISSUE - Book-Entry Only **Ratings:** See "RATINGS" herein

In the opinion of Bond Counsel, assuming compliance by the District with certain tax covenants described herein, under existing law, interest on the Series 2016 Bonds is excluded from the gross income of the owners of the Series 2016 Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. In the case of certain corporate holders of the Series 2016 Bonds, interest on the Series 2016 Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Series 2016 Bonds in "adjusted current earnings" of certain corporations. Bond Counsel is also of the opinion that the Series 2016 Bonds and the interest thereon are exempt from taxation under the existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein. See TAX MATTERS herein.

$34,930,000*
CITY OF RIVIERA BEACH (FLORIDA)
UTILITY SPECIAL DISTRICT
Water and Sewer Revenue Bonds, Series 2016

Dated: Date of Delivery **Due: October 1, as shown on the inside cover**

The City of Riviera Beach Utility Special District (the "District") is issuing its Water and Sewer Revenue Bonds, Series 2016 (the "Series 2016 Bonds") as fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be available to purchasers in principal denominations of $5,000 and integral multiples thereof under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants (as hereinafter defined). Purchasers will not receive physical delivery of the Series 2016 Bonds. Beneficial Owners of Series 2016 Bonds must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of the principal of and interest on such Series 2016 Bonds. See "DESCRIPTION OF THE SERIES 2016 BONDS - Book-Entry Only System" herein. U.S. Bank National Association will serve as the initial Paying Agent and Registrar for the Series 2016 Bonds (the "Paying Agent"). While the Series 2016 Bonds are registered through the DTC Book-Entry System, principal of and interest on the Series 2016 Bonds will be payable by the Paying Agent to DTC.

Interest on the Series 2016 Bonds will accrue from their date of delivery and will be payable on April 1, 2017 and semiannually on each October 1 and April 1 thereafter, until maturity or earlier redemption.

The District was formed and exists pursuant to Ordinance No. 2972 of the City of Riviera Beach, Florida (the "City"), enacted by the City Council on June 16, 2004 (the "Creation Ordinance"), as a dependent special district under the Constitution and laws of the State of Florida, including specifically Chapter 189, Florida Statutes, as amended, the Home Rule Powers of the City and the Charter of the

District. A dependent special district is a local unit of special purpose government that is created to implement specialized functions, including water and wastewater utility services. The District was formed for the public purpose, among others, of acquiring, owning, operating and maintaining the water and wastewater assets of the City and establishing, implementing, financing and administering projects in furtherance of such purposes. See "THE SYSTEM" herein. As a dependent special district, the District is considered an enterprise fund and is an integral component of the City's Comprehensive Annual Financial Report for financial reporting purposes.

The Series 2016 Bonds are being issued by the District pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 166 and Chapter 189, Florida Statutes, as amended, the Creation Ordinance, the Charter of the District and Resolution No. 11-14UD adopted by the Board of Directors of the District (the "Board") on July 2, 2014 (the "Bond Resolution"), as supplemented by Resolution No. ____-16UD adopted by the Board on August 1, 2016 (the "Series 2016 Supplemental Resolution" and, together with the Bond Resolution, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Resolution. See "APPENDIX D - Form of the Resolution."

The Series 2016 Bonds are being issued for the purpose of providing moneys which will be used, together with other legally available funds of the District, to: (i) finance the costs of acquiring, constructing and equipping improvements and upgrades to the combined water supply, treatment and distribution system and wastewater collection system owned and operated by the District, including permissible reimbursement of any moneys previously advanced by the District to pay Costs of the Series 2016 Project (as described herein); and (ii) pay certain costs of issuing the Series 2016 Bonds, including any premium required to be paid for any municipal bond insurance policy that may be obtained in connection with the issuance of the Series 2016 Bonds. See "PURPOSE OF THE ISSUE" herein.

The Series 2016 Bonds shall be secured equally and ratably by a first lien on and pledge of the Pledged Funds, on parity with the lien on the Pledged Funds in favor of the Holders of the District's Outstanding Water and Sewer Revenue Refunding Bonds, Series 2014 and any Additional Bonds hereafter issued; **provided, however, that no deposit to the Reserve Fund shall be made in connection with the issuance of the Series 2016 Bonds and the Series 2016 Bonds shall not be secured by, or entitled to any benefit from, any amounts that may be held in the Reserve Fund for the benefit of Bonds hereafter issued under the Bond Resolution**. At the time of issuance of the Series 2016 Bonds no amounts will be held in the Reserve Fund for the benefit of Bonds Outstanding under the Bond Resolution. See "SECURITY AND SOURCES OF PAYMENT" herein.

The Series 2016 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein under "DESCRIPTION OF THE SERIES 2016 BONDS - Redemption Provisions." Additional Bonds may be issued on a parity with the Series 2016 Bonds pursuant to the Bond Resolution. See "SECURITY AND SOURCES OF PAYMENT - Additional Bonds" herein.

THE SERIES 2016 BONDS AND THE INTEREST THEREON ARE SPECIAL OBLIGATIONS OF THE DISTRICT, PAYABLE FROM AND SECURED SOLELY BY A FIRST LIEN ON AND PLEDGE OF THE PLEDGED FUNDS, TO THE EXTENT AND IN THE MANNER SET FORTH IN THE RESOLUTION. THE SERIES 2016 BONDS WILL NOT CONSTITUTE A GENERAL INDEBTEDNESS OF THE DISTRICT, THE CITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY, CHARTER OR OTHER LIMITATION OF INDEBTEDNESS. NO HOLDER OF THE SERIES 2016 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL

THE LEVY OF AD VALOREM TAXES, OR TAXATION IN ANY FORM OF ANY REAL PROPERTY, TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2016 BONDS. THE DISTRICT HAS NO TAXING POWER.

The District may elect to purchase a municipal bond insurance policy to be delivered by a municipal bond insurance provider concurrently with the delivery of the Series 2016 Bonds to guarantee timely payment of the principal of and interest on the Series 2016 Bonds or one or more maturities of the Series 2016 Bonds.

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

The Series 2016 Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Greenspoon Marder, P. A., West Palm Beach, Florida. Greenspoon Marder, P.A. is also serving as Disclosure Counsel to the District. Certain legal matters will be passed on for the District by Andrew DeGraffenreidt, III, Esquire, West Palm Beach, Florida, District Attorney, and for the Underwriters by their counsel, Greenberg Traurig, P.A., Fort Lauderdale, Florida. Public Financial Management, Inc., Coral Gables, Florida, is serving as Financial Advisor to the District with respect to the Series 2016 Bonds. The Series 2016 Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about September ___, 2016.

Stifel Nicolaus & Company, Incorporated **Siebert Brandford Shank & Co., L.L.C.**

[INSERT DAC LOGO]

Dated: August ___, 2016

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* Preliminary, subject to change.

Red herring: This Preliminary Official Statement and any information contained herein are subject to completion and amendment. The Series 2016 Bonds may not be sold and offers to buy may not be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

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

$34,930,000*
CITY OF RIVIERA BEACH (FLORIDA)
UTILITY SPECIAL DISTRICT
Water and Sewer Revenue Bonds, Series 2016

$_____ Series 2016 Serial Bonds*

Maturity (October 1)	Principal Amount*	Interest Rate	Yield	Price	Initial CUSIP No.**
2017	$1,020,000	%	%	%	769595____
2018	1,035,000				769595____
2019	1,065,000				769595____
2020	1,110,000				769595____
2021	1,155,000				769595____
2022	1,200,000				769595____
2023	1,260,000				769595____
2024	1,325,000				769595____
2025	1,390,000				769595____
2026	1,460,000				769595____
2027	1,530,000				769595____
2028	1,610,000				769595____
2029	1,690,000				769595____
2030	1,770,000				769595____
2031	1,865,000				769595____
2032	1,960,000				769595____
2033	2,055,000				769595____
2034	2,160,000				769595____
2033	4,035,000				769595____
2034	4,235,000				769595____

$_____ Series 2016 Term Bonds

$_____ ____% Series 2016 Term Bond Due October 1, 20____ – Price: ____ / Yield: ____
Initial CUSIP Number: 7695595____

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* Preliminary, subject to change.

** The District is not responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT*

600 West Blue Heron Boulevard
Riviera Beach, Florida 33404
(561) 845-4185

DISTRICT BOARD OF DIRECTORS

TERENCE D. DAVIS. . . . . Chairperson
KaSHAMBA MILLER-ANDERSON. . . . . Vice Chairperson
LYNNE L. HUBBARD. . . . . Director
TONYA DAVIS JOHNSON. . . . . Director
DAWN S. PARDO. . . . . Director
THOMAS MASTERS. . . . . Ex-Officio Member

ADMINISTRATION

District Executive Director
RUTH C. JONES

District Attorney
ANDREW DEGRAFFENREIDT, III,
Esquire

District Finance Director/Chief Financial Officer
RANDY M. SHERMAN, CPA, CTP, CGFO

District Clerk
CLAUDENE L. ANTHONY, CMC

CONSULTANTS

Financial Advisor
PUBLIC FINANCIAL MANAGEMENT, INC.
Coral Gables, Florida

Bond Counsel and Disclosure Counsel
GREENSPOON MARDER, P.A.
West Palm Beach, Florida

Consulting Engineer
HAZEN AND SAWYER, P.C.
Hollywood, Florida

Feasibility Consultant
PUBLIC RESOURCES
MANAGEMENT GROUP, INC.
Maitland, Florida

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* Pursuant to the Charter of the District, the members of the Riviera Beach City Council serve as the District Board of Directors, and the Mayor serves as an ex-officio member. The City Utilities Director, City Attorney, City Director of Finance and Administrative Services and City Clerk serve as the District Executive Director, District Attorney, District Finance Director and Chief Financial Officer and District Clerk, respectively. The office of the City Utilities Director is currently vacant. The City Manager is serving as the District Executive Director until the new City Utilities Director is appointed.

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters set forth on the cover page of this Official Statement (the "Underwriters") to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been obtained from public documents, records and other sources considered to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct. Any statement in this Official Statement involving estimates, assumptions and opinions, whether or not so expressly stated, are intended as such and are not to be construed as representations of fact. The Underwriters and the District expressly make no representation that such estimates, assumptions and opinions will be realized or fulfilled. Any information, estimates, assumptions and matters of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement, nor any sale hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the District or with respect to the System since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. *The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.*

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections in this Official Statement. The offering of the Series 2016 Bonds is made only by means of this entire Official Statement.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Certain statements included or incorporated by reference in this Official Statement, including the Appendices, constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "project," "forecast," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON

EXEMPTIONS CONTAINED IN SUCH ACTS. THE EXEMPTION OF THE SERIES 2016 BONDS FROM REGISTRATION OR QUALIFICATION IN CERTAIN STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT, THE SYSTEM AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED OR RECOMMENDED THE SERIES 2016 BONDS FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2016 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THIS OFFICIAL STATEMENT SHALL NOT CONSTITUTE A CONTRACT BETWEEN THE DISTRICT OR THE UNDERWRITERS AND ANY ONE OR MORE HOLDERS OF THE SERIES 2016 BONDS.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE WEBSITE: **WWW.MUNIOS.COM**. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE DISTRICT FOR PURPOSES OF RULE 15C2-12 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT FOR CERTAIN FINANCIAL INFORMATION PERMITTED TO BE OMITTED PURSUANT TO RULE 15C2-12(B)(1).

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OFFICIAL STATEMENT

relating to

$34,930,000*
CITY OF RIVIERA BEACH (FLORIDA)
UTILITY SPECIAL DISTRICT
Water and Sewer Revenue Bonds, Series 2016

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and the Appendices hereto, provides certain information regarding the City of Riviera Beach Utility Special District (the "District"), the City of Riviera Beach, Florida (the "City"), the combined water supply, treatment and distribution system and wastewater collection system owned and operated by the District (the "System") and the sale by the District of its $34,930,000* Water and Sewer Revenue Bonds, Series 2016 (the "Series 2016 Bonds"). The Series 2016 Bonds are being issued by the District pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 166 and Chapter 189, Florida Statutes, as amended, the Creation Ordinance (as hereinafter defined), the Charter of the District and Resolution No. 11-14UD adopted by the Board of Directors of the District (the "Board") on July 2, 2014 (the "Bond Resolution"), as supplemented by Resolution No. ____-16UD adopted by the Board on August 1, 2016 (the "Series 2016 Supplemental Resolution" and, together with the Bond Resolution, the "Resolution").

Pursuant to Ordinance No. 2972 (the "Creation Ordinance"), enacted by the City Council on June 16, 2004, the District was created and exists as a dependent special district of the City under the Constitution and laws of the State of Florida, including specifically Chapter 189, Florida Statutes, as amended, the Home Rule Powers of the City and the Charter of the District. The District was formed for the public purpose, among others, of acquiring, owning, operating and maintaining the water and wastewater assets of the City and establishing, implementing, financing and administering projects in furtherance of such purposes. As a dependent special district, the District is considered an enterprise fund and constitutes an integral component of the City's Comprehensive Annual Financial Report for financial reporting purposes. See "THE DISTRICT" herein and "APPENDIX C - Basic Financial Statements of the City for the Fiscal Year Ended September 30, 2015."

The District previously issued its $22,645,000 in aggregate principal amount of Water and Sewer Revenue Refunding Bonds, Series 2014 (the "Series 2014 Bonds") under the Bond Resolution for the purpose of current refunding all of the District's outstanding Water and Sewer Revenue Bonds, Series 2004, which were originally issued in the aggregate principal amount of $31,495,000 and constituted the sole issuance of bonds by the District prior to the issuance of the Series 2014 Bonds. The Series 2016 Bonds constitute the second issuance under the Bond Resolution. The Series 2016 Bonds, the Series 2014 Bonds and any Additional Bonds issued under the provisions of the Bond Resolution are hereinafter referred to collectively as the "Bonds." For a description of certain terms and conditions of the Series 2016 Bonds, and the complete provisions of the Resolution, see "APPENDIX D - Form of the Resolution." Capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Resolution.

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* Preliminary, subject to change.

The Series 2016 Bonds are being issued for the purpose of providing moneys which will be used, together with other legally available funds of the District, to: (i) finance the costs of acquiring, constructing and equipping improvements and upgrades to the System, including permissible reimbursement of any moneys previously advanced by the District to pay Costs of the Series 2016 Project (as hereinafter defined); and (ii) pay certain costs of issuing the Series 2016 Bonds, including any premium required to be paid for any municipal bond insurance policy that may be obtained in connection with the issuance of the Series 2016 Bonds. See "PURPOSE OF THE ISSUE" herein.

The Series 2016 Bonds will be issued in book-entry only form and purchasers of the Series 2016 Bonds will not receive certificates representing their interest in the Series 2016 Bonds purchased. The Series 2016 Bonds will contain such other terms and provisions, including provisions regarding redemption, as described in "DESCRIPTION OF THE SERIES 2016 BONDS" herein.

Additional Bonds may be issued on a parity with the Series 2016 Bonds and the Series 2014 Bonds under, and subject to the conditions set forth in, the Bond Resolution; provided, however, that amounts on deposit in or to the credit of a Reserve Account within the Reserve Fund, except as otherwise provided in a Supplemental Resolution, shall constitute Pledged Funds for, and secure only, the particular Series of Bonds for which such Reserve Account is established. **No deposit to the Reserve Fund shall be made in connection with the issuance of the Series 2016 Bonds and no Reserve Account shall be established under the Series 2016 Supplemental Resolution. The Series 2016 Bonds shall not be secured by, or entitled to any benefit from, amounts held in the Reserve Fund or any Reserve Account created therein for the benefit of other Bonds issued under the Bond Resolution**. At the time of issuance of the Series 2016 Bonds no amounts will be held in the Reserve Fund, or any Reserve Account created therein, for the benefit of Bonds Outstanding under the Bond Resolution. See "SECURITY AND SOURCES OF PAYMENT - Funds and Accounts" herein.

The Series 2016 Bonds and the interest thereon are special obligations of the District, payable from and secured solely by a first lien on and pledge of the Pledged Funds, to the extent and in the manner set forth in the Resolution, on a parity with the other Bonds. The Series 2016 Bonds will not constitute a general indebtedness of the District, the City, the State of Florida or any political subdivision thereof within the meaning of any constitutional, statutory, charter or other limitation of indebtedness. No holder of the Series 2016 Bonds shall ever have the right to compel the levy of ad valorem taxes, or taxation in any form of any real property, to pay the principal of or interest on the Series 2016 Bonds. The District has no taxing power. See "SECURITY AND SOURCES OF PAYMENT" herein. In addition, see "THE SYSTEM - Wastewater System - ECR Board Indebtedness" herein for a description of certain indebtedness that is payable by the District as a Cost of Operation and Maintenance and, as such, is required to be paid prior to the payment of debt service on the Series 2016 Bonds.

The District may elect to purchase a municipal bond insurance policy (the "Bond Insurance Policy") to be delivered by a municipal bond insurance provider (the "Bond Insurer") concurrently with the delivery of the Series 2016 Bonds to guarantee timely payment of the principal of and interest on the Series 2016 Bonds, or one or more maturities of the Series 2016 Bonds. See "MUNICIPAL BOND INSURANCE" and "BOND INSURANCE CONSIDERATIONS" herein.

This introduction is intended to serve as a brief description of the Official Statement and is expressly qualified by reference to the Official Statement as a whole. A full review should be made of the entire Official Statement, including its appendices, as well as the documents and reports summarized or described herein. The description of the Series 2016 Bonds, the documents authorizing and securing the same, and the information from various reports contained herein are not comprehensive or definitive.

All references herein to such documents and reports are qualified by the entire, actual content of such documents and reports. Copies of such documents and reports may be obtained from the District by contacting the District's Finance Director/Chief Financial Officer at: 600 West Blue Heron Boulevard, Riviera Beach, Florida 33404, Telephone number: (561) 845-4040, Email address: financedept@rivierabch.com.

PURPOSE OF THE ISSUE

The Series 2016 Bonds are being issued for the purpose of providing moneys which will be used, together with other legally available funds of the District, to: (i) finance the costs of acquiring, constructing and equipping improvements and upgrades to the System, as more fully described under the caption "CAPITAL IMPROVEMENT PLAN - Series 2016 Project" herein, including permissible reimbursement of any moneys previously advanced by the District to pay Costs of such improvements and upgrades (collectively, the "Series 2016 Project"); and (ii) pay certain costs of issuing the Series 2016 Bonds, including any premium required to be paid for any municipal bond insurance policy that may be obtained in connection with the issuance of the Series 2016 Bonds (see "ESTIMATED SOURCES AND USES OF FUNDS" and "MUNICIPAL BOND INSURANCE" herein).

The portion of the proceeds of the Series 2016 Bonds that is to be used to pay certain Costs of the Series 2016 Project will be deposited into the Series 2016 Project Subaccount of the Construction Fund (the "Series 2016 Project Subaccount") established under the Resolution. Until withdrawn to pay Costs of the Series 2016 Project in accordance with the Resolution, the proceeds of the Series 2016 Bonds deposited into the Series 2016 Project Subaccount will be held in trust and subject to the lien and pledge of the Resolution created for the benefit of the Holders of the Series 2016 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds from the proceeds of the Series 2016 Bonds:

Sources of Funds

Par Amount of Series 2016 Bonds	$
Net Original Issue Discount/Premium	
Total Estimated Sources of Funds	$

Uses of Funds

Deposit to Series 2016 Project Subaccount[(1)]	$
Deposit to Series 2016 Cost of Issuance Subaccount[(2)]	
Underwriters' Discount	
Total Estimated Uses of Funds	$

(1) See "PURPOSE OF THE ISSUE" herein.

(2) To pay certain costs of issuance of the Series 2016 Bonds, including, without limitation, printing costs, fees of bond counsel, disclosure counsel, the financial advisor and the rating agencies, any premium required to be paid to the Bond Insurer for issuance of the Bond Insurance Policy and miscellaneous cost of issuance.

DESCRIPTION OF THE SERIES 2016 BONDS

General Description

The Series 2016 Bonds will be issued as fully registered bonds, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2016 Bonds. Individual purchases of the Series 2016 Bonds will be made in book-entry form only and purchasers will not receive physical delivery of the Series 2016 Bonds or any certificate representing their beneficial ownership interest in the Series 2016 Bonds. See "DESCRIPTION OF THE SERIES 2016 BONDS - Book-Entry Only System" herein.

The Series 2016 Bonds are available to purchasers in principal denominations of $5,000 or any integral multiple thereof. The Series 2016 Bonds will be dated as of the date of their initial issuance and will bear interest from that date at the rates (calculated based upon a year of three hundred sixty (360) days consisting of twelve (12) thirty-day months) and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2016 Bonds will be payable on April 1 and October 1 of each year, commencing on April 1, 2017. U.S. Bank National Association will act as the initial Paying Agent and Registrar for the Series 2016 Bonds.

Registration, Transfer and Exchange

The Registrar will keep books for the registration of transfers and exchanges of the Series 2016 Bonds. The District, the Registrar and the Paying Agent shall deem and treat the registered owner of any Series 2016 Bond as the absolute owner of such Series 2016 Bond for the purpose of receiving payment of the principal of and interest due thereon and for all other purposes. In the event the book-entry only system of registration of the Series 2016 Bonds described below under "DESCRIPTION OF THE SERIES 2016 BONDS - Book-Entry Only System" is discontinued, the Series 2016 Bonds will be subject to transfer and exchange as more fully described in the Resolution. See "APPENDIX D - Form of the Resolution."

Redemption Provisions

The Series 2016 Bonds are subject to redemption prior to maturity as described below:

Optional Redemption

The Series 2016 Bonds maturing on or before October 1, 2026 will not be subject to optional redemption prior to maturity. The Series 2016 Bonds maturing on or after October 1, 2027 are subject to redemption prior to maturity at the option of the District, in whole or in part, at any time on or after October 1, 2026, and if in part, in maturities determined by the District and by lot within a maturity, at a redemption price equal to one hundred percent (100%) of the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

The Series 2016 Bonds maturing on October 1, 20___ are subject to mandatory sinking fund redemption prior to maturity, in part, by lot or by such other manner as the Registrar shall deem appropriate, through the application of Amortization Installments, at a redemption price equal to one

hundred percent (100%) of the principal amount thereof, on October 1 of each year in the following amounts and in the years specified:

Due (October 1)	Amortization Requirement
	$
*	

* Final maturity.

Notice of Redemption

Notice of redemption shall be given by the Paying Agent by the deposit in the U.S. mails of a copy of the redemption notice, postage prepaid, at least thirty (30) and not more than sixty (60) days before the redemption date to all registered owners of the Series 2016 Bonds or portions of Series 2016 Bonds to be redeemed at their addresses as they appear on the registration books maintained in accordance with the provisions of the Bond Resolution. Failure to give any such notice to a registered owner of a Series 2016 Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any Series 2016 Bond or portion thereof with respect to which no failure or defect occurred.

Each notice shall set forth the date fixed for redemption for each Series 2016 Bond being redeemed, the redemption price to be paid, the date of publication, if any, of a notice of redemption, the name and address of the Registrar and, if less than all of the Series 2016 Bonds then Outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP numbers, of such Series 2016 Bonds to be redeemed and, in the case of any Series 2016 Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2016 Bond is to be redeemed in part only, the notice of redemption which relates to such Series 2016 Bond shall also state that on or after the redemption date, upon surrender of such Series 2016 Bond, a new Series 2016 Bond or Series 2016 Bonds in a principal amount equal to the unredeemed portion of such Series 2016 Bond will be issued.

In the case of an optional redemption of the Series 2016 Bonds, any notice of redemption may state that (i) it is conditioned upon the deposit of moneys with the Paying Agent or an Authorized Depository, no later than the redemption date, in an amount equal to the amount necessary to effect the redemption; or (ii) the District retains the right to rescind such notice of redemption on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described herein. Any notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the District's Finance Director delivers a written direction to the Paying Agent directing the Paying Agent to rescind the redemption notice. The Paying Agent shall give prompt notice of such rescission to the affected Bondholders. Any Series 2016 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the District to make such funds available shall constitute a breach of any covenant under the Resolution. The Paying Agent shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Series 2016 Bonds called for redemption and not so paid remain Outstanding.

Any notice of redemption that is mailed in accordance with the provisions of the Bond Resolution shall be conclusively presumed to have been given, whether or not the registered owner of such Series 2016 Bond receives such notice.

Effect of Redemption

On the date so designated for redemption, notice having been mailed in the manner and under the conditions described herein, the Series 2016 Bonds or portions thereof so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2016 Bonds on such redemption date and, moneys for payment of the redemption price being held in separate accounts by an escrow agent, any Authorized Depository or the Paying Agent in trust for the Holders of the Series 2016 Bonds or portions thereof to be redeemed, interest on the Series 2016 Bonds or portions thereof so called for redemption shall cease to accrue, such Series 2016 Bonds or portions thereof shall cease to be entitled to any lien, benefit or security under the Bond Resolution and the registered owners of the Series 2016 Bonds or portions thereof to be redeemed shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest thereon and, to the extent required, to receive Series 2016 Bonds for any unredeemed potion of the Series 2016 Bonds.

As long as a Book-Entry System is used for determining beneficial ownership of Series 2016 Bonds, notice of redemption will be sent by the Paying Agent only to DTC. DTC will be responsible for notifying the DTC Participants, which will in turn be responsible for notifying the Beneficial Owners. Any failure of DTC to notify any DTC Participant, or of any DTC Participant to notify the Beneficial Owner of any such notice, will not affect the validity of the redemption of the Series 2016 Bonds. See "DESCRIPTION OF THE SERIES 2016 BONDS - Book-Entry Only System" herein.

Book-Entry Only System

The following contains a description of the procedures and operations of DTC and is based upon information provided by DTC. Neither the District nor the Underwriters have independently investigated or verified such procedures and operations and assume no responsibility for the accuracy or completeness of the description thereof.

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate for the Series 2016 Bonds will be issued for each maturity of the Series 2016 Bonds, as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over one hundred (100) countries that DTC's Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to as the "DTC Participants." DTC has Standard & Poor's rating: AA+. The DTC Rules applicable to DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the DTC Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to documents securing the Series 2016 Bonds. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a series or maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The redemption price and principal and interest payments on the Series 2016 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal of and interest payments on the Series 2016 Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2016 Bond certificates are required to be printed and delivered. Subject to the policies and procedures of DTC (or any successor securities depository), the District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2016 Bond certificates will be printed and delivered. Thereafter, Series 2016 Bond certificates may be transferred and exchanged as described in the Bond Resolution. See "APPENDIX D - Form of the Resolution."

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2016 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE SERIES 2016 BONDS OR REGISTERED OWNERS OF THE SERIES 2016 BONDS SHALL MEAN DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS.

The District can make no assurances that DTC will distribute payments of principal of, redemption price, if any, or interest on the Series 2016 Bonds to the Direct Participants, or that DTC Participants will distribute payments of principal of, redemption price, if any, or interest on the Series 2016 Bonds or redemption notices to the Beneficial Owners of such Series 2016 Bonds or that they will do so on a timely basis, or that DTC or any of its Participants will act in a manner described in this Official Statement. The District is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any DTC Participant to give any notice or make any payment to a Beneficial Owner in respect to the Series 2016 Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the Series 2016 Bonds and the manner of transferring or pledging those interests are subject to applicable state law. Holders of beneficial interests in the Series 2016 Bonds may want to discuss the manner of transferring or pledging their interest in the Series 2016 Bonds with their legal advisors.

NEITHER THE DISTRICT NOR THE PAYING AGENT SHALL HAVE ANY OBLIGATION WITH RESPECT TO ANY DTC PARTICIPANT OR BENEFICIAL OWNER OF THE SERIES 2016 BONDS DURING SUCH TIME AS THE SERIES 2016 BONDS ARE REGISTERED IN THE NAME OF A SECURITIES DEPOSITORY PURSUANT TO A BOOK-ENTRY SYSTEM.

SECURITY AND SOURCES OF PAYMENT

General

THE SERIES 2016 BONDS AND THE INTEREST THEREON ARE SPECIAL OBLIGATIONS OF THE DISTRICT, PAYABLE FROM AND SECURED SOLELY BY A FIRST LIEN ON AND PLEDGE OF THE PLEDGED FUNDS, TO THE EXTENT AND IN THE MANNER SET FORTH IN THE RESOLUTION. THE SERIES 2016 BONDS WILL NOT CONSTITUTE A GENERAL INDEBTEDNESS OF THE DISTRICT, THE CITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY, CHARTER OR OTHER LIMITATION OF INDEBTEDNESS. NO HOLDER OF THE SERIES 2016 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE LEVY OF AD VALOREM TAXES, OR TAXATION IN ANY FORM OF ANY REAL PROPERTY, TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2016 BONDS. THE DISTRICT HAS NO TAXING POWER.

The Series 2016 Bonds shall be secured equally and ratably by a first lien on and pledge of the Pledged Funds on parity with the lien on the Pledged Funds in favor of the Holders of the Series 2014 Bonds and any Additional Bonds hereafter issued, except as described below under "- Pledged Funds" with respect to accounts in the Reserve Fund.

Pledged Funds

The Pledged Funds which serve as security for the payment of the Bonds consist of the (1) Net Revenues, (2) Impact Fees that may legally be used for the payment of debt service on a Series of Bonds, and (3) until applied in accordance with the provisions of the Bond Resolution, all moneys, including investments thereof, in the funds and accounts established thereunder, except the Rebate Fund. Additionally, each account in the Reserve Fund is pledged to the payment of the Series of Bonds for which such account was established unless provided otherwise by Supplemental Resolution.

Net Revenues are defined in the Bond Resolution to mean, with respect to any period of time, the Gross Revenues remaining after deducting the Cost of Operation and Maintenance for such period. For purposes of the foregoing, the following terms have the meanings set forth below. All capitalized terms used but not defined below have the meaning ascribed to such terms in the Bond Resolution. See "APPENDIX D - Form of the Resolution."

"Gross Revenues" are defined in the Bond Resolution to mean all rates, fees, and charges, and all other income or earnings derived by the District from the ownership, operation, leasing or use of the System, or any part thereof including Guaranteed Revenues and including moneys received for AGRF if not part of Guaranteed Revenues, moneys received by the District as Termination Payments or Risk Management Payments, Special Assessments not securing Special Assessment Bonds, the proceeds of any business interruption insurance carried by the District, unrestricted moneys or moneys received by the District for operating purposes from federal, state or local governmental grants or stipends, and any realized income from the investment of moneys in the funds and accounts created under the Bond

Resolution and required to be deposited into the Revenue Fund or Debt Service Fund, but shall not include (i) income from the investment of moneys on deposit in the Construction Fund, any account in the Reserve Fund and the Rebate Fund, (ii) proceeds from the sale of any Bonds or other obligations of the District, (iii) Impact Fees, (iv) customer deposits or interest earnings thereon, (v) moneys received by the District for capital projects from federal, state or local governmental grants or stipends, (vi) proceeds from hazard insurance, condemnation awards or proceeds from the sale of all or a part of the System, (vii) Special Assessments securing Special Assessment Bonds, (viii) revenues or income received in connection with a Special Purpose Project, or (ix) Federal Direct Payments.

"Cost of Operation and Maintenance" is defined in the Bond Resolution to mean the current expenses, paid or accrued, of operation, maintenance and repair of the System and its Facilities, as calculated in accordance with generally accepted accounting principles, consistently applied, and shall include, without limiting the generality of the foregoing, administrative expenses relating to the System, payments for pensions and other retirement benefits properly chargeable to the System, purchase of water and wastewater disposal services from third parties if the same may be treated as an operating cost under generally accepted accounting principles (including specifically ECR Operation and Maintenance Payments and ECR Senior Lien Debt Service Payments, but excluding ECR Renewal and Replacement Payments and ECR Subordinate Lien Debt Service Payments), engineering and other professional services, Paying Agent, Registrar and other fiduciary fees, credit enhancement fees, arbitrage rebate payments and penalties, other fees, fines and penalties, insurance premiums and charges for the accumulation of appropriate reserves for self-insurance, required payments to pension, retirement, health and hospitalization funds, taxes or franchise fees, and any other cost or expense identified as a "Cost of Operation and Maintenance" by resolution of the Board, which costs and expenses are not necessarily annually recurrent but which are reasonably expected to be incurred on a periodic basis in accordance with generally accepted accounting principles, consistently applied. The Cost of Operation and Maintenance shall not include (i) expenses paid out of Bond proceeds, (ii) deposits made to the Renewal and Replacement Fund and expenditures made therefrom, or any other reserve for renewals and replacements, extraordinary repairs, any allowance for depreciation or amortization, or any costs and expenses for new construction, (iii) interest earnings on customer deposits, (iv) the payments on the Bonds and any other notes, bonds and similar obligations of the District subordinate to the Bonds, (v) payments made by the District under leases that are capitalized in accordance with generally accepted accounting principles, and (vi) payments in lieu of taxes to the City as contemplated by the District Charter.

"System" means the entire water supply, treatment and distribution system and the entire wastewater collection, treatment and disposal system, including the Facilities, and all parts and components thereof or interests therein, owned, operated or used by the District, and all such parts and components hereafter constructed, contracted for or acquired, the improvements, extensions and additions thereto to be constructed or acquired either from the proceeds of the Bonds or from any other sources, together with all land and interests therein, plants, buildings, machinery, franchises, pipes, fixtures, equipment, contract rights and all property, real or personal, tangible or intangible, now or hereafter owned, operated or used by the District in connection therewith.

Funds and Accounts

Establishment of Funds and Accounts

The Bond Resolution establishes the following funds and accounts:

1. The "Water and Sewer Revenue Bond Acquisition and Construction Fund" (the "Construction Fund");

2. The "Water and Sewer Revenue Fund" (the "Revenue Fund");

3. The "Water and Sewer Debt Service Fund" (the "Debt Service Fund");

4. The "Water and Sewer Reserve Fund" (the "Reserve Fund");

5. The "Water and Sewer Renewal and Replacement Fund" (the "Renewal and Replacement Fund");

6. The "Water and Sewer Rate Stabilization Fund" (the "Rate Stabilization Fund");

7. The "Water and Sewer Utility General Reserve and Surplus Fund" (the "General Reserve and Surplus Fund") and within the General Reserve and Surplus Fund, a "Capital Improvement Account" and a "Surplus Account;"

8. The "Impact Fee Fund" (the "Impact Fee Fund") and within the Impact Fee Fund, a "Water Impact Fee Account" and a "Sewer Impact Fee Account;"

9. The "Water and Sewer Subordinated Indebtedness Fund" (the "Subordinated Indebtedness Fund"); and

10. The "Water and Sewer Rebate Fund" (the "Rebate Fund").

Such funds and accounts constitute trust funds for the purposes provided in the Bond Resolution, shall be delivered to and held by the Finance Director (or an Authorized Depository designated by the Finance Director), in each case who shall act as trustee of such funds for the purposes provided in the Bond Resolution, shall (other than the Rebate Fund and the Impact Fee Fund, except to the extent legally available to pay debt service on the Bonds) be subject to a lien and charge in favor of the Holders and registered owners of the Bonds, and shall at all times be kept separate and distinct from all other funds of the District and used only as provided in the Bond Resolution.

Flow of Funds

The Bond Resolution requires that, commencing on the day following the delivery of the first Series of Bonds, except as otherwise provided therein, all Gross Revenues shall be deposited by the District into the Revenue Fund immediately upon receipt. Moneys in the Revenue Fund shall first be used to pay the Cost of Operation and Maintenance. Moneys in the Revenue Fund shall next be disposed of on or before the 20th day of each month, only in the following order of priority:

(a) To the full extent necessary, for deposit into the Debt Service Fund beginning, with respect to interest on a Series of Bonds, with the twentieth (20th) day of the first full calendar month following the date on which any or all of the Bonds of such Series are delivered to the purchaser thereof and beginning with respect to principal or Accreted Value of the Bonds, on the twelfth (12th) month prior to the first Amortization Installment, or first maturity of such Bonds, such sums as shall be sufficient to pay one-sixth (1/6th) of the interest becoming due on the Bonds on the next semiannual Interest Payment Date and one-twelfth (1/12th) of the principal

amount or Accreted Value of the Serial Bonds which will mature and become due on the next annual maturity date and sufficient to pay one-sixth (l/6th) or one-twelfth (l/12th), as applicable, of the Amortization Installment of Term Bonds; provided, however, that such monthly deposits for interest shall not be required to be made into the Debt Service Fund to the extent that money is on deposit therein or moneys are allocated thereto under the appropriate capitalized interest sub-account within the Construction Fund for such purpose; and provided further, that in the event the District has issued Variable Rate Bonds pursuant to the provisions of the Bond Resolution, Net Revenues shall be deposited at such other or additional times and amounts as necessary to pay the interest and principal becoming due on such Variable Rate Bonds on the next Interest Payment Date, all in the manner provided in the Supplemental Resolution authorizing such Variable Rate Bonds. In the event that the period to elapse between the date of the delivery of a Series of Bonds and the next Interest Payment Date will be less or more than six (6) months, then such monthly payments shall be increased or decreased accordingly in sufficient amounts to provide the required semiannual interest on the next Interest Payment Date.

(b) To the extent not funded from Bond proceeds or covered by a Reserve Product, Net Revenues shall next be used on a pro rata basis, to the full extent necessary, for deposits into each of the accounts within the Reserve Fund, such sums as shall be sufficient, taking into account moneys on deposit therein, to equal the applicable Debt Service Reserve Requirement for each Series of Bonds; provided, however, that no payments shall be required to be made into the applicable accounts within the Reserve Fund whenever and as long as the amount deposited therein shall be equal to the Debt Service Reserve Requirement for such one or more Series of Bonds to which each such account within the Reserve Fund relates; provided further, however, that if Net Revenues are insufficient to make the required deposits into the applicable accounts within the Reserve Fund, such Net Revenues, which are available, will be deposited therein on a pro rata basis.

(c) Net Revenues shall next be used for the repayment of any obligations owed to the Reserve Product Providers (pro rata, if necessary).

(d) Net Revenues shall next be used for ECR Renewal and Replacement Fund Payments and ECR Subordinate Lien Debt Service Payments.

(e) Net Revenues shall next be deposited into the Subordinated Indebtedness Fund in an amount which will enable the District to pay the principal, premium, if any, and interest payable on any Subordinated Indebtedness as the same shall become due in accordance with the instrument pursuant to which such Subordinate Indebtedness is issued. Notwithstanding such deposits, Holders of the Bonds shall have a first lien on the moneys and Investment Obligations on deposit in the Subordinated Indebtedness Fund.

(f) Net Revenues shall next be deposited into the Renewal and Replacement Fund in an amount equal to one-twelfth (1/12th) of the Renewal and Replacement Fund Requirement, plus an amount equal to any unrestored withdrawal made to cure deficiencies in the Debt Service Fund.

(g) Net Revenues shall next be used to make payments in lieu of taxes to the City as contemplated by the District Charter.

(h) Net Revenues shall next be deposited into the Rate Stabilization Fund, in such amounts as shall be determined from time to time by the District.

(i) Net Revenues shall next be deposited in the Capital Improvement Account in such amounts as may be determined by the District.

(j) Thereafter, the balance of any Net Revenues remaining in the Revenue Fund shall be deposited in the Surplus Account.

Notwithstanding the foregoing, to the extent amounts on deposit in the Rebate Fund are insufficient to pay the amounts then due in accordance with the applicable Tax Certificate, the District shall deposit into the Rebate Fund additional moneys from Net Revenues in the amount of any such deficiency prior to making the deposits required above.

The amounts required to be accounted for in each of the funds and accounts designated in the Bond Resolution (other than the Rebate Fund) may be deposited in a single bank account maintained by the District, provided that adequate accounting procedures are maintained to reflect and control the restricted allocations of the amounts on deposit therein for the various purposes of such funds and accounts, as provided in the Bond Resolution. The designation and establishment of funds and accounts in and by the Bond Resolution (other than the Rebate Fund) shall not be construed to require the establishment of any completely independent funds and accounts but rather is intended solely to constitute an allocation of certain revenues and assets of the System for certain purposes and to establish such certain priorities for application of certain revenues and assets, as provided in the Bond Resolution.

Application of Monies in Reserve Fund

The Bond Resolution defines the "Debt Service Reserve Requirement" to mean, with respect to each Series of Bonds, unless provided otherwise by Supplemental Resolution, an amount equal to the lesser of (i) the maximum amount of principal of and interest on the Bonds of such Series becoming due in the current or any succeeding Fiscal Year, or (ii) one hundred twenty-five percent (125%) of the average annual amount of principal of and interest on such Bonds, or (iii) ten percent (10%) of the principal amount of the Bonds of such Series or the issue price of such Bonds, if the Bonds of such Series have more than a de minimis amount of original issue discount or premium (as such terms are used under the Code for such purpose). All or a portion of such Debt Service Reserve Requirement may be satisfied by obtaining a Reserve Product with the requisite coverage.

Unless provided otherwise by Supplemental Resolution, each account within the Reserve Fund shall be used only for the purpose of making payments into the Debt Service Fund, as such payments relate to debt service on any of the Series of Bonds for which such account within the Reserve Fund was created when the moneys in the Revenue Fund, the Renewal and Replacement Fund, the General Reserve and Surplus Fund and the Impact Fee Fund (but only to the extent that amounts on deposit therein may legally be used to pay debt service on such Series of Bonds) are insufficient therefor, provided, however, that moneys on deposit in an account within the Reserve Fund may, upon final maturity of the Series of Bonds for which such account within the Reserve Fund was created, be used to pay principal of and interest on such Series of Bonds.

See "APPENDIX D -Form of the Resolution" for a detailed description of the requirements relating to the Reserve Fund, including the deposit into a Reserve Account of a Reserve Product in connection with the issuance of a Series of Bonds.

No Series 2016 Reserve Account

The Series 2016 Bonds represent the second Series of Bonds issued under the Bond Resolution and no Debt Service Reserve Requirement is established in connection with the issuance of the Series 2016 Bonds. **As a result, no moneys have been or will be deposited into the Reserve Fund and no separate Reserve Account for the Series 2016 Bonds has been or will be created. Unless provided otherwise by Supplemental Resolution, any amount deposited in the Reserve Fund to secure a future Series of Bonds will be for the benefit of such Series of Bonds and not for the benefit of the Holders of the Series 2016 Bonds.**

The Series 2014 Bonds constituted the first Series of Bonds issued under the Bond Resolution and no Debt Service Reserve Requirement was established in connection with the issuance of the Series 2014 Bonds. As a result, upon issuance of the Series 2016 Bonds, no separate Reserve Account shall be available for any of the Outstanding Bonds and no moneys shall be on deposit in the Reserve Fund.

Application of Monies in Renewal and Replacement Fund

The Bond Resolution defines the "Renewal and Replacement Fund Requirement" to mean five percent (5%) of the Gross Revenues for the preceding Fiscal Year or such other amount as may be designated by certificate of the Consultant from time to time to be adequate for the purposes described in clause (ii) below. The moneys in the Renewal and Replacement Fund shall be used only (i) at any time for the purpose of curing deficiencies in the Debt Service Fund or the Reserve Fund, or both or (ii) when no such deficiencies exist, as needed for the purpose of paying the cost of the replacement of capital assets of the System, including land, or any repairs or maintenance items of a type not recurring annually or at shorter intervals. If the funds on deposit in the Renewal and Replacement Fund exceed the Renewal and Replacement Fund Requirement and so long as no deficiencies described in clause (i) above exist, such excess funds may be deposited into the Revenue Fund or the General Reserve and Surplus Fund, as determined by subsequent proceedings of the Board.

Application of Monies in the Rate Stabilization Fund

Moneys in the Rate Stabilization Fund may be withdrawn by the District at any time and (i) transferred to any other fund or account established under the Bond Resolution, (ii) used to purchase or redeem Bonds or Subordinated Indebtedness or (iii) used for any other lawful purpose in connection with the System.

For purposes of the rate covenant contained in Section 4.8 of the Bond Resolution and the issuance of Parity Obligations pursuant to Section 4.14 of the Bond Resolution, any transfers from the Rate Stabilization Fund into the Revenue Fund or into the Rate Stabilization Fund from the Surplus Fund during the one hundred twenty (120) day period following the end of each Fiscal Year shall be treated as being transferred during the prior Fiscal Year.

Application of Monies in Capital Improvement Account

Moneys in the Capital Improvement Account may be used by the District to (i) make additions, extensions and improvements to the System or (ii) pay the costs of replacement or renewal of capital assets of the System or extraordinary repairs thereto; provided, however, that none of the Net Revenues constituting moneys in the Capital Improvement Account shall ever be used for the purposes described in this paragraph unless all payments required in subsections (a) through (h) in "Flow of Funds" above,

including any deficiencies for prior payments, have been made in full to the date of such use; provided further, however, that the moneys in the Capital Improvement Account shall be used for payment into the Debt Service Fund and the Reserve Fund (pro rata, if necessary) whenever the moneys in the Revenue Fund are insufficient therefor.

Application of Monies in Surplus Account

Monies in the Surplus Account may be used by the District (i) to purchase or redeem Bonds prior to maturity, (ii) to pay any Termination Payments, or (iii) for any lawful purpose of the District, including, but not limited to, paying any portion of the Cost of Operation and Maintenance; provided, however, that none of such Net Revenues constituting moneys in the Surplus Account shall ever be used for the purposes described in this paragraph (i) unless all payments required in subsections (a) through (h) in "Flow of Funds" above, including any deficiencies for prior payments, have been made in full to the date of such use; provided further, however, that the moneys in the Surplus Account shall be used for payment into the Debt Service Fund and the Reserve Fund (pro rata, if necessary) whenever the moneys in the Revenue Fund are insufficient therefor.

If the District commits for any Fiscal Year to pay any portion of the Cost of Operation and Maintenance from moneys in the Surplus Account, the rates, fees and charges for the services and Facilities of the System will be adjusted accordingly. In addition, no moneys on deposit in the Surplus Account shall be used for the purposes described in clauses (i) or (iii) above, unless all Termination Payments have been made; provided, however, that in no event shall the amount in the Revenue Fund be reduced below an amount equal to the Average Monthly Cost of Operations and Maintenance for two (2) months, plus such other sums as are necessary to pay the Cost of Operation and Maintenance.

Rate Covenant

The District covenants in the Bond Resolution that it will fix, establish and maintain such rates and collect such fees, rentals or other charges for the services and Facilities of the System, and revise the same from time to time whenever necessary, as will always provide in each Fiscal Year (a) Net Revenues which shall be at least equal to one hundred twenty percent (120%) of the Annual Debt Service Requirement for the Bonds, and (b) Net Revenues plus Impact Fees available to pay debt service on the Bonds which shall be at least equal to one hundred twenty-five percent (125%) of the Annual Debt Service Requirement for the Bonds; provided, however, that such Net Revenues shall be sufficient to make all of the payments required by the terms of the Bond Resolution. For purposes of the District's rate covenant, as described in this paragraph, Annual Debt Service Requirement shall include amounts necessary to reimburse each Credit Facility Issuer, Liquidity Facility Issuer and Reserve Product Provider.

In the event the ratios required to satisfy the District's rate covenant, as described in the preceding paragraph, as calculated at the end of any Fiscal Year, are not at least that which is required for such Fiscal Year, the District will engage a Consultant within one hundred eighty (180) days of the end of such Fiscal Year to provide a report (a "Consultant Report") that sets forth, in detail, the reasons why the District failed to attain the required ratios and the specific plan of correction with regard to increasing such ratios for subsequent Fiscal Years to at least the levels required by the Bond Resolution, as described in the preceding paragraph. So long as the District shall engage a Consultant to provide the Consultant Report and shall, to the extent practicable, carry out the corrective action set forth therein, and the District shall maintain, at all times, a debt service coverage ratio on the Bonds of at least one hundred percent (100%) for the test described in (a) of the preceding paragraph, the District's rate covenant under the Bond

Resolution shall be deemed to have been complied with, even if such ratio is below the applicable level specified in the preceding paragraph.

For purposes of the District's rate covenant, as described in the preceding paragraph, and the test established in the Bond Resolution for the issuance of Additional Bonds (see "SECURITY AND SOURCES OF PAYMENT - Additional Bonds" herein), "Annual Debt Service Requirement" means, at any time, the amount required to be deposited in the then current Fiscal Year into the Debt Service Fund, as provided in the Bond Resolution; provided, however, that such amount shall be reduced by any accrued or capitalized interest for that year deposited in the Debt Service Fund, or any earnings or investment income in the then current Fiscal Year on moneys and investments on deposit in any fund or account created and established under the Bond Resolution and transferred to the Debt Service Fund, as provided in the Bond Resolution; and provided further, however, that in computing such Annual Debt Service Requirement for any future period (other than in connection with determining the Debt Service Reserve Requirement), any Variable Rate Bonds shall be deemed to bear interest at all times to the maturity thereof at a fixed rate of interest equal to one hundred ten percent (110%) of the greater of (a) the average interest rate on such Variable Rate Bonds during the twelve (12) months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding, or (b) the rate of interest on such Variable Rate Bonds on the date of calculation.

If any Series of Bonds has twenty-five percent (25%) or more of aggregate principal amount of such Series coming due in any one (1) year, the Annual Debt Service Requirement shall be determined for such Series during such period of time as if the principal of and interest on such Series were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation. For the purpose of this definition, the amount to be deposited to the aforementioned Debt Service Fund with respect to Capital Appreciation Bonds, Capital Appreciation and Income Bonds, or, if applicable, Termination Payments and Risk Management Payments shall be the amounts set forth in the applicable Supplemental Resolution.

For purposes of the District's rate covenant, as described above, and the test established in the Bond Resolution for the issuance of Additional Bonds (see "SECURITY AND SOURCES OF PAYMENT - Additional Bonds" herein), the Annual Debt Service Requirement shall be calculated by subtracting (i) any Federal Direct Payments paid or required to be paid by the United States of America, (ii) earnings derived from the investment of monies in the Reserve Fund, and (iii) amounts on deposit in any account in the Reserve Fund, in the Fiscal Year of the final maturity of Bonds secured by such account, in an amount not to exceed the principal amount of the final maturity of such Bonds.

Additional Bonds

Additional Bonds may be issued under the Bond Resolution from time to time on a parity with the Series 2016 Bonds and any other Additional Bonds issued under the Bond Resolution and then Outstanding, subject to the conditions hereinafter described, for the purpose of providing funds, together with other legally available funds, to pay all or any part of the Cost of a Project or to refund any Series of Outstanding Bonds. Any obligations issued by the District other than in accordance with the provisions of the Bond Resolution for the issuance of Additional Bonds and payable from the Pledged Funds, shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on, and source of and security for payment from the Pledged Funds.

Except as otherwise described in this section (and in "SECURITY AND SOURCES OF PAYMENT - Refunding Bonds" herein), no Series of Additional Bonds may be issued under the Bond

Resolution unless the District shall first have complied with the requirements described in paragraphs (A) through (E) below.

(A) There shall have been obtained and filed with the Board a certificate signed by a Consultant, which may include an independent certified public accountant (who may rely on a certificate of the Engineer of Record with regard to the matters set forth in (1) and (2) below and who may rely on the audited financial statements of the District or a certificate from the District's independent certified public accountant with regard to the actual Gross Revenues, Cost of Operation and Maintenance and Special Assessments, if any, of the District and the matters set forth in (6) below), which shall state and certify the following:

(1) With respect to any Project, the cost of which is to be paid in whole or in part from the proceeds of such Additional Bonds, the date on which such Project is expected to commence, the anticipated construction and disbursement schedule with respect thereto and the date on which such Project is expected to be placed in service;

(2) The cost of such Project, itemizing separately the expected financing costs of such Bonds issued to pay the cost thereof, the required deposits, if any, into the Reserve Fund from Bond proceeds and any capitalized interest to be funded from Bond proceeds;

(3) The actual Cost of Operation and Maintenance of the System, as determined under generally accepted auditing procedures (the "Historical Cost of Operation and Maintenance"), for any twelve (12) consecutive months out of the twenty-four (24) consecutive months immediately preceding the date of issue of the proposed Additional Bonds (the "Computation Period") and the anticipated annual Cost of Operation and Maintenance of the System, taking into account increases or decreases in the Cost of Operation and Maintenance that are estimated to occur as a result of the Project to be financed with the proceeds of the proposed Additional Bonds and, if applicable, giving credit against such increases for moneys on deposit in the Rate Stabilization Fund (the "Adjusted Cost of Operation and Maintenance") in the Fiscal Year in which such Additional Bonds are proposed to be issued and in each successive Fiscal Year thereafter, to and including the Fiscal Year in which such Project is estimated to be placed in operation (the "Applicable Fiscal Years");

(4) The actual Gross Revenues and Impact Fees that can legally be used to pay debt service on the Bonds received by the District during the Computation Period and the annual Gross Revenues and Impact Fees that can legally be used to pay debt service on the Bonds expected to be received by the District in each of the Applicable Fiscal Years taking into account increases in Gross Revenues and Impact Fees that can legally be used to pay debt service on the Bonds as a result of (i) new customers of the System attributable to an existing water or wastewater system to be acquired with such Additional Bonds, had the acquisition occurred at the beginning of the Computation Period, (ii) new customers of the System that by ordinance, resolution, agreement, law or regulation will be required to connect to the System during any of the Applicable Fiscal Years or which the Engineer of Record projects will, as a result of the proposed Project, by virtue of their proximity to the service provided by the Project or otherwise, connect to the System during any of the Applicable Fiscal Years, and (iii) any changes in the rate schedules for customers and users of the System which the District shall then have in effect, or has enacted by ordinance or resolution on or before the date of such certificate and which will be in effect during the Applicable Fiscal Years, or any of them, had such rate changes been effective on the first day of the Computation Period (such Gross Revenues as so adjusted being referred to herein as the

"Adjusted Gross Revenues" and such Impact Fees that can legally be used to pay debt service on the Bonds as so adjusted being referred to herein as the "Adjusted Impact Fees");

(5) The aggregate amount of funds, if any, to be transferred from available moneys of the District and from grants, contributions in aid of construction and investment income, if any, that the District reasonably expects to receive or make available to pay the Cost of such Project;

(6) The amount of the Maximum Annual Debt Service Requirement for any Fiscal Year thereafter on account of all Bonds then outstanding under the Bond Resolution and the Additional Bonds proposed to be issued thereunder; and

(7) Based upon the foregoing, such Consultant is of the opinion that (i) the sum of the Adjusted Gross Revenues less Adjusted Cost of Operation and Maintenance in each of the Applicable Fiscal Years will be at least equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service Requirement referred to in subsection (6) above, and (ii) the sum of the Adjusted Gross Revenues plus Adjusted Impact Fees less Adjusted Cost of Operation and Maintenance in each of the Applicable Fiscal Years will be at least equal to one hundred twenty-five percent (125%) of the Maximum Annual Debt Service Requirement referred to in subsection (6) above.

If (a) the sum of the Gross Revenues for the Computation Period less the Cost of Operation and Maintenance for such Computation Period equals at least one hundred twenty percent (120%) of the Maximum Annual Debt Service Requirement referred to in subsection (6) above, and (b) the sum of the Gross Revenues for the Computation Period plus Impact Fees available to pay debt service on the Bonds for the Computation Period less the Cost of Operation and Maintenance for such Computation Period equals at least one hundred twenty-five percent (125%) of the Maximum Annual Debt Service Requirement referred to in subsection (6) above, Additional Bonds may be issued without the necessity of performing the calculations described in subsections (3) and (4) above.

(B) There shall be obtained and filed with the Board a certificate from the Engineer of Record for the Project that the balance of the funds in the special account in the Construction Fund created for such Project, together with net proceeds from such Additional Bonds and the other funds referred to in subsection (5) above, will be sufficient to pay the Cost of such Project remaining unpaid.

(C) The Chief Financial Officer shall certify that the District is not in material default in the performance of any of the covenants and obligations assumed by it under the Bond Resolution, as the same may have been theretofore amended, and that all payments required to have been made into the funds and accounts provided in the Bond Resolution shall have been made in full.

(D) Counsel to the District shall submit an opinion to the Board to the effect that the issuance of such Bonds has been duly authorized and that all conditions precedent to the delivery of such Bonds have been fulfilled.

(E) Each Supplemental Resolution authorizing the issuance of such Bonds shall recite that all of the covenants contained in the Bond Resolution will be fully applicable to such Bonds as if originally issued under the Bond Resolution.

For purposes of determining whether the District meets the requirements for the issuance of Additional Bonds, the assumed interest rate for any future period on both Variable Rate Bonds Outstanding on the date of calculation and the interest rate on Variable Rate Bonds proposed to be issued shall be deemed to be a fixed rate of interest equal to one hundred ten percent (110%) of the greater of (a) the average interest rate on such Variable Rate Bonds during the twelve (12) months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding, or (b) the rate of interest on such Variable Rate Bonds (or Variable Rate Bonds proposed to be issued) on the date of calculation.

Additional Bonds issued pursuant to the terms and conditions described above shall be deemed on a parity with all Bonds then Outstanding, and all of the covenants and other provisions of the Bond Resolution shall be for the equal benefit, protection and security of the Holders of any Bonds originally authorized and issued pursuant to the Bond Resolution and the Holders of any Bonds evidencing additional obligations subsequently created within the limitations of and in compliance with the terms and conditions described above; provided, however, that the right of a counter-party to receive any Risk Management Payments in excess of the rate of interest borne by the Bonds to which the related risk management facility relates shall not be deemed to be on a parity with the rights of the Holders of the Bonds and shall be subordinate thereto, unless such excess interest payments are included in the calculation of the Maximum Annual Debt Service Requirement pursuant to the Bond Resolution.

The Series 2016 Bonds are being issued as Additional Bonds in compliance with the provisions of the Bond Resolution.

Refunding Bonds

In addition to the conditions for the issuance of Additional Bonds described above, the District may issue Refunding Bonds at any time and from time to time, without the necessity of complying with the requirements for the issuance of Additional Bonds described in paragraph (B) above. In addition, the District may issue Refunding Bonds at any time and from time to time, without the necessity of complying with the requirements for the issuance of Additional Bonds described in paragraph (A) above, provided that prior to the issuance of such Refunding Bonds there shall be filed with the Board a certificate from an independent certified public accountant to the effect that the net proceeds from such Refunding Bonds will be sufficient to cause the lien created by the Bond Resolution with respect to the Bonds to be refunded to be discharged and either (i) the present value of the Annual Debt Service Requirement with respect to such Refunding Bonds is less than the present value with respect to the Bonds which would have been Outstanding had the same not been refunded, or (ii) the Annual Debt Service Requirement with respect to such Refunding Bonds in each Fiscal Year following the issuance thereof shall be equal to or less than one hundred percent (100%) of the Annual Debt Service Requirement for such Fiscal Year with respect to the Bonds which would have been Outstanding in that Fiscal Year had the same not been refunded.

Prior to the issuance of such Refunding Bonds, there shall be filed with the Board an opinion of Bond Counsel to the effect that (i) the proceeds from the sale of such Refunding Bonds have been set aside in irrevocable escrow for the payment of the Bonds to be refunded in the manner described in Section 4.11 of the Bond Resolution, and (ii) the issuance of such Refunding Bonds and the use of the proceeds thereof as described above will not have the effect of causing the interest on any Bond then Outstanding (including the Bonds to be refunded), other than Taxable Bonds, to become included in gross income for federal income tax purposes.

Subordinate Obligations

In addition to the Bonds authorized pursuant to the provisions of the Bond Resolution, and to the extent permitted by the laws of the State from to time to time in effect, the District may issue Subordinated Indebtedness; provided, however, that any Subordinated Indebtedness shall be payable solely out of moneys deposited into the Subordinated Indebtedness Fund. See "SECURITY AND SOURCES OF PAYMENT - Funds and Accounts - Flow of Funds" herein).

Investment of Funds

Moneys on deposit in all funds created under the Bond Resolution may be invested in U. S. Obligations or any other Investment Obligations maturing not later than such date or dates as the District shall determine.

The income and investment earnings derived from the moneys and investments on deposit in the Debt Service Fund, the Impact Fee Fund and the Rebate Fund shall be retained in such funds and used in the same manner as other moneys on deposit therein. Any income and investment earnings on deposit in the Reserve Fund or any accounts therein in excess of the applicable Debt Service Reserve Requirement shall be deposited in the Debt Service Fund and credited against the amount of Net Revenues required to be deposited in the Debt Service Fund to pay principal of and interest on the Series of Bonds secured by the account from which such income and investment earnings was withdrawn. Subject to the requirements under the Code and the Tax Certificate, all income and earnings received from the investment and reinvestment of money on deposit in the General Reserve and Surplus Fund, the Renewal and Replacement Fund, the Rate Stabilization Fund and the Revenue Fund shall be transferred to or retained in the Revenue Fund, as the case may be, and used in the same manner as other moneys on deposit therein.

The value of Investment Obligations on deposit in the funds and accounts created and established under the Bond Resolution, other than any account within the Reserve Fund, shall be the lower of par, or if purchased at other than par, amortized value. Amortized value, when used with respect to securities purchased at a premium above or a discount below par, shall mean the value at any given date obtained by dividing the total premium or discount at which such securities were purchased by the number of interest payment dates remaining to maturity on such securities after such purchase, and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of purchase; and (i) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price. The method of determining the value of Investment Obligations on deposit in any of the accounts within the Reserve Fund and for any other investment made under the Bond Resolution for federal income tax purposes, shall be determined by the applicable provisions of the Code and the Tax Certificate.

Modifications or Supplements to Bond Resolution

No modification or amendment of the Bond Resolution, or of any resolution amendatory thereof or supplemental thereto, materially adverse to the Bondholders of a Series may be made without the consent in writing of each Credit Facility Issuer, with respect to the Bonds insured by such Credit Facility Issuer, or the Owners of not less than a majority of the Bonds of such Series as determined by the proceedings relating to that Series. However, no modification or amendment shall permit a change (a) in the maturity of any of the Bonds or a reduction in the rate of interest thereon, (b) in the amount of the principal obligation of any Bond, (c) that would affect the unconditional promise of the District to collect

and hold Gross Revenues or provide for the receipt and disbursement of such revenues as provided in the Bond Resolution, or (d) that would reduce the required percentage of Holders of the Bonds, as described above, for modifications or amendments, without the consent of all of the Bondholders affected by such modification or amendment.

For the purpose of Bondholders' voting rights or consents authorized by the Bond Resolution, (i) the Bonds owned by or held for the account of the District, directly or indirectly, shall not be counted and (ii) the underwriters or initial marketing group for any Series of Bonds, at the time of the initial issuance of such Bonds, may consent to any such modification or amendment on behalf of the Holders of such Series of Bonds if the offering documents for all Bonds then Outstanding and offered by an offering document expressly disclosed that the consent of Holders could be provided by the underwriters of the Bonds issued under the Bond Resolution. This section is intended to provide such express disclosure with respect to the Series 2016 Bonds.

Notwithstanding the foregoing, the District may, from time to time and at any time without the consent of any Credit Facility Issuer or the Bondholders, enter into such Supplemental Resolutions (which Supplemental Resolutions shall thereafter form a part of the Bond Resolution) for any of the specifically authorized reasons set forth in the Bond Resolution. See "APPENDIX D - Form of the Resolution."

MUNICIPAL BOND INSURANCE

The District may elect to purchase the Bond Insurance Policy. If purchased, the Bond Insurance Policy shall be delivered by the Bond Insurer concurrently with the delivery of the Series 2016 Bonds and shall guarantee timely payment of the principal of and interest on the Series 2016 Bonds, or one or more maturities of the Series 2016 Bonds. The decision of whether to purchase the Bond Insurance Policy shall be made at the time of pricing of the Series 2016 Bonds, based on market conditions existing at such time. If the Bond Insurance Policy is purchased, additional information relating to the Bond Insurance Policy and the Bond Insurer will be provided in the Official Statement.

BOND INSURANCE CONSIDERATIONS

Assuming the Bond Insurance Policy is purchased, the following information describes certain risk factors relating to the Series 2016 Bonds insured by the Bond Insurance Policy (the "Insured Series 2016 Bonds") that a purchaser of Series 2016 Bonds should consider.

In the event of default of the scheduled payment of the principal of or interest on the Insured Series 2016 Bonds when all or any portion becomes due, the Registrar, on behalf of any owner of the Insured Series 2016 Bonds, shall have a claim under the Bond Insurance Policy for such payment. However, in the event of any acceleration of the due date of such principal by reason of any redemption described in this Official Statement, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the Insured Series 2016 Bonds shall be paid in such amounts and at such times as such payments would have been due had there not been any such acceleration. The payment of principal and interest in connection with a mandatory or optional prepayment of the Insured Series 2016 Bonds by the District which is recovered by the District from the Owner of such Insured Series 2016 Bonds as a voidable preference under applicable bankruptcy law is expected to be covered by the Bond Insurance Policy. However, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the District, unless the Bond Insurer chooses to pay such amounts on an earlier date.

In the event the Bond Insurer becomes obligated to make payments with respect to the Insured Series 2016 Bonds, no assurance is given that such event will not adversely affect the market price of any of the Series 2016 Bonds or the marketability (liquidity) of any of the Series 2016 Bonds. So long as (a) the Bond Insurer shall not be in default in the payment obligations under the Bond Insurance Policy or (b) the Bond Insurer has an "A" or better rating from at least one Rating Agency, the Bond Insurer shall be deemed to be the Holder of all Insured Series 2016 Bonds for the purposes of determining remedies and providing Bondholder consent under the Bond Resolution.

The obligations of the Bond Insurer are unsecured obligations. In an event of default by the Bond Insurer, the remedies available may be limited by applicable insurance law or other laws related to insolvency. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Bond Insurance Policy, the Insured Series 2016 Bonds are payable solely from the Pledged Funds, in the manner and to the extent provided in the Bond Resolution.

The ratings on the Insured Series 2016 Bonds that result from the issuance of the Bond Insurance Policy are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Insured Series 2016 Bonds will not be subject to downgrade. Any such downgrade could adversely affect the market price of the Insured Series 2016 Bonds or the marketability (liquidity) of the Insured Series 2016 Bonds. See "RATINGS" herein.

Neither the District nor the Underwriters will make an independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Insured Series 2016 Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Bond Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

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DEBT SERVICE SCHEDULE

The following table sets forth for each Fiscal Year (i) the Annual Debt Service Requirement for the Series 2016 Bonds, (ii) the Annual Debt Service Requirement for the Series 2014 Bonds and (iii) the combined Annual Debt Service Requirement for the Series 2014 Bonds and Series 2016 Bonds.

Fiscal Year Ending	Series 2016 Bonds			Total Series	Total Series 2014 Bonds and Series
September 30	Principal	Interest	Total	2014 Bonds	2016 Bonds
2016	$	$	$	$ 1,768,325.00	$
2017				1,759,675.00	
2018				1,753,025.00	
2019				1,756,525.00	
2020				1,749,550.00	
2021				1,746,800.00	
2022				1,746,925.00	
2023				1,744,800.00	
2024				1,745,300.00	
2025				1,743,300.00	
2026				1,743,675.00	
2027				1,741,300.00	
2028				1,741,050.00	
2029				1,737,800.00	
2030				1,736,425.00	
2031				1,747,400.00	
2032				1,741,562.50	
2033				1,727,625.00	
2034				1,729,375.00	
2035				1,727,125.00	
2036				- 0 -	
2037				- 0 -	
2038				- 0 -	
2039				- 0 -	
2040				- 0 -	
Total	$	$	$	$34,887,562.50	$

THE DISTRICT

General

Pursuant to the Creation Ordinance the District was created by the City on June 16, 2004 and currently exists as a dependent special district of the City under the Constitution and laws of the State of Florida, including specifically Chapter 189, Florida Statutes, as amended. A dependent special district is a local unit of special purpose government organized and existing to implement specialized functions, including water and wastewater utility services. The District was formed for the public purpose of acquiring, promoting, planning, establishing, financing, constructing, equipping, owning, operating, maintaining, improving, leasing and disposing of the water and wastewater assets of the City and establishing, implementing, financing and administering projects in furtherance of such purposes. As a dependent special district, the District is considered an enterprise fund and constitutes an integral component of the City's Comprehensive Annual Financial Report for financial reporting purposes. See "APPENDIX C - Basic Financial Statements of the City for the Fiscal Year Ended September 30, 2015."

The Creation Ordinance created a Charter that governs the District (the "Charter"). The Charter grants to the District the specific power, and all powers necessary and incidental, to accomplish its purpose and objectives, including, without limiting the generality of the foregoing, the power to (i) acquire the System and make improvements and extensions to the facilities of the System; (ii) construct, own, improve, expand, operate, manage and maintain the facilities of the System; (iii) make provision for rates, fees and charges sufficient to fully fund the operations, maintenance, administration, renewal, replacement, expansion, debt service and reserves for the System; and (iv) issue bonds and other obligations to finance the cost thereof.

Pursuant to the Charter, all property of the District is in all respects considered public property, and the title to such property is held by the District for the benefit of the public. The use of such property is considered to serve a public purpose, until disposed of upon such terms as the District may deem appropriate. The geographic boundary of the District encompasses the municipal boundaries of the City. The District is authorized to provide water, wastewater and reclaimed water utility service both within and outside its geographic boundary to such areas serviced by the System at the time of its acquisition by the District, as expanded from time to time by the District. See "THE DISTRICT - Acquisition of the System" herein.

The powers of the District are exercised by a Board of Directors. Pursuant to the Charter, the City Council acts as the Board of Directors of the District and the Mayor of the City is an ex-officio member of the Board. A Chairperson and Vice Chairperson of the District are elected annually by the Board. Set forth below are the members of the current Board of Directors of the District and their current terms of office:

Director	Term Expires
Terence D. Davis, Chairperson	March 2019
KaShamba Miller-Anderson, Vice Chairperson	March 2018
Lynne L. Hubbard, Director	March 2019
Tonya Davis Johnson, Director	March 2019
Dawn S. Pardo, Director	March 2018
Thomas Masters, Ex-Officio Member	March 2019

Acquisition of the System

The District issued a series of water and sewer revenue bonds on September 23, 2004 in the aggregate principal amount of $31,495,000 (the "Series 2004 Bonds") primarily to provide funds for its acquisition of all of the assets of the System from the City. In connection with such acquisition, the District also assumed all of the liabilities of the System, except the City's water and sewer revenue bonds originally issued by the City to fund improvements to the System. All of such bonds of the City were paid and defeased with proceeds of the Series 2004 Bonds. The Series 2004 Bonds were refunded on August 7, 2014 by the issuance of the Series 2014 Bonds. See "INTRODUCTION" herein.

The System was acquired by the District pursuant to the terms and conditions set forth in the Asset Purchase Agreement dated September 23, 2004 by and between the District and the City. The purchase price for the System was determined based on a capitalized cash flow methodology, which required that such purchase price be established in an amount so that existing Net Revenues would be sufficient to (i) pay debt service on the Series 2004 Bonds, (ii) satisfy all related debt service coverage requirements, all required renewal and replacement fund deposits and all deposits required to maintain established reserve funds, and (iii) fund any capital improvements required or contemplated to the System in the existing capital improvement plan for the System. Sale of the System to the District was determined to be in the best interests of the City, its residents and the general public because such sale allowed (i) greater flexibility for the City to fund and operate necessary capital infrastructure projects for the System, (ii) better utilization of infrastructure funding to comply with the comprehensive planning requirements of Florida law, and (iii) improved project coordination between utility infrastructure and City General Fund infrastructure development.

The District shall exist so long as any portion of the System is owned, operated, leased or managed by the District or the District has Obligations (as defined in the Charter) outstanding. At such time as the District no longer owns, operates, leases or manages any portion of the System and no Obligations are outstanding, the District shall automatically dissolve, unless the City adopts a resolution providing otherwise. In the event of dissolution, any assets of the District shall be distributed to the City.

THE SYSTEM

General

The District is responsible for producing and distributing safe drinking water and sewage collection and disposal throughout its service area. The District owns, operates and maintains water and wastewater facilities that serve the corporate limits of the City, the Town of Palm Beach Shores, the Port of Palm Beach and a portion of the City of West Palm Beach, unincorporated Palm Beach County in the Gramercy Park area, and the Town of Mangonia Park, Florida ("Mangonia Park"). Water service to Mangonia Park, however, is provided only on an as-needed basis. See "THE SYSTEM - Water System - Water Production and Usage - Customers and Sales" herein. The District's water facilities include raw water supply wells, the water treatment plant, the distribution system and storage and re-pumping facilities.

The District also owns, operates and maintains wastewater facilities in generally the same service area as the water distribution system. The District's wastewater facilities include a gravity sewer collection system, manholes, wastewater pumping stations, and wastewater transmission piping. The District's wastewater is conveyed to the East Central Regional Water Reclamation Facility (the "ECRWRF") for treatment. The District receives wastewater from Mangonia Park, which the District also conveys to the ECRWRF. The ECRWRF is operated by the City of West Palm Beach, Florida but owned

by the City of West Palm Beach, the City of Lake Worth, the City of Riviera Beach, the Town of Palm Beach and Palm Beach County. See "THE SYSTEM - Wastewater System - ECR Board Organization" herein.

The Water System

The District's water system (the "Water System") consists of two (2) wellfields comprising seventeen (17) and eleven (11) wells, respectively, each of which is drilled into the surficial Biscayne Aquifer to provide raw water for the Water System. In addition to raw water supply wells, the Water System is comprised of raw water distribution mains, water treatment facilities, treated water distribution mains, water storage facilities and booster pumping facilities. The Water System contains a service area which comprises the entire geographical area of the City (approximately 8.3 square miles), plus approximately 2.7 square miles of land outside the City's boundaries. The Water System currently provides drinking water to a population of approximately 42,000. The water treatment facilities of the Water System have a design capacity of 17.5 million gallons per day ("MGD").

The Wastewater System

The service area of the District's wastewater collection and transmission system (the "Wastewater System") is approximately the same as the Water System, as a small percentage of customers currently do not have service from both the Water System and the Wastewater System. Such customers, however, are expected to be serviced by both systems in the future. The City owns 8.0 MGD of wastewater treatment and disposal capacity in the ECRWRF, which, as a result of the acquisition of the System from the City, is used by the District to satisfy the treatment and disposal requirements of the Wastewater System. See "THE DISTRICT - Acquisition of the System" herein. Such capacity is expected to be sufficient to meet the District's wastewater treatment and disposal needs for the foreseeable future. The District currently uses approximately 5.0 MGD of wastewater treatment and disposal capacity. See "THE SYSTEM - Wastewater System - Historical Wastewater Flows" and "- Projected Wastewater Flow" herein.

Administration

Personnel

The Executive Director of the District was relieved of his duties on April 26, 2016 following a series of media reports relating to the failure of the System to comply with certain regulatory requirements. On May 4, 2016 the City Council also voted to suspend the City Manager for thirty (30) days in response to its determination that the City Manager neglected her duties by failing to inform City Council members in a timely manner of the failure of the System to comply with regulatory requirements. See "THE SYSTEM - Water System - State Regulatory Matters" herein. In addition, the Assistant Executive Director resigned from his position with the District, effective July 29, 2016. The City Attorney (who serves as the District Attorney as well) also resigned from her position, effective July 24, 2016. The City has filled the position of City Attorney and is in the process of determining who will be selected to serve as the next Executive Director of the District.

Following is a brief description of the background and experience of the individuals currently serving in key management positions relating to the daily operations of the District.

Ruth C. Jones. Ms. Jones is the City Manager for the City, where she has served since June 2009. Ms. Jones is also serving as the Executive Director of the District while the Board determines who will

be selected to serve as Executive Director to succeed the person removed from that position on April 26, 2016. Prior to joining the City, Ms. Jones served as Assistant County Manager in Fulton County, Georgia for eight (8) years. Prior to her employment in Atlanta's Fulton County, Ms. Jones served for nearly twenty (20) years as the Director of Equal Employment Opportunity and Employee Relations at Old Dominion University in Norfolk, Virginia. She also held a similar position for the University of Missouri prior to her employment with Old Dominion University.

Ms. Jones received a Bachelor of Science degree in Elementary Education and a Masters of Science degree in Personnel and Guidance from Emporia State University. She has also taken advance education courses at the College of William and Mary.

Bevin A. Beaudet, P.E.. The daily operations of the System are currently managed by Bevin A. Beaudet. Mr. Beaudet has forty-five (45) years of experience in engineering, including the planning, design and implementation of water and wastewater facilities, with twenty-five (25) years of experience in utility management. Since September 2014, Mr. Beaudet has served as President of Bevin A. Beaudet, P.E., LLC. From March 2005 to September 2014, Mr Beaudet served as the Director of Water Utilities for Palm Beach County, Florida, managing approximately six hundred (600) employees, a $125 million per year operating budget and a $50 million capital budget for the third largest water and wastewater utility in the State of Florida, serving a population of over 500,000. From January 2004 to March 2005, he was the Program Manager for the Palm Beach County Bioscience Research and Development Park, a 2,000 acre park planned to accommodate eight million square feet of laboratory and research space for the Scripps Research Institute. From January 1999 to June 2003, Mr Beaudet served as the Regional Business Group Manager for CH2M Hill, Inc., responsible for water resources and water and wastewater treatment business for the firm in the Southeast region of the United States. He also served as Deputy County Administrator for Palm Beach County from January 1991 to January 1996, having responsibility for more than 750 employees in several major County departments, including water utilities and environmental resources management, and the Director of Palm Beach County Water Utilities from January 1988 to January 1991. Mr. Beaudet was a commissioned officer in the U.S. Army Corps of Engineers from July 1969 to September 1975 where, among other duties, he commanded a combat engineer company of one hundred thirty (130) men and twenty-seven (27) pieces of construction equipment.

Mr. Beaudet is a certified Professional Engineer. He received his Bachelor of Science degree from the University of Florida. Among other positions held in professional organizations, he is one of the Past Presidents of the American Water Works Association.

Randy M. Sherman, CPA, CTP, CGFO. Mr. Sherman is the Director of Finance and Administrative Services for the City, where he has served since October 2012. Prior to joining the City, Mr. Sherman served as the Finance Director for the City of West Palm Beach, Florida for four and one-half (4½) years, which was his first position in the State of Florida. Before relocating to Florida, Mr. Sherman worked for the City of Manchester, New Hampshire for twenty-three (23) years, serving in various upper level finance positions, including Deputy Finance Director and Finance Director. For the City, Mr. Sherman is currently in charge of Accounting and Financial Reporting, Budgeting, Purchasing, Risk Management and Treasury functions, including Cash Management and Capital Borrowing, Human Resource, Information Technology, Utility Billing, Customer Service and the Library.

Mr. Sherman is a Certified Public Accountant, a Certified Government Finance Officer and a Certified Treasury Professional. He received his Bachelor of Science degree in Business Administration from the University of Lowell.

Pursuant to the Utilities Services Agreement, dated as of September 21, 2004 (the "Utilities Services Agreement"), between the City and the District, the employees for the District consist of personnel employed by the Utilities Department for the City, and the District pays the City an amount equal to the salaries and benefits of those employees. There are currently fifty (50) permanent, full-time employee positions in the City's Utilities Department consisting of nine (9) administrative positions and forty-one (41) positions in operations. All of the current administrative and operational personnel for the System are employees of the City and serve the District under the terms of the Utilities Services Agreement. The District retains independent engineering consulting services, audit services and special utility legal services, as needed, but does not hire direct employees. Under the Utilities Services Agreement, the City Utilities Director, City Attorney, City Director of Finance and Administrative Services and City Clerk also serve as the District Executive Director, District Attorney, District Finance Director and Chief Financial Officer and District Clerk, respectively.

Organization and Management of System

The operational functions and responsibilities for the District are performed by three (3) divisions: Water Treatment, Water Distribution and Sewage Collection. Set forth below is a brief summary of the responsibilities of each division.

Water Treatment Division. The Water Treatment Division is responsible for the daily operations of the Water System. Such responsibility includes the operation of the District's Water Treatment Plant, a Class "A" Level II Lime Softening Treatment Plant, with a capacity of 17.5 MGD (the "Water Treatment Plant"). The division has been supervised by Superintendent David L. Danford for the past ten (10) years. Mr. Danford is classified as a "Class A" Water Treatment Plant operator.

Water Distribution Division. The Water Distribution Division is responsible for repairing existing water mains and installing new water mains and for the management of the Water System's Back-Flow Prevention Program. In addition, the division is responsible for customer service, including all customer complaints, and for all matters relating to the meters of the Water System, including all meter repairs. The division has been supervised by Superintendent Allen J. Davis for the past seven (7) years.

Sewage Collection Division. The Sewage Collection Division is responsible for the maintenance of sewer lines and sewer pumping stations of the Wastewater System, as well as the installation of new service connections and the inspection of new sewer tie-ins from customers' sewer lines to the ECR. The division also has been supervised by Superintendent Allen J. Davis for the past seven (7) years.

Training Programs and Certifications

The District maintains an active training program for the System field crews and operations and maintenance staff, including 2-part, two (2) hour safety meetings every other month. All of the operators of the Water System and the Wastewater System must be licensed or certified by the State of Florida as a condition of their employment as an operator. The District's environmental laboratories are certified by the Florida Department of Environmental Protection ("FDEP") and by the Florida Department of Health for collecting environmental water samples and conducting water quality analyses.

U.S. Water

U.S. Water Services Corporation ("U.S. Water") is expected to enter into a contract with the District to analyze regulatory violations that have occurred in the Water System. U.S. Water is expected

to prepare a corrective actions report which describes the measures that should be taken and the capital improvements that should be made to solve the problems which resulted in the regulatory violations. See "THE SYSTEM - Water System - Water Distribution System - Consent Orders" herein.

Governmental Regulations

The System is subject to federal, state, regional and local regulation. Federal regulatory jurisdiction is vested in the United States Environmental Protection Agency (the "EPA"). The Water System must comply with the Federal Safe Drinking Water Act; however, the EPA has delegated the primary responsibility for enforcement of drinking water standards to the State of Florida. The Wastewater System must comply with the Federal Water Pollution Control Act and the 1977 Clean Water Act Amendments. The EPA has retained jurisdiction over the enforcement of the federal laws and the National Pollution Discharge Elimination System.

The State, acting through FDEP, has its own system of operational permits which govern the System. On a regional level, the South Florida Water Management District ("SFWMD") controls groundwater withdrawals through consumptive use permits, which stipulate the maximum annual and daily withdrawals, with permit durations from five (5) to twenty (20) years. Locally, the Palm Beach County Health Department ("PBCHD") has jurisdiction delegated by FDEP over the quality of treated potable water. FDEP maintains jurisdiction and regulatory authority over compliance of the Wastewater System with statutory and regulatory requirements.

Water System

General

The Water System provides potable water to all of the incorporated area of the City (approximately 8.3 square miles), plus the Town of Palm Beach Shores, the Port of Palm Beach, a portion of the City of West Palm Beach (generally west of Haverhill Road, east of the Florida Turnpike, north of 45th Street and south of the Beeline Highway), unincorporated Palm Beach County (in the Gramercy Park area) and Mangonia Park, on an as-needed basis. See "THE SYSTEM - Water System - Water Production and Usage - Customers and Sales" herein. The total service area of the Water System is approximately 11.0 square miles.

The principal water infrastructure serving the District's customers includes the following:

- Water Supply System
- Water Treatment Plant
- Water Distribution System
- Water Storage and Repump Facilities

Water Supply System

The District obtains all of its raw water supply from the surficial Biscayne Aquifer system via two (2) active wellfields (the "Eastern Wellfield" and the "Western Wellfield") permitted under Water Use Permit No. 50-00460-W, issued by the SFWMD on February 27, 2012 and expiring in 2032. The Eastern Wellfield includes seventeen (17) wells and the Western Wellfield includes eleven (11) wells. The wells are operated in rotation to reduce eastern well withdrawals to minimize salt water intrusion in the aquifer.

The existing wells were constructed from the 1960's through 2004. Two (2) proposed wells are also permitted for future construction.

The District's wellfields also include three (3) monitoring wells, two (2) located near the Eastern Wellfield and one (1) located near the Western Wellfield. The monitoring wells are tested monthly, with results being sent to the SFWMD quarterly. The SFWMD has determined that the two (2) monitoring wells located near the Eastern Wellfield indicate the existence of a substantial mound of fresh water between the wellfield and saline sources of water. The monitoring well located near the Western Wellfield has indicated the existence of connate saline water in the vicinity of the wellfield. In response, the District has modified its wellfield operation program to shift some pumping from the Western Wellfield to the Eastern Wellfield to lessen the potential for saline water intrusion into the Western Wellfield. The District's raw water quality is similar to other Biscayne Aquifer raw water sources in South Florida. No issues in the District's raw water that have resulted in a reduction of the quality of the water produced by the District have been reported.

Raw water from the wellfields is pumped to the Water Treatment Plant via approximately 58,000 feet of raw water transmission system piping, which ranges from 6-inches to 36-inches in diameter.

Drought Conditions

In response to extreme drought conditions that occurred in South Florida for several years, beginning in 2007, the SFWMD imposed a series of water restrictions, culminating with the imposition of Modified Phase III Extreme Restrictions on May 10, 2007. To encourage consistent, long-term water conservation behavior, on March 15, 2010 the SFWMD implemented year-round, permanent water conservation measures. The year-round water conservation measures establish permanent water use limitations on certain types of landscape irrigation. See "THE SYSTEM - Water System - Water Restrictions" herein. During the drought period, the Water System did not experience any minimum flows and levels violations imposed by the SFWMD and overall water service to the customers of the Water System was not negatively impacted by the drought.

Water Treatment Facilities

The Water Treatment Plant, originally constructed in 1958, consists of four (4) packed tower scrubbers, two (2) aeration basins, three (3) lime softening treatment units, sixteen (16) filters divided into two (2) filter banks, two (2) interconnected clearwells, two (2) vertical turbine pumps used for backwash and transferring water to storage, and seven (7) vertical turbine high service pumps to convey treated water to the distribution system. The Water Treatment Plant is permitted by FDEP as a community type public water system with a permitted capacity of 17.5 MGD. Additional key elements of the Water Treatment Plant include:

- Onsite Storage - Finished water from the Water Treatment Plant is stored in a one million gallon prestressed concrete ground storage tank.

- Lime Storage and Feed - There are four (4) lime storage silos at the Water Treatment Plant.

- Disinfection - Water is currently disinfected using chloramines. Free chlorine is supplied by a gaseous chlorination system and mixed with free ammonia injected from an anhydrous ammonia system.

- Alum (along with polymer) is currently added upstream of the treatment units to act as a coagulant to reduce settled water turbidity.

- Lime solids generated in the softeners are currently periodically blown down via a timer system and conveyed via gravity to the two (2) save all basins. District staff pumps the supernatant back to the treatment process and lime solids are removed and stock-piled.

- Emergency Power - Emergency power for the Water Treatment Plant is provided by two (2) diesel engine generators, one (1) containing 1,000 kW of power and one (1) containing 250kW of power.

- Motor Control Centers - The Water Treatment Plant has three (3) sets of motor control centers.

- Control System - Seven (7) PLCs (i.e., digital computers referred to as programmable logic controllers) are installed in various locations within the Water Treatment Plant for automation of electromechanical processes.

Water Distribution System

General. The District's water distribution system consists of approximately one hundred eighty-six (186) miles of pipe, ranging from 1 to 30-inch diameter, which conveys the finished water from the Water Treatment Plant to individual customers. In general, the larger diameter transmission mains radiate from the Water Treatment Plant and decrease in size as they extend throughout the service area of the Water System. The piping is comprised of a variety of materials, including cast iron, ductile iron, galvanized steel, asbestos cement, high density polyethylene, and polyvinyl chloride. The piping system also includes appurtenances such as fire hydrants (approximately 1,100) and water meters (approximately 16,000). Aging of the piping system is a concern, as some of the elements were constructed over fifty (50) years ago. The District plans to replace the older portions of its aging piping system as part of the current capital improvement plan for the System. See "CAPITAL IMPROVEMENT PLAN" herein.

The District's water distribution system has three (3) interconnections with two (2) adjacent utilities (Seacoast Utility Authority and the City of West Palm Beach) and stub outs in the southeast service area of the Water System for future interconnections to other adjacent utilities. Two (2) of the three (3) existing interconnections are with the water system for the City of West Palm Beach. The interconnections provide the ability for the District to purchase or sell drinking water to the other connected utilities, as determined to be necessary or desired by the District or by such other utilities.

The District uses chloramine for disinfection of the water distribution system. Historical total chlorine residual data (from 2006 to 2010) measured at forty (40) locations throughout the service area indicated that the required minimum total chlorine residual (i.e., 0.6 mg/L) was maintained throughout the Water System. However, sampling conducted by the PBCHD in the summer of 2010 found low total chlorine residual (less than 0.6 mg/L) in the Gramercy Park region of the Water System service area. Follow-up sampling by the PBCHD indicated continued low total chlorine residuals in the Gramercy Park area. Chlorine residual testing at the Water Treatment Plant indicated total chlorine residual at the entry point to the distribution system in the 3.1 to 3.9 mg/L range. These data indicate that there is a chlorine demand within the distribution system, possibly caused by nitrification.

Consent Orders. The District received a consent order from the PBCHD in a letter dated December 23, 2010 for a failure to maintain a minimum combined chlorine residual of 0.6 mg/L throughout the drinking water distribution system per Rule 62-555.350(6) of the Florida Administrative Code ("FAC"). Under this consent order the District is required to prepare and submit the results of the following:

1. A semi-annual chlorine burn in the system;
2. A hydraulic study of the system;
3. Surveillance monitoring to include weekly total coliform samples in the troubled areas; and
4. Additional flushing within the system in troubled areas.

The District has worked to resolve low chlorine residual issues, performing nightly flushing of particular fire hydrants within and around the Gramercy Park area and increased superchlorination (i.e., switching to free chlorine while flushing hydrants over a two (2) week period) of the distribution system semi-annually. Preparation of the hydraulic model of the water distribution system has been completed as part of the District's capital improvement plan. See "CAPITAL IMPROVEMENT PLAN" herein. Surveillance monitoring of troubled areas is also conducted regularly.

Based on a false positive test result for total coliform in February 2014, the District provided an Action Plan for the Water Treatment Plant to the PBCHD. The Action Plan described all the steps taken at the Water Treatment Plant to combat the issues highlighted in the consent order dated December 23, 2010. The Action Plan also discussed the result of the 2014 positive total coliform sample and other additional preventative plans which go beyond the original consent order. As a result, the District received notice from the PBCHD that, as of May 13, 2014, all necessary corrective actions associated with the positive total coliform sample had been completed. The District's responsive efforts resolved all issues and the PBCHD closed the matter without taking any enforcement action.

Total coliforms are a group of related bacteria that are (with few exceptions) not harmful to humans. A variety of bacteria, parasites, and viruses, known as pathogens, can potentially cause health problems if humans ingest them. The EPA considers total coliforms a useful indicator of other pathogens for drinking water. Total coliforms are used to determine the adequacy of water treatment and the integrity of the distribution system.

On January 21, 2016 the District received Final Order WP-067-15 from the PBCHD, dated January 20, 2016 (the "January 20 Final Order") pertaining to the Water System. The January 20 Final Order noted that the District was informed in the PBCHD Notice of Violation, Orders for Corrective Action and Administrative Penalty Assessment dated December 8, 2015 (the "2015 Notice of Violation") that, unless a request for hearing was filed by the District within twenty (20) days, the orders for corrective action contained in the 2015 Notice of Violation would become final. Since the District did not respond to the 2015 Notice of Violation, the findings of fact, conclusions of law and orders for corrective action set forth therein became final and effective.

As a result of the January 20 Final Order, the District was cited for the following violations of the Water System:

A. More than five percent (5%) of the distribution samples collected have total coliform positives within the distribution system for samples collected in September 2014, January 2015 and March 2015;

B. The total chlorine residual was less than 0.6 mg/L in certain areas within the distribution system during the compliance monitoring performed in October 2014, January 2015, March 2015, and April 2015;

C. The District did not collect lead and copper samples in the compliance period of June, July, August or September 2014. The District reported that it resumed lead and copper sampling in compliance with FDEP rules in December 2014. The District also reported that the PBCHD accepted the results when it resumed lead and copper sampling and that the results indicated that lead and copper were below the regulatory action levels;

D. The Water Treatment Plant finished water color of eighteen (18) color units exceeded the secondary drinking water maximum contaminant level of fifteen (15) color units in December 2014; and

E. The Water Treatment Plant finished water aluminum of 0.25 mg/L exceeded the secondary drinking water maximum contaminant level of 0.20 mg/L in December 2014.

The corrective action ordered in the 2015 Notice of Violation, which became final and effective in the January 20 Final Order, included a requirement for the District to (i) comply with all PBCHD rules regarding the drinking water program and correct and redress all Water System violations within allotted time periods; and (ii) pay to the PBCHD, within thirty (30) days, $10.000 in administrative penalties. Although the District paid the administrative penalties imposed by the 2015 Notice of Violation, in compliance with the corrective action in clause (ii) of the immediately preceding sentence, the District did not satisfy the corrective action described in clause (i) of the immediately preceding sentence. As a result, the District entered into Consent Order WP-020-16 with the PBCHD, dated June 9, 2016 (the "2016 Water System Consent Order"), which cited the following violations:

1. Failure to comply with the January 20 Final Order;

2. Failure to maintain a minimum combined chlorine residual of 0.6 mg/L within the distribution system during the January and February 2016 reporting period;

3. Exceeding the maximum contaminant level (i.e., more than five percent (5%) of the distribution samples collected) for total coliform within the distribution system during the January, February and March 2016 compliance period; and

4. Failure to comply with the triggered monitoring requirements during the January and February 2016 compliance period.

The 2016 Water System Consent Order requires the District to take numerous corrective actions. Such corrective actions generally require:

(a) Increased chlorine residual monitoring, total coliform-positive sampling, record keeping and notification of violations;

(b) Increased distribution system flushing and reporting;

(c) After a minimum of twelve (12) weeks of daily monitoring, preparation of a written flushing plan or continuation of daily monitoring; and

(d) Comprehensive assessment of the Water System by a third party assessment team. Such assessment shall:

(1) Be conducted in general conformance with a Level 2 Assessment under the EPA's Revised Total Coliform Rule;

(2) Provide a list of all critical equipment, a description of such equipment and an assigned rating between 0 and 3 to reflect operational condition (with 0 meaning nonoperational, 1 meaning in poor condition but operational, 2 meaning in fair condition but lacks redundancy or requires minor maintenance, and 3 meaning in good operational condition); and

(3) Produce an assessment report addressing (i) the District's management team abilities and needs; and (ii) a 5-year schedule and cost to correct all deficiencies, repairs to and replacement of critical equipment rated 0 or 1 and any additional equipment needs. Within ninety (90) days of submittal of the assessment report, and annually thereafter, the District is required to seek budget approval to pay the cost of the improvements set forth in the assessment report.

The District has entered into negotiations with U.S. Water for U.S. Water to provide the third party assessment required by the 2016 Water System Consent Order. Such report is expected to be completed prior to the end of the current Fiscal Year. See "THE SYSTEM - Administration - U.S. Water" herein. Although the District expects to be able implement any improvements that may be included in the assessment report, including paying the costs of such improvements, no assurance can be given that one or more improvements included in the assessment report will not be within the District's ability to implement.

In addition to the corrective action required in the 2016 Water System Consent Order, the Order requires the District to submit written estimates of the costs incurred to implement the corrective actions and other matters relating to the Water System required by the 2016 Water System Consent Order. The 2016 Water System Consent Order also requires (within thirty (30) days of its execution and delivery) payment by the District of a settlement totaling $43,618.75 in civil penalties and $750.00 for costs and expenses incurred by the PBCHD.

In lieu of payment of the civil penalties, the 2016 Water System Consent Order provides that the District can submit a proposal for an in-kind penalty project, which, if accepted by the PBCHD, will serve as payment of eighty percent (80%) of the civil penalty portion of the settlement amount. The in-kind penalty project must be (i) either an environmental enhancement, environmental restoration or a capital improvement project or the donation of environmentally sensitive land and (ii) valued at a minimum of one and a half times eighty percent (80%) of the civil penalty settlement amount (which for the 2016 Water System Consent Order requires the value of the in-kind penalty project to be at least $52,342.50). If an in-kind penalty project is provided by the District, the civil penalty portion of the settlement amount will be reduced to $13,085.63. The District has paid the $750.00 for costs and expenses incurred by the PBCHD and has submitted a proposal for an in-kind penalty project that, in the opinion of the District, complies with the conditions of the 2016 Water System Consent Order. The District is currently in compliance with the requirements of the Water System Consent Order.

In addition to the corrective actions to be taken and civil penalties to be paid by the District in response to Water System regulatory violations, the 2016 Water System Consent Order sets forth a list

of daily civil penalties the District would be required to pay for certain continued violations of regulatory requirements. The amount of such daily penalties can be up to $2,000.00 per day for certain violations. Although the District does not expect to be required to pay any of the daily penalties for continued violations, no assurance can be given that the payment of such penalties will not be required or that, if required, the amount to be paid will not be significant.

The 2016 Water System Consent Order constitutes a settlement of the PBCHD's civil and administrative authority to resolve violations committed by the District. The 2016 Water System Consent Order is not a settlement of any criminal liabilities which may arise under Florida law, nor is it a settlement of any violation which may be prosecuted criminally or civilly under federal law. The District has not received notice that any individuals or other regulatory bodies or authorities expect to allege that the District has violated any of the laws and regulations relating to its ownership or operation of the Water System. No assurance can be provided, however, that such an allegation will not be made in the future or that, if made, will be resolved in a manner and/or amount that does not negatively impact the Water System.

Water Storage and Repump Facilities

The following table reflects the existing capacity of treated water storage facilities of the Water System:

Summary of Water Storage Facilities

Location	Type	Volume, Gallons
West Blue Heron Boulevard	Ground-Concrete	1,000,000
Water Treatment Plant	Clearwell-Concrete	400,000
North Singer Island	Ground-Concrete	1,000,000
Avenue C at 12th Street	Ground-Concrete	1,000,000
Avenue U	Ground-Concrete	1,000,000
Total		4,400,000

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

There are three (3) existing water storage tank and repump stations within the service area of the Water System. Each repump station is equipped with backup power via a diesel engine generator. A 12,000 gallon underground diesel fuel storage tank supplies fuel to both generators. Additionally, the Water Treatment Plant clearwells below the filters and the high service pump station contain between 0.2 to 0.4 MG in working volume of storage, depending on operational water depth.

FAC Section 62-555.320(19) requires a minimum storage volume of twenty-five percent (25%) of maximum day use plus an amount equal to the design fire-flow volume with all tanks in service. It is estimated that the minimum storage volume required by FAC Section 62-555.320(19) is approximately 3.4 million gallons. With a current storage volume of 4.4 million gallons, the water storage capacity of the Water System exceeds the minimum required storage levels.

Water Production and Usage

Non-Revenue Water. The International Water Association (the "IWA") and the American Water Works Association (the "AWWA") use the term "non-revenue water" to describe the volume of water lost through leakage, meter inaccuracies, flushing and other authorized usage. Non-revenue water represents finished water that is not billed to water system customers.

In 2013, the AWWA assembled validated water audit data from twenty-six (26) utilities across the United States of America and Canada that ranged in size from 850 to over 500,000 water service connections. These water audit data were averaged to develop the percentages of finished water produced and billed on an annual average day flow ("AADF") basis. Such water audit data revealed that 80.0% of finished water was billed to customers, with approximately 14.6% constituting real, unaccounted for water losses, approximately 2.8% constituting apparent lost water and approximately 2.6% constituting lost water from authorized uses, like flushing of water lines, fire hydrant testing and lift station wash downs for maintenance purposes. Real water losses are the result of leakage in the distribution system piping and apparent water losses are the result of faulty meters, data collection errors and theft.

Set forth below is the estimated non-revenue water for the Water System.

Estimated Non-Revenue Water (in 1,000s of Gallons)

		Authorized Consumption		Losses		Non-Revenue Water	
Fiscal Year	Water Treatment Plant Production	Billed	Unbilled	Apparent	Real	Amount	Percentage of Production
2011	2,481,425	2,077,728	64,517	69,480	269,700	403,697	16.27%
2012	2,516,172	2,120,669	65,420	70,453	259,630	395,503	15.72
2013	2,550,920	2,084,051	66,324	71,426	329,119	466,869	18.30
2014	2,585,667	2,193,739	67,227	72,399	252,302	391,928	15.16
2015	2,620,415	2,191,896	68,131	73,372	287,016	428,519	16.35
2016	2,609,996	2,183,001	67,860	73,080	286,056	426,995	16.36
2017	2,611,158	2,183,972	67,890	73,112	286,183	427,186	16.36
2018	2,613,584	2,186,001	67,953	73,180	286,449	427,583	16.36
2019	2,616,939	2,188,807	68,040	73,274	286,817	428,132	16.36
2020	2,623,617	2,194,393	68,214	73,461	287,549	429,224	16.36

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

The non-revenue water in the Water System ranged from approximately 15% to 18% of the finished water produced from Fiscal Years 2011 through 2015 (the "Historical Period") and averaged 16.36% during such period. It was assumed that non-revenue water remained the same from Fiscal Years 2016 through 2020 (the "Forecast Period"). The non-revenue water in the 2013 AWWA Water Audit data

averaged approximately 20%. Hence, non-revenue water for the Water System is less than the national average. In addition, real water losses are estimated to be approximately ten percent (10%) of the finished water produced by the Water System. The District's goal is to not allow non-revenue water loss to exceed 10%. To address the problem of leaks that may be in the Water System's distribution network, older pipes are scheduled to be replaced as part of the District's capital improvement plan. See "CAPITAL IMPROVEMENT PLAN" and "WATER AND WASTEWATER MASTER PLAN" herein.

Water Customers and Sales. The District estimates that during Fiscal Year 2015, the Water System served approximately 12,991 average water retail residential and commercial accounts, which represented an estimated 17,887 average equivalent residential connections ("ERCs"). Additionally, the District provided potable water service to one (1) wholesale customer (i.e., Mangonia Park, with one (1) metered delivery point) which has approximately 643 occupied households and other commercial businesses (estimated at 619 ERCs, assuming full requirements service).

An ERC is representative of the average daily capacity or demands of a single-family residential unit. It generally represents the lowest and most common level of use and is utilized to evaluate the size and capacity needs of a utility system. Since commercial or multi-family customers are generally served by a larger sized meter than standard residential customers and generally have higher water usage per account requirements, it is useful to equate such customers on an equivalent basis to the single-family residential class of service to provide a more consistent presentation of the total customer base served. For the purpose of obtaining the number of ERCs served, meter equivalent factors based on information published by the AWWA, which is used by several utilities, including the District, served as the basis for such ERC determination for all classes of service, except the residential multi-family class. The residential multi-family class of service was based on the number of residential dwelling units in service and the rate relationships reflected in the Rate Resolution (as hereinafter defined). See "THE SYSTEM - Rates, Fees and Charges" herein. Since potable water service to Mangonia Park is supplemental service, which is provided on an as-needed basis and not on a full requirements basis, no ERCs were assigned to Mangonia Park.

A review of the recent trends in retail customers served, the billed water sales growth, and the corresponding average use per customer indicates that the Water System has experienced marginal decreases in customers served during the past several years. However, water sales have remained relatively constant. Detailed data and information of the Water System customers by class of service for the Historical Period are provided in the City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report relating to the Series 2016 Bonds, dated August ___, 2016 (the "Engineers Report"). See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Table 6-1 of the Engineers Report.

Based on information provided by the District, as described in the Engineers Report, the accounts served by the Water System have declined by less than one percent (1.0%) annually on a compound basis during the Historical Period. Such decline is considered to be a direct result of the continued sluggish economy in the area that appears to be directly affecting customer growth. However, accounts in the commercial class have experienced a significant increase in billed water sales during the Historical Period. Such increase is due primarily to the addition of a power generation facility by Florida Power and Light Company located in the service area of the Water System, which receives water-only service for cooling purposes.

For reporting purposes and for the application of rates for monthly service, the District currently differentiates its Water System retail customers by four (4) major classifications. The customer differentiation allows the District to evaluate the service area characteristics and plan for the effects of future growth, since the primary customer classes generally have differing water demand or usage requirements. The four (4) major customer classifications are single-family residential, multi-family residential, commercial and irrigation service. The Water System customer base consists primarily of single-family residential customers being serviced through a 3/4-inch water meter. As shown in the following table, during Fiscal Year 2015, the single-family residential class accounted for approximately eighty-four percent (84%) of the total estimated accounts and approximately sixty-one percent (61%) of the estimated ERCs served by the Water System. During Fiscal Year 2015, the Water System provided service to approximately 17,887 ERCs, which is approximately thirty-eight percent (38%) greater than the average number of accounts served.

Water System Retail Accounts and ECRs by Class[1]

	Fiscal Year Ended September 30, 2015			
Description	Average Annual Number of Accounts	Percent of Total	Equivalent Residential Connections[2]	Percent of Total
Residential Single Family	10,881	83.76%	10,884	60.85%
Residential Multi-Family (Master Metered)	557	4.29	2,056	11.49
Commercial	1,144	8.80	3,720	20.80
Irrigation	409	3.15	1,227	6.86
Total	12,991	100.00%	17,887	100.00%

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

(1) Amounts shown do not include wholesale service to Mangonia Park.

(2) ERCs were determined based on information published by the AWWA, which is used by utilities, including the District, to establish rate relationships among customers (meter equivalent factors). Such information was applied to the individual meter sizes served by the Water System for each class of customers. The residential multi-family class served approximately 10,805 multi-family dwelling units in Fiscal Year 2015.

The wholesale water service provided by the Water System to Mangonia Park is pursuant to the Agreement between the District and Mangonia Park for Provision of Water Service (the "Mangonia Park Utility Agreement"). The Mangonia Park Utility Agreement became effective on March 5, 2008 and provides, among other things, the responsibilities of the parties and the rates for and term of service. The term of service was initially established for ten (10) years, which term, upon expiration, is automatically renewed for an additional term of ten (10) years unless either party provides notice to the other of its intention not to renew the agreement within twelve (12) months prior to the expiration of the original term. The Mangonia Park Utility Agreement also provides for the delivery of wholesale wastewater service by the District, which is also currently being provided by the District. See "THE SYSTEM - Wastewater System - Customers and Flows" herein. The amount of water sold to Mangonia Park currently is not significant, as it is only provided to augment the water supply and treatment sources owned and operated by Mangonia Park.

The District has the available water capacity to provide full service to Mangonia Park (i.e., one hundred percent (100%) of the Town's potable water needs), if such service were required. The District does not expect that either party will terminate the Mangonia Park Utility Agreement upon expiration of its original term.

Based on historical trends, the Water System is not expected to experience any significant customer growth in the foreseeable future. Any growth in customers projected for such period is expected to be primarily in residential customers.

Projected Water Demands. Future growth in the demand for water from the Water System is a function of future growth in the population of the service area of the Water System. Customer growth over the next ten (10) years is expected to be limited, with the majority of the future growth occurring within the Marina District of the City's Community Redevelopment Area and the residential developments in the western portion of the Water System service area. For the projections of water demand set forth in the Engineers Report for the Forecast Period, it was assumed that the average annual customers served for the Water System would increase at an average compound rate of growth of approximately 0.15% per year, with a similar growth rate for the ERCs served by the Water System. The majority of the projected growth is anticipated to be single-family residential. The projected rate of growth in the Engineers Report is higher than the historical four (4) year growth rate due to the anticipation of a moderate improvement in the economy for the City. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Table 6-3 of the Engineers Report.

Recognizing the available water supply and treatment capacity of the Water System and projected water sales, based on the projected rate of customer growth in the Water System service area, sufficient water treatment capacity is expected to be available for the foreseeable future to meet the potable water demands in the Water System service area. Set forth below are projections of water demand and permitted capacity for the Water System for the Forecast Period.

Projected Water Production and Capacity Utilization[(1)]

Fiscal Year Ending September 30	Annual Average Daily Flow (MGD)[(2)]	Maximum Daily Flow (MGD)[(3)]	Permitted Capacity (MDF - MGD)	Percent of Capacity Utilized
2016	7,151	9,296	17.5	53.12%
2017	7,154	9,300	17.5	53.14
2018	7,161	9,309	17.5	53.19
2019	7,170	9,321	17.5	53.26
2020	7,188	9,344	17.5	53.40

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

Footnotes for the immediately preceding table are provided on the next page.

(1) MGD = Million Gallons Per Day and MDF = Maximum Daily Flow.
(2) See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Table 6-3 of the Engineers Report.
(3) Maximum daily flow is based on the application of a 1.30 peaking factor to the finished water production expressed on an annual average daily flow basis, predicated on historical trends and input from the District and its consulting engineers.

Water Restrictions

The SFWMD has established the Year-Round Landscape Irrigation Rule (FAC Chapter 40E-24). In effect since 2010, the Year-Round Landscape Irrigation Rule limits landscape watering to three (3) days per week in the District's service area. The City has established irrigation restrictions that comply with the SFWMD's Year-Round Landscape Irrigation Rule. The SFWMD has the authority to impose stricter irrigation limits during a drought.

Riviera Beach Code of Ordinances Chapter 20, Article III, Division 4, Sections 20-121 through 20-128 establish the water conservation rules implemented within the District's service area. The intent and purpose of the water conservation ordinance are to establish water conservation measures to reduce the per capita usage of the Water System's valuable water resources by implementing date and time water restrictions and requiring the use of rain sensing devices on all new irrigation systems. Generally, the City's water conservation ordinance:

1. Prohibits landscape irrigation between the hours of 10:00 a.m. to 4:00 p.m. daily;

2. Limits the irrigation of established lawns and landscaping to the following:

(a) Residents and businesses with an odd-numbered street address may water lawns and landscapes on Mondays, Wednesdays and/or Saturdays;

(b) Residents and businesses with an even-numbered street address, no street address or those that irrigate both even and odd addresses within the same zones, which may include multi-family units and homeowners associations, may water lawns and landscapes on Tuesdays, Thursdays and/or Sundays;

3. Allows watering of newly-planted grass and foliage on a modified schedule to allow establishment of the landscaping;

4. Provides exemptions from watering restrictions to promote the use of low volume irrigation, micro-irrigation and irrigation with water from rain barrels, cisterns or other rain-harvesting devices or with water that constitutes reclaimed water;

5. Requires all new automatic water irrigation systems to be equipped with a properly installed, fully operational rain sensing device or switch; and

6. Imposes penalties for violations of the water conservation ordinance.

The District also promotes water conservation through inclusion of water conservation tips within its annual water quality report. A copy of the District's annual water quality report may be obtained from the District by contacting the District's Finance Director/Chief Financial Officer at: 600 West Blue Heron

Boulevard, Riviera Beach, Florida 33404, Telephone number: (561) 845-4040, Email address: financedept@rivierabch.com or may be accessed at the following website address:

http://www.rivierabch.com/filestorage/1486/1312/ANNUAL_WATER_QUALITY_REPORT

State Regulatory Matters

The Water System requires two (2) permits that are subject to renewal on a periodic basis, one (1) issued by the PBCHD, on behalf of FDEP, for continued operation of the water treatment and water supply facilities of the Water System, and one (1) issued by the SFWMD, for withdrawals of raw water needed for the Water System. FDEP does not issue an operating permit for water treatment and water supply facilities. However, all construction activities at a water treatment plant requires the issuance of a permit by FDEP. Submission of a permit application for modification of any treatment or supply facilities allows FDEP to examine all of the facilities of the Water System for adherence to current regulations.

The FDEP permit for the Water System acknowledges a water supply and treatment capacity for the Water Treatment Plant of 17.5 MGD. Although the FDEP permit does not expire, any improvements to the water treatment and supply facilities of the Water System will require a new permit from FDEP, which will, in turn, require that all components of the water supply and treatment facilities meet current regulations at the time such new permit is requested. See "CAPITAL IMPROVEMENT PLAN" herein.

The SFWMD issued a Consumptive Use Permit for the Water System on February 27, 2012, which expires on February 27, 2032. The SFWMD permit authorizes withdrawals of up to 3,313.26 million gallons per year and allows average day withdrawals of 9.08 MGD. The Eastern Wellfield is limited to 2,190 MGD annually and the Western Wellfield is limited to 1,190 MGD annually, the total of which does not equal the annual permitted withdrawals authorized by the SFWMD for the Water System. The SFWMD permit also limits the Western Wellfield to 131.3 million gallons per month (equivalent to 4.3 MGD) and the Eastern Wellfield to 186.0 million gallons per month (equivalent to 6.1 MGD). The SFWMD permit does not include a limitation on maximum day raw water withdrawals. The Water Treatment Plant is currently operating at an annual average daily flow rate of approximately 7.0 MGD.

The maximum month withdrawal limitation on the Eastern Wellfield is designed to reduce the potential for movement of saline water and contaminants. The maximum month withdrawal limitation on the Western Wellfield is designed to minimize impacts on wetlands, regional water bodies and potential sources of contamination. Currently permitted raw water withdrawals are expected to meet the demands of the Water System to, at least, expiration of the current SFWMD permit in the year 2032.

The Water System is also subject to the regulations of the Safe Drinking Water Act, as modified by regulations promulgated by the State of Florida (collectively, the "SDWA"). The SDWA provides the basic requirements that must be satisfied by all facilities producing public drinking water. Historically, the regulations of the SDWA are revised every two (2) to three (3) years and, in general, such revisions require drinking water to have fewer impurities and impose more requirements on water treatment facilities than the prior regulations.

The Water Treatment Plant currently produces drinking water that meets or exceeds all of the requirements imposed by the SDWA and is adequate to continue meeting or exceeding all drinking water quality standards with proper operation and maintenance.

Status of Water System

A comprehensive review and analysis of the various components of the Water System is conducted by Consultants on a periodic basis. Such review and analysis was last conducted by Hazen and Sawyer, P.C. (the "Consulting Engineer") in connection with the preparation of the District's Water and Wastewater Master Plan dated February, 2013 (the "Master Plan"). Recommendations were made by the Consulting Engineer in the Master Plan to enable the Water System to continue to be adequately operated and maintained and to provide for the delivery of a good quality water to the customers of the Water System. A discussion of certain observations, recommendations and conclusions presented in the Master Plan relating to the Water System is presented in the Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

In the opinion of the Consulting Engineer, the Water System is currently providing adequate service to its customers and, through implementation of the recommended improvements described in the Master Plan, the Water System will continue to adequately serve the customers of the District. The Consulting Engineer is also of the current opinion that since submittal of the Master Plan, the District has implemented or established specific plans for implementation of the recommendations of the Master Plan for the most critical components of the Water System. See "CAPITAL IMPROVEMENT PLAN" herein.

For a more detailed discussion of the conclusions reached by the Consulting Engineer concerning the condition of the Water System during their preparation of the Master Plan, see the Master Plan on the City's website at:

http://www.rivierabch.com/filestorage/1486/1312/Wastewater_Master_Plan_February_2013.pdf.

However, also see "WATER AND WASTEWATER MASTER PLAN" herein for an explanation of the projections, forecasts, assumptions and conclusions contained in the Master Plan and "FINDINGS AND CONCLUSIONS OF THE ENGINEERS REPORT" herein for a description of the opinions, conclusions and recommendations of the Consulting Engineer and the Feasibility Consultant (as hereinafter defined) concerning the System and the issuance of the Series 2016 Bonds.

Wastewater System

Service Area and Collection Facilities

The Wastewater System receives wastewater from the City, the Town of Palm Beach Shores and Mangonia Park. The service area of the Wastewater System covers approximately 11.0 square miles. The District's wastewater collection system includes approximately 892,000 feet of gravity sewer piping (approximately 169 miles) and manholes (approximately 2,600) that convey wastewater via gravity from connections with houses, businesses, other establishments and structures to lift stations owned by the District. Approximately 165 miles of the gravity sewer piping is composed of vitrified clay piping, with the balance composed of other materials. All of the gravity sewer piping was installed after 1950.

Force mains are pressurized piping that convey sewage from lift stations to discharge locations downstream in the Wastewater System network and ultimately to the ECRWRF. The Wastewater System contains approximately 38 miles of force mains, approximately 74% of which are either ductile or cast iron. Approximately 43% of the piping for the force mains is 45 to 65 years old.

Pumping stations in a sewage collection systems are called lift stations. They are designed to temporarily store raw sewage that is fed from the gravity collection system and then pump it further downstream, ultimately pumping the sewage to the ECRWRF. There are fifty-one (51) lift stations within the service area of the Wastewater System that are owned and operated by the District, two (2) that are owned and operated by the Town of Palm Beach Shores and thirty-six (36) that are privately owned and operated. Wastewater conveyed by the District to the ECRWRF in Fiscal Year 2015 was 1,796 million gallons.

ECR Board Organization

The ECRWRF provides wastewater treatment and disposal service on a wholesale basis to the Cities of West Palm Beach, Lake Worth and Riviera Beach, the Town of Palm Beach and portions of unincorporated Palm Beach County. A representative of each of such entities serves as the governing body for all matters relating to the ECRWRF (collectively, the "ECR Board"). A regional treatment concept is used because of the benefits derived from economies of scale and to provide single entity control of the many communities in the east central region of Palm Beach County.

In September 1992, each of the five (5) entities comprising the ECR Board executed an Interlocal Agreement Establishing Duties and Responsibilities Among the Entities for the Operation of the East Central Regional Wastewater Treatment Facilities (the "Interlocal Agreement"). This thirty (30) year agreement establishes rules and procedures under which the City of West Palm Beach operates and manages the ECRWRF on behalf of the ECR Board. Each of the entities comprising the ECR Board approved a thirty (30) year extension of the Interlocal Agreement, which became effective during calendar year 2010. The new expiration date of the Interlocal Agreement is September 8, 2052.

Under the Interlocal Agreement and on behalf of the ECR Board, the City of West Palm Beach retains legal title to all facilities comprising the ECRWRF and any improvements or expansions to such facilities. The City of West Palm Beach operates and manages the ECRWRF for the ECR Board, which, in turn, reimburses the City of West Palm Beach for the costs incurred to operate and manage the facilities. The ECR Board decides all matters related to the facilities of the ECRWRF, including approving all construction contracts, facilities budgets and facilities expansions. The ECR Board also directs the City of West Palm Beach on the operation and management of the facilities.

Each of the entities comprising the ECR Board currently has a reserve capacity share in the ECRWRF as shown in the table below. Although the City of West Palm Beach retains legal title to the facilities of the ECRWRF, any improvements or expansions to such facilities, and operates and manages the ECRWRF for the ECR Board, such facilities are owned by each of the entities comprising the ECR Board in the proportionate amount of each entity's reserve capacity share in the ECRWRF. Pursuant to the terms of the Creation Ordinance, the District serves as the entity succeeding to all of the rights and obligations of the City under the Interlocal Agreement.

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ECR Entities Treatment Capacity Allotment

Entity	Allotment (MGD)	Percent of ECR Total Capacity
Palm Beach County	24.0	34.29%
City of West Palm Beach	20.5	29.28
City of Lake Worth	11.5	16.43
City of Riviera Beach	8.0	11.43
Town of Palm Beach	6.0	8.57
TOTAL	70.0	100.00%

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

ECR Board Obligations

Under the Interlocal Agreement, each of the entities comprising the ECR Board is responsible for paying its proportionate share of the costs of operating and maintaining the ECRWRF. The payments to be made by such entities include: (i) the Wastewater Flow Charges (as determined by the terms of the Interlocal Agreement), (ii) contributions to the ECR Renewal and Replacement Fund (referred to with respect to the District in the Bond Resolution as ECR Renewal and Replacement Payments), (iii) contributions made to fund obligations issued by the ECR Board that are secured by a subordinante lien on the revenues of the ECRWRF (referred to with respect to the District in the Bond Resolution as ECR Subordinate Lien Debt Service Payments), and (iv) other identified fund transfers. If one (1) of the entities comprising the ECR Board does not pay its proportionate share of the payments required to be made, all the other entities comprising the ECR Board are proportionately required to pay the non-paying entity's share by using the ECR Board's Catastrophic Reserve Fund. The ECR Board's Catastrophic Reserve Fund currently has a balance of $5 million. The entities comprising the ECR Board that pay the costs for a non-paying entity's proportionate share of ECRWRF operation and maintenance costs are authorized to take legal action against such non-paying entity.

Reference is made to the Engineers Report for more detailed information concerning the ECR Board's Catastrophic Reserve Fund. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Section 8 of the Engineers Report.

The most significant payments made to the ECR Board by each of its entities are the Wastewater Flow Charges, which are the operation and maintenance charges associated with the receipt of wastewater service from the ECRWRF. Payment by the District of its proportionate share of Wastewater Flow Charges is based on the District's flow contribution in relation to the flow contribution of all other entities comprising the ECR Board. The District's proportionate share of the payments to the ECR Board accounted for approximately 11.83% of the total revenue and contributions on average during the Historical Period.

Set forth below is a summary of the District's flow contribution to the ECRWRF during the Historical Period.

City of Riviera Beach Utility Special District
Treatment Capacity Allotment

Fiscal Year Ending September 30	Total District Flow (MGD)	Percent of Total ECRWRF Flow
2011	4.463	10.96%
2012	4.818	11.72
2013	5.030	12.29
2014	4.883	12.04
2015	4.920	12.14

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

Included as a cost component of the Wastewater Flow Charge is the payment of each entity's proportionate share of obligations issued by the ECR Board that are secured by a senior lien on the revenues of the ECRWRF (referred to with respect to the District in the Bond Resolution as ECR Senior Lien Debt Service Payments). As of September 30, 2015, the ECR Board had issued three (3) series of bonds to finance or refinance the costs of acquiring and constructing capital projects for the ECRWRF (collectively, the "ECR Outstanding Bonds"). The ECR Outstanding Bonds are secured by a senior lien on the revenues of the ECRWRF and the District's obligation to pay its proportionate share of the debt service due on such bonds constitutes an ECR Senior Lien Debt Service Payment. The aggregate principal amount of the ECR Outstanding Bonds, as of September 30, 2015, was $107,685,000. For Fiscal Year 2015 the total debt service payment due on the ECR Outstanding Bonds was $6,636,189, for which the District's proportionate share was 12.14% or approximately $805,633. Beginning in Fiscal Year 2016, total annual debt service on the ECR Outstanding Bonds is level through Fiscal Year 2022 at approximately $7,719,000 and thereafter, until their final maturity in 2043, at approximately $7,140,000.

The obligation of each of the entities of the ECR Board to pay its proportionate share of the debt service on the ECR Outstanding Bonds constitutes a current, operating expense of such entity's wastewater system. Since the District's proportionate share of debt service payments on the ECR Outstanding Bonds constitutes a Cost of Operation and Maintenance, the District's obligation to make such payments are prior and superior to its obligation to pay debt service on the Bonds, including the Series 2016 Bonds. See "SECURITY AND SOURCES OF PAYMENT - General," "- Pledged Funds" and "Funds and Accounts - Flow of Funds" herein."

All decisions relating to the issuance of bonds that are secured by a senior lien on the revenues of the ECRWRF are within the sole purview of the ECR Board. The Interlocal Agreement requires such decisions to be made by more than fifty percent (50%) of the entities of the ECR Board, based on the percentage of treatment capacity represented by each entity, and, in addition, by no less than three (3) of the entities comprising the ECR Board voting in favor of the decision. **The District does not have the power, independently, to place limits on the amount or structure of the indebtedness the ECR Board**

decides to incur. However, any decision made by the ECR Board to incur indebtedness obligates the District to pay its proportionate share of such indebtedness as a Cost of Operation and Maintenance. As a result, in addition to payments required to be made by the District on the ECR Outstanding Bonds prior and superior to the payment of debt service on Bonds issued under the Bond Resolution, unless determined otherwise by the ECR Board, any future indebtedness entered into by the ECR Board will require the District to make its proportionate share of the debt service payments on such indebtedness prior and superior to the obligation of the District to pay debt service on Bonds issued under the Bond Resolution, including the Series 2016 Bonds.

In compliance with the requirements of the rate covenant under the Bond Resolution, the District would be required to raise rates for services of the System if, as a result of an increase in Cost of Operation and Maintenance (from obligations entered into by the ECR Board or otherwise), Net Revenues were insufficient to satisfy the obligations established by the rate covenant under the Bond Resolution. See "SECURITY AND SOURCES OF PAYMENT - Rate Covenant" herein.

The Bond Resolution provides that ECR Renewal and Replacement Payments are excluded from the definition of Cost of Operation and Maintenance and are required to be paid after required deposits are made into the Debt Service Fund and the Reserve Fund. However, pursuant to the terms of the Interlocal Agreement, the practice of the ECR Board has been to charge the ECR Renewal and Replacement Payments as an operating expense. As a result, the District has in the past treated the ECR Renewal and Replacement Payments as a Cost of Operation and Maintenance. Although the ECR Board may continue to include the ECR Renewal and Replacement Payments in its billings to the District for operating expenses, the District treats the ECR Renewal and Replacement Payments as obligations that are required to be made only after required deposits have been made to the Debt Service Fund and the Reserve Fund.

A failure by the District to make payments due to the ECR Board, including, without limitation, the failure to make ECR Renewal and Replacement Payments, could result in the District's loss of its ability to utilize the services and facilities of the ECRWRF. However, although no assurance can be given, the District fully expects the System to produce Net Revenues sufficient to make all payments to the ECR Board that are authorized by the Bond Resolution to be paid as a Cost of Operation and Maintenance, and to have Net Revenues sufficient for the District to satisfy its other payment obligations under the Bond Resolution, including, without limitation, making the ECR Renewal and Replacement Payments after required deposits are made to the Debt Service Fund and the Reserve Fund. See "SECURITY AND SOURCES OF PAYMENT - Pledged Funds" and "Funds and Accounts - Flow of Funds" herein. Further, the Bond Resolution requires the District to fix, establish and maintain such rates and collect such fees, rentals or other charges for the services and Facilities of the System so that Net Revenues shall be sufficient to make all of the payments required by the terms of the Bond Resolution, including the ECR Renewal and Replacement Payments. See "SECURITY AND SOURCES OF PAYMENT - Rate Covenant" herein.

Wastewater Customers and Flows

The District estimates that during Fiscal Year 2015, the Wastewater System served approximately 12,577 average wastewater retail residential and commercial accounts, which represented an estimated 16,667 average ERCs. Additionally, the District provided wastewater treatment service to one (1) wholesale customer (i.e., Mangonia Park, with one (1) metered delivery point) which has approximately 643 occupied households and other commercial businesses (estimated at 619 ERCs, assuming full requirements service).

As described previously, an ERC is representative of the average daily capacity or demands of a single-family residential unit and is useful to equate customers of different classes of service to provide a more consistent presentation of the total customer base served. See "THE SYSTEM - Water System - Water Production and Usage - Water Customers and Sales" herein.

A review of the recent trends in retail customers served, the billed wastewater flows, and the corresponding average billed flows per customer indicates that the Wastewater System has experienced marginal decreases in customers served during the past several years, consistent with the trends experienced by the Water System. This consistency in average customers served would be expected since essentially all of the retail customers of the Water System also receive service from the Wastewater System. With respect to billed wastewater flow, such amounts are determined by the amount of potable water metered at the premise (excluding separately metered water-only service, such as irrigation use). Billed wastewater flow is based on metered water use and, therefore, the growth (or lack thereof) in water use (resulting, in part, from the success of water conservation measures) affect billed wastewater flow. However, the individually metered single-family residential class has a monthly wastewater billing cap of 10,000 gallons to account for non-sewer related use (e.g., car washing) which results in a lower billed flow, when compared to the Water System.

Detailed data and information of the Wastewater System customers by class of service for the Historical Period are provided in the Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Table 6-5 of the Engineers Report. Table 6-5 in the Engineers Report demonstrates that customer and billed flow trends for the Wastewater System generally follow the same pattern as the one presented in the Engineers Report for the Water System. See "THE SYSTEM - Water System - Water Production and Usage - Water Customers and Sales" herein.

For reporting purposes and for the application of rates for monthly service, the District currently differentiates its Wastewater System retail customers by three (3) major classifications. The customer differentiation allows the District to evaluate the service area characteristics and plan for the effects of future growth, since the primary customer classes generally have differing wastewater demand or usage requirements. The three (3) major customer classifications are single-family residential, multi-family residential and commercial. However, the District also provides wastewater treatment and disposal service on a full requirements basis for Mangonia Park pursuant to the Mangonia Park Utility Agreement. See "THE SYSTEM - Water System - Water Production and Usage - Water Customers and Sales" herein.

Unlike the Water System, where the amount of water provided to Mangonia Park is on an as-needed basis, the amount of billed wholesale wastewater flow to Mangonia Park is relatively significant, accounting for approximately 5% of the total billed flow to the District retail and wholesale customers in Fiscal Year 2015. Based on discussions with the District, there is no indication that either party anticipates the termination of the Mangonia Park Utility Agreement upon expiration of its original term. Wastewater service to Mangonia Park is expected to continue through the Forecast Period and thereafter, with the District continuing to provide full requirements wastewater treatment and disposal service to Mangonia Park at levels comparable to recent historical trends. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Table 6-5 of the Engineers Report.

Set forth below is a summary of the total average number of retail customers and associated estimated ERCs served by the Wastewater System for Fiscal Year 2015. As shown in the following table, the number of retail ERCs served by the Wastewater System is approximately thirty-three percent (33%)

greater than the average number of accounts served during the Fiscal Year 2015. Furthermore, and as discussed for the Water System, the corresponding wastewater system customer base primarily consists of single-family residential customers, accounting for approximately eighty-seven percent (87%) of the total average annual accounts served during Fiscal Year 2015.

Wastewater System Retail Accounts and ECRs by Class[(1)]

	Fiscal Year Ended September 30, 2015			
Description	Average Annual Number of Accounts	Percent of Total	Equivalent Residential Connections[(2)]	Percent of Total
Residential Single Family	10,881	86.51%	10,892	65.35%
Residential Multi-Family (Master Metered)	557	4.43	1,570	9.42
Commercial	1,139	9.06	4,205	25.23
Total	12,577	100.00%	16,667	100.00%

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

[(1) Amounts shown do not include service to Mangonia Park, since it only receives service from the Water System on a wholesale basis. IS THIS FOOTNOTE CORRECT FOR WASTEWATER?]

(2) ERCs were determined based on information published by the AWWA, which is used by utilities, including the District, to establish rate relationships among customers (meter equivalent factors). Such information was applied to the individual meter sizes served by the Water System for each class of customers. The residential multi-family class served approximately 10,811 multi-family dwelling units in Fiscal Year 2015.

Based on historical trends, the Wastewater System is not expected to experience any significant customer growth in the foreseeable future. Any growth in customers projected for such period is expected to be primarily in residential customers.

Projected Wastewater Flow. Future growth in the demand for water from the Water System is a function of future growth in the population of the service area of the Wastewater System. Customer growth over the next ten (10) years is expected to be limited, with the majority of the future growth occurring within the Marina District of the City's Community Redevelopment Area and the residential developments in the western portion of the Wastewater System service area. For the projections of wastewater demand set forth in the Engineers Report for the Forecast Period, it was assumed that the average annual customers served for the Wastewater System would increase at an average compound rate of growth of approximately 0.11% per year, with a similar growth rate for the ERCs served by the Wastewater System. The majority of the projected growth is anticipated to be single-family residential. The projected rate of growth in the Engineers Report is higher than the historical four (4) year growth rate due to the anticipation of a moderate improvement in the economy for the City. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Table 6-7 of the Engineers Report.

Recognizing the available treatment capacity of the Wastewater System and projected wastewater flows, based on the projected rate of customer growth in the Wastewater System service area and the

District's allocated capacity in the ECRWRF, sufficient capacity is expected to be available for the foreseeable future to meet the wastewater treatment and disposal needs in the Wastewater System service area. Set forth below are projections of wastewater flow and allotted capacity for the Wastewater System for the Forecast Period.

Projected Wastewater Treatment and Capacity Utilization[1]

Fiscal Year Ending September 30	Annual Average Daily Flow (MGD)[2]	Allotted Capacity (MGD)	Percent of Capacity Utilized
2016	4.923	8.00	61.54%
2017	4.936	8.00	61.70
2018	4.952	8.00	61.90
2019	4.970	8.00	62.13
2020	4.991	8.00	62.39

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

(1) MGD = Million Gallons Per Day.
(2) See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Table 6-7 of the Engineers Report.

Regulatory Matters

General. No renewable permits are required to operate the Wastewater System. The various components of the Wastewater System are analyzed and reviewed by Consultants periodically and were last analyzed and reviewed by the Consulting Engineer in connection with the preparation of the Master Plan in February of 2013. Recommendations were made by the Consulting Engineer in the Master Plan to enable the Wastewater System to continue to be adequately operated and maintained. A discussion of certain observations, recommendations and conclusions presented in the Master Plan relating to the Wastewter System is presented in the Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

Consent Order. On March 24, 2016 the District entered into Consent Order WP-15-0459 with FDEP (the "Wastewater System Consent Order") in response to the following violations cited in the Wastewater System Consent Order:

1. Between May 16, 2015 and July 28, 2015 the Wastewater System experienced two (2) sanitary sewer overflows ("SSOs"), totaling 33,000 gallons of wastewater spilled and resulting in eight (8) days of water quality violations pursuant to FAC Rule 62-302.530(6);

2. Between May 16, 2015 and July 28, 2015 water quality samples that did not comply with regulatory requirements were collected on nine (9) separate days, resulting in water quality violations pursuant to FAC Rule 62-600.740(2)(a);

3. The sole method of cleanup from the May 19, 2015 SSO was to wash the spilled wastewater into nearby storm drains, which constituted a violation of FAC Rule 62-604.130(1); and

4. On July 26, 2015 District Lift Station #12 was left inoperable due to a phase motor failure. As a result, the manhole at Avenue T and West 30th Street was discovered to be overflowing at noon on July 28, 2015, which constituted a violation of FAC Rule 62-604.500(3).

The Wastewater System Consent Order requires the District to take several corrective actions within thirty (30) days of the Order's execution and delivery. Such corrective actions require the District to, among other actions:

(a) Demonstrate to FEDP that internal protocols will ensure an immediate internal chain of notification to prevent future Wastewater System violations or to address issues upon the occurrence of a Wastewater System violation, including, without limitation, designating one (1) or more employees(s) as the point of contact for SSOs who will

(i) provide twenty-four (24) hours per day, seven (7) days per week coverage, with physical presence in the community that enables the staff person on call to arrive at a SSO within thirty (30) minutes of notification;

(ii) have the authority to order resources (including contractors or other employees), access keys, maps, necessary signs, equipment and chemicals to resolve problems created by an SSO;

(iii) train staff on the conversion of paper maps to digital maps, including Global Positioning System technology for collecting Geographic Information System data and assign laptop computers to collection crews so that Wastewater System assets can be identified without the use of paper maps; and

(iv) meet FDEP or other regulatory body response times of within twenty-four (24) hours for all SSO events;

(b) Provide proof that it has utilized the Florida Rural Water Association's "Sanitary Sewer Overflow Response Plan," which is to be used to draft the District's detailed Sanitary Sewer Overflow Response Plan ("SSORP") to be approved by FDEP;

(c) Provide a simplified one (1) page SSORP to be approved by FDEP and used by District staff as a guide to handling a SSO event;

(d) Train all District personnel on SSO response procedures; and

(e) Identify the languages of the citizens in the Wastewater System service area and select a multi-lingual public relations representative to assist in educating customers (in their native languages) regarding SSOs and how to protect their health and property during a SSO event;

In addition to the corrective action required in the Wastewater System Consent Order, the Order requires the District to submit various reports to FDEP detailing the status of required corrective actions, estimates of the costs incurred to implement such actions and other matters relating to the Wastewater

System required by regulation, including, without limitation, FAC Rule 62-600.735 and FAC Rule 62-600.405. The Wastewater System Consent Order also requires (within thirty (30) days of its execution and delivery) payment by the District of a settlement totaling $24,400.00 in civil penalties and $2,000.00 for costs and expenses incurred by FDEP.

In lieu of payment of the civil penalties, the Wastewater System Consent Order provides that the District can submit a proposal for an in-kind penalty project, which, if accepted by FDEP, will serve as payment of the civil penalty portion of the settlement amount. The in-kind penalty project must be (i) either an environmental enhancement, environmental restoration or a capital improvement project or the donation of environmentally sensitive land and (ii) valued at one and a half times the civil penalty settlement amount (which, for the Wastewater System Consent Order, requires the value of the in-kind penalty project to be at least $36,600.00). The District has paid the $2,000.00 for costs and expenses incurred by FDEP, has submitted its proposal for an in-kind penalty project which has been accepted by FDEP. The project is expected to be completed prior to the end of the current Fiscal Year, with delivery and acceptance by FDEP within the first quarter of Fiscal Year 2017. The District is currently in compliance with the requirements of the Wastewater System Consent Order.

The Wastewater System Consent Order constitutes a settlement of FDEP's civil and administrative authority to resolve violations committed by the District. The Wastewater System Consent Order is not a settlement of any criminal liabilities which may arise under Florida law, nor is it a settlement of any violation which may be prosecuted criminally or civilly under federal law. The District has not received notice that any individuals or other regulatory bodies or authorities expect to allege that the District has violated any of the laws and regulations relating to its ownership or operation of the Wastewater System. No assurance can be provided, however, that such an allegation will not be made in the future or that, if made, will be resolved in a manner and/or amount that does not negatively impact the Wastewater System.

Status of Wastewater System

In the opinion of the Consulting Engineer, the Wastewater System is currently providing adequate service to its customers and, through implementation of the recommended improvements described in the Master Plan, the Wastewater System will continue to adequately serve the customers of the District. The Consulting Engineer is also of the current opinion that since submittal of the Master Plan, the District has implemented or established specific plans for the implementation of the recommendations of the Master Plan for the most critical components of the Wastewater System, has enhanced and is in the process of further enhancing staff procedures through the implementation of better documentation of lift station inspections and routine maintenance (as recommended in the Master Plan and as required by the terms of the Wastewater System Consent Order). See "CAPITAL IMPROVEMENT PLAN" herein.

For a more detailed discussion of the conclusions reached by the Consulting Engineer concerning the condition of the Wastewater System during their preparation of the Master Plan, see the Master Plan on the City's website at:

http://www.rivierabch.com/filestorage/1486/1312/Wastewater_Master_Plan_February_2013.pdf.

However, also see "WATER AND WASTEWATER MASTER PLAN" herein for an explanation of the projections, forecasts, assumptions and conclusions contained in the Master Plan and "FINDINGS AND CONCLUSIONS OF THE ENGINEERS REPORT" herein for a description of the opinions, conclusions and recommendations of the Consulting Engineer and the Feasibility Consultant (as hereinafter defined) concerning the System and the issuance of the Series 2016 Bonds.

Customers

Set forth below is certain information regarding the ten (10) largest retail customers of the System for Fiscal Year 2015 on the basis of revenue billed for water and wastewater service (pursuant to rates in effect for the System as of the end of Fiscal Year 2015). As reflected in the following table, the ten (10) largest retail customers of the System accounted for approximately 14.90% of System sales revenue for Fiscal Year 2015.

Ten Largest System Retail Customers

Customer Name	Customer Rate Class[1]	Meter Size	Total Revenue Billed[2]	Percentage of Total Operating Revenue
Florida Power & Light Company	COMCL	6"	$ 829,319	3.97%
Pepsi Cola Bottling Company	COMCL	6	526,924	2.52
Department of Veteran Affairs	COMCL	10	335,955	1.61
Department of Veteran Affairs	COMCL	10	281,779	1.35
Port of Palm Beach	COMCL	10	231,970	1.11
Palm Beach Shores Resort	HOTEL	3	216,899	1.04
Cheney Brothers Inc.	COMCL	8	209,225	1.00
Reddy Ice Corporation	COMCL	4	200,415	0.96
Saddlebrook LLC	RESMF	N/A	143,022	0.68
The Abbey North Lake	RESMF	N/A	137,335	0.66
Total for Ten Largest Retail Customers			$ 3,112,843	14.90%
Total System Rate Revenue[3]			$20,893,089	100.00%

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

(1) COMCL = Commercial, RESMF = Residential Multi-Family, HOTEL = Hotel.
(2) Amounts are based on sales revenue, as provided by the District for the Fiscal Year ended September 30, 2015.
(3) Reflects total audited revenues from System operations for the Fiscal Year ended September 30, 2015.

Rates, Fees and Charges

General

The District is responsible for establishing rates, fees and charges for the services of the System. The Charter provides that the District shall adopt by resolution a schedule of rates, fees or other charges for the use of the services, facilities and products of the System and may establish separate rates, fees and charges for different portions of the System.

The rates, fees and charges for the services provided by the System shall be adopted and revised by the District so as to provide moneys which, with other funds available for such purposes, shall be at least sufficient at all times to pay the expenses of operating, managing, expanding, improving and maintaining the System. The District is authorized to charge and collect such rates, fees and charges as it deems appropriate, and such rates, fees and charges, except as may be otherwise provided in the Charter, shall not be subject to the supervision or regulation by any other commission, board, bureau, agency or other political subdivision of the State of Florida. The Charter, however, provides that, notwithstanding any other provision contained therein to the contrary, the rates, fees and charges for the System should always be established by the District in an amount which shall be sufficient to provide compliance by the District with its rate covenants. See "SECURITY AND SOURCES OF PAYMENT - Rate Covenant" herein.

Adopted and Proposed Rates

Rates for services of the System were revised by the District in 2009 to provide that, up to year 2019, rates will automatically increase for services of the Water System by approximately two percent (2.0%) per year, and by approximately two percent (2.0%) to five percent (5.0%) per year for services of the Wastewater System, depending on the category of service and the Fiscal Year. Except for water sold in the Town of Palm Beach Shores, and as permitted by the Florida statutes and other applicable laws of the State of Florida, rates for water and sewer service outside the boundaries of the City were established to be twenty-five percent (25%) higher than rates for such service inside the boundaries of the City.

On September 2, 2015 the Board adopted Resolution No. 12-15UD (the "Rate Resolution") to modify the schedule of rates and fees previously adopted for Fiscal Years 2016 through 2019. The Rate Resolution increased the annual percentage by which rates for service of the System had been previously set to increase. Set forth below are the new percentage rate increases for each Fiscal Year, as established by the Rate Resolution, and the increase for Fiscal Year 2020 that has been recommended to the Board.

Adopted and Proposed Percentage Rate Increases[(1)]

	Fiscal Year Ending September 30,				
Description	2016	2017	2018	2019	2020[(3)]
Water System[(2)]	2.11%	1.96%	3.05%	3.05%	1.50%
Wastewater System	21.99	12.19	11.98	8.79	1.50

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

(1) Reflects percentage increases in rates that were adopted by the Board in the Rate Resolution for Fiscal Years 2016 through 2019 and the percentage increase currently expected to be proposed for adoption for Fiscal Year 2020. No assurance is provided as to whether the percentage increase in rates for Fiscal Year 2020 will be presented to the Board for adoption and, if presented, will be adopted by the Board. Rate increases for each Fiscal Year currently become effective on the first day of such Fiscal Year.

(2) Includes charges for irrigation service.

(3) Proposed increase represents seventy-five percent (75%) of the current inflation rate. No assurance can be given that such increase will be presented to the Board for approval or that the Board will approve the increase presented.

The Water System monthly user rates which are currently in effect pursuant to the Rate Resolution include: (i) a constant base facility (readiness-to-serve) charge by meter size that varies based on customer class, (ii) a monthly billing fee to recover a portion of the cost of billing, meter reading, and other customer service needs and, when combined with the constant base facility charge, serves as the monthly minimum bill for service of the Water System, and (iii) a volumetric or usage charge based on metered water consumption, which increases as consumption increases to promote water conservation (applicable to all customer classes). The rates for the Wastewater System are similar in structure to those of the Water System and include: (i) a constant base facility (readiness-to-serve) charge which varies based on customer class, (ii) a customer service charge to recover a portion of the cost of billing, meter reading, and other customer service needs and, when combined with the constant service charge, serves as the minimum bill for service of the Wastewater System, (iii) a volumetric flow charge based on metered water consumption, which serves as the basis for billing wastewater use or flow, and (vi) a maximum residential billing threshold of 10,000 gallons per month per single-family and multi-family residential unit for billing of the volumetric flow charge for this class of customers. As provided by the Rate Resolution, except for water sold in the Town of Palm Beach Shores, all water and wastewater utility customers located outside the corporate limits of the City are billed an additional twenty-five percent (25%) surcharge, in accordance with Florida Statutes, Section 180.191.

As part of the consumptive use permitting process, the SFWMD requires water utilities located within the boundaries of the SFWMD to adopt a rate structure that promotes water conservation. The requirement is part of the SFWMD water conservation goals relative to the limitation of raw water withdrawals. The SFWMD does not regulate the rates charged for services of the System but does encourage a conservation pricing strategy. The District's Water System rates currently employ a water conservation rate structure that is consistent with the general water conservation program goals encouraged by the SFWMD.

Reference is made to the Engineers Report for the specific rates charged to customers of the System pursuant to the Rate Resolution for each meter size and each class of service. The Engineers Report provides the specific rates charged for Fiscal Year 2016 and the rates that will become effective on October 1, 2016 for Fiscal Year 2017. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Sections 7.2 through 7.4 of the Engineers Report.

Comparative Rate Survey

The Engineers Report includes tables that provide a comparison of the monthly cost of providing water and wastewater service for a 5/8-inch x 3/4-inch or smaller water meter at various usage levels. The tables provide information to compare the existing rates and the rates adopted for Fiscal Year 2017 of the System to the rates charged by other neighboring public utilities, as of the billing month of April 2016. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Section 7.5 of the Engineers Report.

The following table summarizes the combined utility bill for water and wastewater service from the System and from other public utility systems in the South Florida area. The average residential single family customer typically uses approximately 5,000 to 6,000 gallons of utility service per month. As can be seen from the comparison below, which assumes 6,000 gallons of monthly service or use, the existing Fiscal Year 2016 rates and the adopted Fiscal Year 2017 rates for services of the System produce utility bills that are comparable to the utility bills of other public utility systems in the region.

City of Riviera Beach Utility Special District
Comparison of Residential Water and Sewer Bills[1]

Utility	Water	Wastewater	Total
Riviera Beach Utility Special District - Existing Rates (FY 2016)	$31.13	$25.19	$ 56.32
Riviera Beach Utility Special District - Adopted Rates (FY 2017)	31.72	28.27	59.99
Other Utilities in Palm Beach County			
City of Boca Raton	$18.18	$17.01	$ 35.19
Town of Jupiter[2]	27.22	22.30	49.52
City of Boynton Beach	22.25	31.60	53.85
Palm Beach County[2]	24.56	30.64	55.20
City of Delray Beach	19.47	38.39	57.86
Seacoast Utility Authority	25.70	32.79	58.49
Village of Wellington[2]	30.58	28.90	59.48
City of Lake Worth[2]	40.13	32.95	73.08
City of West Palm Beach[2]	40.33	39.60	79.94
Other Neighboring Utilities[3]			
City of Coral Springs	$22.92	$43.00	$65.92
Broward County[2]	27.63	40.56	68.19
City of Fort Lauderdale[2]	25.82	43.66	69.48
Martin County[2]	29.35	42.32	71.67
City of Tamarac[2]	24.16	47.55	71.71
Cooper City[2]	29.85	43.08	72.93
St. Lucie West Services District[2]	36.24	42.45	78.69
City of Sunrise[2]	40.52	48.74	89.26
City of Hollywood[2]	33.37	63.83	97.21
City of Dania Beach[2]	41.54	66.28	107.82
St. Lucie County	45.66	66.15	118.81
Okeechobee Utility Authority[2]	50.22	62.27	112.49
Town of Davie[2]	41.78	75.17	116.95
Average of Other Utilities in Palm Beach County	27.60	30.46	58.07
Average of Other Neighboring Utilities[3]	34.54	52.70	87.24
Average of Other Palm Beach County and Neighboring Utilities	$31.70	$43.60	$ 75.31

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

Footnotes set forth below are for the table on the immediately preceding page.

(1) Amounts shown: (a) assumed service through a 3/4" meter (the size estimated to serve approximately eighty-six percent (86%) of all accounts of the Water System) at 6,000 gallons, (b) reflect rates in effect as of April 2016, and (c) do not include any utility taxes, franchise fees, surcharges or drought rates that may apply. All rates are as reported by the respective utility. The information provided in this table is intended to show comparable charges for similar utility service for comparison purposes only and is not intended to be a complete listing of all rates, fees and charges of each utility listed.

(2) Utility is currently involved in a rate study, is planning to conduct a rate study or will implement a rate revision within the next twelve (12) months.

(3) Represents utilities in the southeast portion of the State in general proximity to the District.

Rates for water and wastewater utility service greater than two percent (2%) of the median household income in a service area may present an affordability concern, as determined by utility industry standards, and may be considered a financial burden to certain utility customers. Based on the medium household income in the City (expressed in 2014 dollars) of $38,300, as reported by the US Census Bureau, and the average utility use of 6,000 gallons per month, the District's average water and wastewater bill (based on Fiscal Year 2016 rates) currently approximates 1.4% of the median household income in the City. As a result, the average water and wastewater bill for services of the System is considered to be within the affordability levels generally recognized in the utility industry.

Revenues and Expenses

General

Set forth below is a table which provides certain information relating to the historical operating results of the System for the Historical Period. Such table was prepared based on financial information provided by the District and the City and information included in the Comprehensive Annual Financial Reports of the City (which include the District's financial information) that were delivered for the Fiscal Years indicated. In general, the historical operating results have been presented in a manner consistent with the requirements of the Bond Resolution relative to the determination of Net Revenues. As a result, the amounts contained in the table reflect certain differences in the presentation of the financial results, as compared to the information presented in the City's Comprehensive Annual Financial Reports. Specifically, the differences relate to the determination of: (i) the Cost of Operation and Maintenance (which does not include depreciation or amortization expenses or payments in lieu of taxes), (ii) interest income (which does not include earnings on Impact Fees or Construction Fund balances associated with proceeds of Bonds, as such earnings are restricted to those Funds), and (iii) recognition of other transfers (which are not considered a Cost of Operation and Maintenance).

Summary of Historical Operating Results

The operating results of the System for the Historical Period are summarized below. For a more detailed summary and description of such operating results, reference is made to the Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Section 8.2 of the Engineers Report.

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Utility System Historical Operating Results and Debt Service Coverage

	Fiscal Year Ended September 30,				
	2011	2012	2013	2014	2015
System Revenues:					
Water System[1]	$11,560,613	$10,973,927	$13,202,377	$12,675,983	$13,723,271
Wastewater System	5,920,297	5,744,246	6,674,106	6,867,180	7,241,060
Hydrant Rental	168,077	172,125	167,167	166,645	165,566
Other Charges for Services[2]	160,071	206,745	567,788	56,435	809,091
Other Revenues[3]	166,251	64,011	215,838	104,008	89,593
Investment Income	175,373	269,565	107,760	95,005	214,222
Total Gross System Revenues[4]	18,150,682	17,430,619	20,935,036	19,965,256	22,242,803
Cost of Operation and Maintenance:[4][5]					
Personnel	4,577,511	4,898,753	5,007,545	5,364,840	5,427,179
Operation & Contractual Services[6]	4,429,894	4,433,171	7,290,820	3,710,996	3,569,505
Supplies, Material, Maintenance, Utilities	1,248,716	981,751	1,121,018	1,588,675	2,333,827
Total Cost of Operation and Maintenance	10,256,121	10,313,675	13,419,383	10,664,511	11,330,511
Net Revenues	7,894,561	7,116,944	7,515,653	9,300,745	10,912,292
Impact Fees	3,365	0	0	0	10,095
Net Revenues and Impact Fees	7,897,926	7,116,944	7,515,653	9,300,745	10,922,387
Annual Debt Service Requirement[7]	1,989,181	1,990,206	1,988,581	1,941,811	1,775,725
Annual Debt Service Covenant Compliance[8]					
Test 1 - Net Revenues:					
Calculated Coverage	3.97	3.58	3.78	4.79	6.15
Required Coverage	1.20	1.20	1.20	1.20	1.20
Test 2 - Net Revenues and Impact Fees:					
Calculated Coverage	3.97	3.58	3.78	4.79	6.15
Required Coverage	1.25	1.25	1.25	1.25	1.25
Required Transfers:					
ECR R&R Fund Requirement[9]	312,330	370,527	445,250	524,122	404,884
ECR Subordinate Lien Debt Service Payments[10]	197,016	175,133	0	0	0
Subordinated Indebtedness Fund[11]	30,086	30,086	138,543	138,543	138,543
Renewal and Replacement Fund Requirement[12]	770,000	907,534	871,531	1,046,752	998,263
Payment-in-lieu-of-taxes (PILOT)[13]	715,943	715,943	715,943	995,513	1,334,829
Total Required Transfers[14]	2,025,375	2,199,223	2,171,267	2,704,930	2,876,519
Amount Available for Other Purposes[15]	**$3,880,005**	**$2,927,515**	**$3,355,805**	**$4,654,004**	**$6,260,048**

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

Footnotes set forth below are for the table on the immediately preceding page.

(1) Amounts shown include potable water irrigation revenues.
(2) Amounts shown do not include interest income earned on balances in the Construction Fund or the Impact Fee Fund, if any, which interest income is restricted to such funds.
(3) Other Revenues for Fiscal Year 2013 were reduced by $189,926 associated with a reimbursement received by the District for utility underground expenditures from the City's Community Redevelopment Agency.
(4) The City's Comprehensive Annual Financial Report for Fiscal Year 2012 included an intrafund transfer of $4,044,618. Such amount has been removed from Gross Revenues and Cost of Operation and Maintenance. In addition, amounts reflect the fact that Florida Power & Light Company demolished an outdated generating plant in June 2011 and a new $1.3 billion natural gas plant was activated during the spring of 2014.
(5) Amounts shown do not include depreciation or amortization expenses, which are not considered Costs of Operation and Maintenance, per the Bond Resolution.
(6) Although considered an operating expense for financial reporting purposes, amounts shown do not include; (i) transfers made by the District to the ECR Board for the District's proportionate share of the deposits required to be made to the ECR Renewal and Replacement Fund and (ii) payments in lieu of taxes made by the District to the City ("PILOT") which, pursuant to the Bond Resolution, are payments made subsequent to payment of the Annual Debt Service Requirement.
(7) Amounts reflect the Annual Debt Service Requirement on the (i) Series 2004 Bonds for Fiscal Years 2011 through 2014 and (ii) Series 2014 Bonds for Fiscal Year 2015. The Series 2014 Bonds were issued on August 7, 2014 to refund all of the outstanding Series 2004. See "INTRODUCTION" herein.
(8) See "SECURITY AND SOURCES OF PAYMENT - Rate Covenant" herein" for a description of the requirements of the rate covenant established in the Bond Resolution.
(9) Amounts shown represent the ECR Renewal and Replacement Payments. See "THE SYSTEM -Wastewater System - ECR Board Obligations" herein.
(10) All of the obligations of the ECR Board requiring payment by the District of ECR Subordinate Lien Debt Service Payments were refunded by the ECR Board in 2012 by the issuance of obligations which require the District to pay its proportionate share of the debt service on such obligations as ECR Senior Lien Debt Service Payments. See "THE SYSTEM -Wastewater System - ECR Board Obligations" herein.
(11) Amounts shown represent debt service payments associated with the acquisition of the Consolidated Utility by the City, the payment of which became an obligation of the District upon acquisition of the System. See "THE DISTRICT -Acquisition of the System" herein.
(12) Amounts shown reflect the Renewal and Replacement Fund Requirement, calculated at five percent (5%) of the previous Fiscal Year's Gross Revenues, as provided in the Bond Resolution. Any additional deposits to the Renewal and Replacement Fund are made after all other transfers required by the Bond Resolution have been made.
(13) Pursuant to Resolution No. 14-14UD adopted by the Board on July 14, 2014, the District formally approved a PILOT policy. Pursuant to such policy, the PILOT is paid each Fiscal Year in the amount of six percent (6%) of the gross revenues derived from the monthly water and wastewater service and commodity charges to customers of the System. Prior to the adoption of a formal PILOT policy, the amount transferred as PILOT was constant for each Fiscal Year during that portion of the Historical Period.
(14) The District has not made any deposits to any of the other funds or accounts established under the Bond Resolution (e.g., the Reserve Fund, the Rate Stabilization Fund or the Capital Improvement Account).
(15) Any excess funds after required transfers were made were deposited into the Surplus Account. Amounts shown do not include Impact Fees.

Summary of Projected Operating Results

The projected operating results of the System for the Forecast Period are summarized below. Such projections were prepared using the same sources of information and assumptions as the ones described when discussing the preparation of the historical operating results of the System. See "THE SYSTEM - Revenues and Expenses - General" herein. For a more detailed summary and description of the operating results projected for the Forecast Period, reference is made to the Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Section 9.3 of the Engineers Report.

Utility System Projected Operating Results and Debt Service Coverage

	Fiscal Year Ending September 30,				
	2016	2017	2018	2019	2020
System Revenues:					
Water System[1]	$13,719,678	$13,980,233	$14,396,358	$15,319,839	$15,607,298
Wastewater System	8,169,248	9,168,996	10,201,798	11,346,983	11,617,329
Hydrant Rental	175,000	176,750	178,518	180,303	182,106
Other Charges for Services[2]	300,000	306,697	314,557	322,822	331,512
Other Revenues	75,487	75,487	75,487	75,487	75,487
Investment Income	34,412	55,409	75,997	100,162	124,177
Total Gross System Revenues	22,473,825	23,763,572	25,242,715	27,345,596	27,937,909
Cost of Operation and Maintenance:[3][4]					
Personnel	4,771,652	4,948,536	5,121,469	5,301,104	5,486,387
Operation & Contractual Services	7,266,540	7,991,444	7,861,763	7,850,513	8,057,131
Supplies, Material, Maintenance, Utilities	2,628,621	2,766,118	2,849,865	2,943,076	3,046,617
Total Cost of Operation and Maintenance	14,666,813	15,706,098	15,833,097	16,094,693	16,590,135
Net Revenues	7,807,012	8,057,474	9,409,618	11,250,903	11,347,774
Impact Fees	0	15,527	39,911	51,374	100,647
Net Revenues and Impact Fees	7,807,012	8,073,001	9,449,529	11,302,277	11,448,421
Annual Debt Service Requirement[5]	1,943,134	4,394,875	4,399,175	4,396,525	4,397,975
Annual Debt Service Covenant Compliance[6]					
Test 1 - Net Revenues:					
Calculated Coverage	4.02	1.83	2.14	2.56	2.58
Required Coverage	1.20	1.20	1.20	1.20	1.20
Test 2 - Net Revenues and Impact Fees:					
Calculated Coverage	4.02	1.84	2.15	2.57	2.60
Required Coverage	1.25	1.25	1.25	1.25	1.25
Required Transfers:					
ECR R&R Fund Requirement[7]	566,327	469,898	483,995	685,181	705,736
Subordinated Indebtedness Fund[8]	138,543	138,543	138,543	138,543	138,543
Renewal and Replacement Fund Requirement[9]	1,083,860	1,201,766	1,855,143	2,599,097	2,808,885
Payment-in-lieu-of-taxes (PILOT)[10]	1,312,814	1,388,420	1,475,343	1,599,449	1,632,902
Total Required Transfers[11]	3,101,544	3,198,628	3,953,024	5,022,270	5,286,066
Amount Available for Other Purposes[12]	**$2,762,334**	**$ 463,971**	**$1,057,419**	**$1,832,108**	**$1,663,733**

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

Footnotes set forth below are for the table on the immediately preceding page.

(1) Amounts shown include potable water irrigation revenues.
(2) Amounts shown do not include interest income projected to be earned on balances in the Construction Fund or the Impact Fee Fund, if any, which interest income is restricted to such funds.
(3) Amounts shown do not include depreciation or amortization expenses, which are not considered Costs of Operation and Maintenance, per the Bond Resolution.
(4) Although considered an operating expense for financial reporting purposes, amounts shown do not include: (i) transfers projected to be made by the District to the ECR Board for the District's proportionate share of the deposits required to be made to the ECR Renewal and Replacement Fund and (ii) payments in lieu of taxes projected to be made by the District to the City ("PILOT") which, pursuant to the Bond Resolution, are payments made subsequent to the payment of the Annual Debt Service Requirement.
(5) Amounts reflect (i) the Annual Debt Service Requirement on the Series 2014 Bonds and (ii) the estimated Annual Debt Service Requirement on the Series 2016 Bonds, assuming the Series 2016 Bonds are issued in the aggregate principal amount of $34,930,000, with a final maturity of October 1, 2034 and a true interest cost of approximately 3.4535%.
(6) See "SECURITY AND SOURCES OF PAYMENT - Rate Covenant" herein" for a description of the requirements of the rate covenant established in the Bond Resolution.
(7) Amounts shown represent the projected ECR Renewal and Replacement Payments. See "THE SYSTEM - Wastewater System - ECR Board Obligations" herein.
(8) Amounts shown represent debt service payments associated with the acquisition of the Consolidated Utility by the City, the payment of which became an obligation of the District upon acquisition of the System. See "THE DISTRICT -Acquisition of the System" herein.
(9) Amounts shown reflect the Renewal and Replacement Fund Requirement, calculated at five percent (5%) of the previous Fiscal Year's Gross Revenues, as provided in the Bond Resolution. Any additional deposits to the Renewal and Replacement Fund would be made after all other transfers required by the Bond Resolution have been made.
(10) Pursuant to Resolution No. 14-14UD adopted by the Board on July 14, 2014, the District formally approved a PILOT policy. Pursuant to such policy, the PILOT is projected to be paid each Fiscal Year in the amount of six percent (6%) of the gross revenues derived from the monthly water and wastewater service and commodity charges to customers of the System.
(11) The District does not expect to make any deposits to any of the other funds or accounts established under the Bond Resolution (e.g., the Reserve Fund, the Rate Stabilization Fund or the Capital Improvement Account) during the Forecast Period.
(12) Any excess funds projected to be available after required transfers have been made are expected to be deposited into the Surplus Account. Amounts shown do not include Impact Fees.

HISTORICAL AND PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE

Set forth on the following page is a table providing a summary for the Historical Period and the Forecast Period of Net Revenues, Annual Debt Service Requirements and the amount of coverage of the Annual Debt Service Requirements provided by such Net Revenues.

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Historical and Projected Schedule of Net Revenues,
Debt Service and Debt Service Coverage

Fiscal Year	Gross Revenues[1]	Cost of Operation and Maintenance	Net Revenues Available for Debt Service[2]	Debt Service[3]	Annual Debt Service Coverage[4]
2011	$18,150,682	$10,256,121	$ 7,894,561	$ 1,989,181	3.97x
2012[5][6]	17,430,619	10,313,675	7,116,944	1,990,206	3.58
2013	20,935,036	13,419,383	7,515,653	1,988,581	3.78
2014[6]	19,965,256	10,664,511	9,300,745	1,941,811	4.79
2015	22,242,803	11,330,511	10,912,292	1,775,725	6.15
2016	22,473,825	14,666,813	7,807,012	1,943,134	4.02
2017	23,763,572	15,706,098	8,057,474	4,394,875	1.83
2018	25,242,715	15,833,097	9,409,618	4,399,175	2.14
2019	27,345,596	16,094,693	11,250,903	4,396,525	2.56
2020	27,937,909	16,590,135	11,347,774	4,397,975	2.58

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

(1) Gross Revenues are calculated in accordance with the definitions provided for such calculation in the Bond Resolution. See "SECURITY AND SOURCES OF PAYMENT - Pledged Funds and - Rate Covenant" herein. Projections for Fiscal Years 2016 through 2019 are based on the rates made effective in the Rate Resolution and for Fiscal Year 2020 are assumed to increase by 1.5%, although no rate increase for Fiscal Year 2020 has currently been approved by the Board See "THE SYSTEM - Rates, Fees and Charges" herein and "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report," including in particular Sections 7.1 and 7.2 of the Engineers Report.

(2) Represents Gross Revenues minus Cost of Operation and Maintenance.

(3) Represents the annual debt service requirement on the Series 2004 Bonds until Fiscal Year 2015 when the Series 2014 Bonds were issued to refund in full all of the outstanding Series 2004 Bonds. For the Forecast Period, the amounts reflected represent the Annual Debt Service Requirement on the Series 2014 Bonds and the estimated Annual Debt Service Requirement on the Series 2016 Bonds, assuming the Series 2016 Bonds are issued in the aggregate principal amount of $34,930,000 as tax-exempt Bonds maturing October 1, 2036, bearing interest at an average interest rate of 4.94% per annum.

(4) Before required transfers are made. See "THE SYSTEM - Revenues and Expenses - Summary of Historical Operating Results" and "- Summary of Projected Operating Results" herein.

(5) The City's Comprehensive Annual Financial Report for Fiscal Year 2012 included an intrafund transfer of $4,044,618. Such amount has been removed from both Gross Revenues and Cost of Operation and Maintenance.

(6) Florida Power & Light Company demolished an outdated generating plant in June 2011 and a new $1.3 billion natural gas plant was activated during the spring of 2014.

FINDINGS AND CONCLUSIONS OF THE ENGINEERS REPORT

Hazen and Sawyer, P.C. has been engaged by the District to serve as the consulting engineer in connection with the issuance of the Series 2016 Bonds (the "Consulting Engineer") and Public Resources Management Group, Inc. has been engaged by the District to serve as the feasibility consultant in connection with the issuance of the Series 2016 Bonds (the "Feasibility Consultant"). In such capacity, the Consulting Engineer and the Feasibility Consultant have prepared the Engineers Report to provide a

summary of the overall condition of the System to support the issuance of the Series 2016 Bonds. The information contained in the Engineers Report includes, among other things, a presentation of facts and data obtained by the Consulting Engineer and the Feasibility Consultant from its recent investigations and discussions with management and operations personnel of the System and includes a review of, among other sources, the CIP (as hereinafter defined), the Master Plan, the comprehensive annual financial reports of the City for the Fiscal Years ended September 30, 2011 through 2015, the financial reports and work papers of the City for the Fiscal Years ended September 30, 2011 through 2015, the City's annual operating budgets for the Fiscal Years ended September 30, 2011 through 2015 and for the Fiscal Year ending September 30, 2016, the District's SFWMD Water Use Permit (WUP) No. 50-00460-W issued on February 27, 2012, financial, billing and operating data of the District, the Rate Resolution, including the supporting study of the District's rate structure for services of the System, the Consent Order entered into by the District with the PBCHD dated December 23, 2010, the Notice of Violation from the PBCHD dated January 21, 2016, the draft Consent Order from the PBCHD dated April 15, 2016 and other files maintained by the Consulting Engineer or by the Feasibility Consultant relating to System, the District or the City.

Set forth below is a summary of certain findings and conclusions reached by the Consulting Engineer or by the Feasibility Consultant in the Engineers Report. Reference is made to the complete copy of the Engineers Report for a more detailed description of the information relied upon by the Consulting Engineer or by the Feasibility Consultant to make the following findings or reach the following conclusions and the assumptions upon which such findings and conclusions are based. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report." The Engineers Report should be read in its entirety in conjunction with the following findings and conclusions. In the opinion of the Consulting Engineer and of the Feasibility Consultant, the assumptions upon which the following findings and conclusions are based are reasonable.

Opinions of the Consulting Engineer

Based on the results of the inspections and evaluation of the existing infrastructure of the System, the Consulting Engineer offers the following opinions and conclusions:

1. The major components of the System, together with planned renewals, replacements, upgrades and additions, as specifically identified in the Engineers Report and/or as included in the CIP, can reasonably be expected to meet the projected operating requirements of the System through the Forecast Period.

2. Based on the raw water demand forecast prepared for the Engineers Report, the District's water supply allocation from the SFWMD is sufficient to meet the service area needs of the System through the Forecast Period.

3. Based on the finished water demand forecast prepared for the Engineers Report, the Water Treatment Plant has sufficient capacity to meet the needs of the System service area through the Forecast Period.

4. Based on the hydraulic modeling performed in the Master Plan, the distribution network for the Water System has sufficient capacity to meet the projected System demands through the Forecast Period.

5. The System's water storage facilities provide adequate storage for firefighting.

6. The System provides adequate water flow capacity for firefighting in low density residential areas but improvements are needed to provide adequate water flow capacity for firefighting in certain high density areas. Such improvements are recommended in the Master Plan but are not currently included in the CIP.

7. The Water Treatment Plant produces water in compliance with current regulatory requirements but certain operational challenges related to low chlorine residual in the Gramercy Park area of the distribution system are ongoing. Any improvements recommended by the Consulting Engineers to address such operational challenges that are not currently included in the CIP constitute projects that should be added to the CIP. See "THE SYSTEM - Water System - Water Distribution System" herein and "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" including, in particular, Section 3.10 of the Engineers Report.

8. Overall, the facilities of the Water Treatment Plant have been determined by the Consulting Engineer to be fair but certain critical treatment processes are aged and in poor condition. Projects to improve much of such treatment processes are included in the CIP. See "CAPITAL IMPROVEMENT PLAN" herein. It is recommended that the CIP be updated to prioritize other needed improvements to the Water Treatment Plant.

9. Based on the wastewater flow forecast set forth in the Engineers Report, the Wastewater System has sufficient capacity to meet the needs of the service area of the System through the Forecast Period.

10. Wastewater System inspections performed by the Consulting Engineer indicate that the Wastewater System is adequately maintained and is suitable for its intended purposes.

11. The infrastructure of the Wastewater System is in compliance with all regulatory requirements, with some minor exceptions that are either currently being resolved through construction projects or will be resolved by implementation of planned projects.

12. The Consulting Engineer has recommended that the District locate and map pipe breaks in the System to implement a program to identify and target water distribution pipe replacement for the System over the next twenty (20) years.

13. Based on customer and sales forecasts in the Engineers Report, the existing facilities of the System, together with planned renewals, replacements and additions, can reasonably be expected to meet the projected demand requirements of the System through the Forecast Period.

14. Improvements to be made to the System from proceeds of the Series 2016 Bonds and during the Forecast Period have been or are expected to be designed in accordance with usual and customary engineering practices and involve proven technology and proven configurations of that technology.

15. The projected cost and time periods for implementing the improvements to the System to be financed with proceeds of the Series 2016 Bonds are reasonable.

Opinions of the Feasibility Consultant

Based on the principal considerations and assumptions and the results of our studies and analyses, as summarized in the Engineers Report, the Feasibility Consultant is of the opinion that:

1. The projected growth in customers and usage of the System represent reasonable and attainable projections for the purposes of Engineers Report.

2. The projected growth in the Cost of Operation and Maintenance represents reasonable projections for the purposes of Engineers Report.

3. The projected growth in Revenues and the sources of funds projected to be available to fund scheduled or anticipated improvements throughout the Forecast Period represent reasonable projections for the purposes of Engineers Report.

4. System revenues for the Fiscal Years ending September 30, 2016 through September 30, 2019 under the rates contained in the Rate Resolution, coupled with additional assumed inflationary index rate adjustments for the Fiscal Year ending September 30, 2020, as described in the Engineers Report, should be sufficient to pay the projected Cost of Operation and Maintenance, pay the estimated Annual Debt Service Requirement on the Outstanding Bonds and the Series 2016 Bonds coming due in such years and make the projected deposits to the Renewal and Replacement Fund, which is available for paying the cost of the replacement of capital assets of the System or any unusual, unanticipated or extraordinary maintenance or repairs to the System. The Board has annually adjusted the rates charged for services of the System since Fiscal Year 2009.

5. Based on financial information prepared and provided by the management of the System, the Pledged Funds (i) for the Historical Period have been, and continue to be, and (ii) for the Forecast Period are projected to be in compliance with the rate covenant contained in the Bond Resolution.

6. The approved rates for water and wastewater service of the System are comparable to charges for similar service provided by other publicly-owned utilities located in proximity to the District in the southeastern portion of Florida. Based on the assumptions presented in the Engineers Report, an additional rate increase above the adopted rate increases in the Rate Resolution has been assumed for Fiscal Year 2020 to provide funds to meet the annual expenditure requirements of the System. The adopted and anticipated rate adjustments presented in the Engineers Report are not expected to negatively affect the competitiveness of the District's monthly water and wastewater user rates over the Forecast Period. The Board has the ability to increase rates in addition to the increases already approved in the Rate Resolution. See "THE SYSTEM - Rates, Fees and Charges" herein.

7. The Impact Fees charged for services of the System are comparable to the fees charged by other publicly-owned utilities located in proximity to the District in the southeastern portion of Florida. The Impact Fees are based on the utility plant-in-service and the capital requirements of the System contained in the District's adopted capital improvement plan at the time of fee determination. Based on discussions with District staff, the Impact Fees are reasonable. The continued application of the Impact Fees is not expected to negatively affect System growth.

CAPITAL IMPROVEMENT PLAN

General

The District's water and wastewater infrastructure is aging; much of the infrastructure was constructed in the 1950s and 1960s. Certain critical components of the System are at the end of their expected useful life. Recognizing that certain aging infrastructure would need rehabilitation and replacement, the District decided to develop the Master Plan to identify immediate and long-term capital improvement needs relative to maintaining the reliability of the System. The capital improvement projects recommended in the Master Plan were categorized based on the primary need for the project to be implemented. The projects in the Master Plan were categorized as:

(i) regulatory (i.e., improvements needed to comply with regulatory requirements);

(ii) capacity (i.e., improvements to increase the capacity of the System);

(iii) renewal and replacement (i.e., improvements to rehabilitate or replace infrastructure that is at the end of its useful life) ("R&R");

(iv) water quality (i.e., improvements to enhance operations at the Water Treatment Plant, resulting in improved drinking water quality);

(v) water system security (i.e., improvements to enhance the security of the Water Treatment Plant and repump stations); and

(vi) facility improvement (i.e., projects to enhance the operational effectiveness of the System).

With respect to capacity, since the System is not expected to require any major improvements in the foreseeable future to accommodate population growth or increased demand, no capacity projects were identified in the Master Plan.

One of the District's past regulatory challenges has been maintaining chlorine residual in the Gramercy Park area of its water distribution system. Regulatory projects designed to achieve regulatory compliance relative to distribution system chlorine residual were recommended in the Master Plan. Such projects were implemented after adoption of the Master Plan. The implementation of such projects enabled the District to achieve necessary regulatory compliance. However, the District recently received a Notice of Violation from the PBCHD which, among the violations cited was the failure to maintain adequate chlorine residual. Included in the list of projects to be implemented as part of the current five-year capital improvement plan for the District (the "CIP") are projects that are designed to address issues which served to produce the violations for which the District recently received a Notice of Violation from the PBCHD. See "THE SYSTEM - Water System - Water Distribution System" herein.

The total cost of all of the projects recommended in the Master Plan to be implemented by the District over the twenty (20) years following the release of the Master Plan is $214,390,000, with $158,719,000 of such cost being recommended for improvements to the Water System and $55,671,000 being recommended for improvements to the Wastewater System. The Master Plan also categorizes the priority for completion of the projects recommended, with the most important projects being categorized as either urgent priority or high priority. Set forth below is the chart from the Master Plan which

describes each of the categories created for the implementation of projects to improve the System over a twenty (20) year period following the release of the Master Plan.

Master Plan 20-Year
Improvement Recommendation
Ideal Implementation Time Frame

Group Number	Description	Ideal Implementation Time Frame (Fiscal Year)
1	Urgent Priority: High likelihood of asset failure with severe consequences if asset fails for R&R type project (or severe consequences for non-implementation of improvement that is not an R&R type project).	2013 to 2015
2	High Priority: Medium to high likelihood of asset failure with medium to high consequences if asset fails for R&R type project (or medium to high consequences for non-implementation of improvement that is not an R&R type project).	2016 to 2020
3	Medium Priority: Low to medium likelihood of asset failure with low to medium consequences if asset fails for R&R type project (or low to medium consequences for non-implementation of improvement that is not an R&R type project).	2021 to 2025
4	Low Priority: Low likelihood of asset failure with low consequences if asset fails for R&R type project (or low consequences for non-implementation of improvement that is not an R&R type project).	2026 and beyond
P	Programmatic: Certain types of projects lend themselves to implementation on an annual (or otherwise recurring) basis, such as annual fire hydrant replacement. These types of projects were categorized as programmatic.	Annual

Source: The Master Plan.

The costs of implementing projects identified as Group 1 and Group 2 projects in the Master Plan totaled $63,275,000. Funding the costs of implementing such projects within the ideal implementation time frames set forth in the table above would have required significant rate increases in excess of the rate increases through Fiscal Year 2019 that had been approved by the Board when the Master Plan was released. As a result, the Master Plan provides an alternative time frame for the implementation of recommended projects and recommends certain rate increases that are more moderate than the rate increases that would be required to comply with the ideal implementation time frame. In addition, to increase the District's ability to implement projects recommended by the Master Plan, the District adopted the Rate Resolution so that rates would be increased above the amounts that had been approved when the Master Plan was released See "THE SYSTEM - Rates, Fees and Charges - Adopted and Proposed Rates" herein.

Pursuant to the alternative time frame for recommended project implementation set forth in the Master Plan:

(i) all Group 1 projects and the vast majority of Group 2 projects are scheduled to be implemented during the eleven (11) year period from Fiscal Year 2013 to Fiscal Year 2023;

(ii) all Group 3 and 4 projects and approximately $2.35 million of Group 2 projects are scheduled to be implemented sometime after Fiscal Year 2023;

(iii) programmatic projects for the Wastewater System will be funded at approximately thirty-six percent (36%) of the estimated need for the eleven (11) year period from Fiscal Year 2013 to Fiscal Year 2023, with the balance of such projects being delayed until after Fiscal Year 2023; and

(iv) programmatic projects for the Water System will be funded at approximately twenty-five percent (25%) of the estimated need for the eleven (11) year period from Fiscal Year 2013 to Fiscal Year 2023, with the balance of such projects being delayed until after Fiscal Year 2023.

Set forth below are the total costs of the projects recommended in the Master Plan in the alternative time frame determined to be the most feasible for implementation of the projects.

Master Plan 20-Year
Improvement Recommendation
Expenditure Schedule

	Fiscal Years Ending September 30,			
Category	2013 to 2017	2018 to 2023	2024 and Beyond	Total
Water System	$30,185,000	$35,525,000	$ 96,009,000	$158,719,000
Wastewater System	16,270,000	12,948,000	26,453,000	55,671,000
Total	$46,455,000	$45,473,000	$122,462,000	$214,390,000

Source: The Master Plan.

The District either has implemented, is in the process of implementing, or is planning the implementation of the projects listed in the Master Plan's urgent category. The Master Plan list thirty-two (32) specific projects as Group 1, urgent category projects for the Water System and seven (7) specific projects as Group 1, urgent category projects for the Wastewater System. The total costs of implementation in the Master Plan for all Group 1, urgent category projects is $39,185,000, with $24,135,000 of such amount attributable to capital improvements recommended for the Water System and $15,050,000 of such amount attributable to capital improvements recommended for the Wastewater System.

Many of the projects categorized as urgent in the Master Plan are included in the District's CIP and have been or will be implemented as part of the District's normal, on-going R&R program. In addition, the Series 2016 Bonds are being issued primarily for the purpose of financing the cost of projects

included in the urgent and high priority categories of the Master Plan that have not been, and are not anticipated to be implemented as part of the District's normal, on-going R&R program. From the capital improvement projects currently contemplated to be financed upon issuance of the Series 2016 Bonds, together with the projects already implemented, currently being implemented or currently scheduled to be funded as normal R&R projects in the CIP, all of the Group 1, urgent category projects and some of the Group 2, high category projects included in the Master Plan are expected to implemented by Fiscal Year 2017, in accordance with the alternative project implementation time frame set forth in the Master Plan. In addition, the majority of the Group 2, high category projects included in the Master Plan are expected to implemented by Fiscal Year 2020.

For a more detailed discussion of the specific capital improvement projects recommended in the Master Plan, the projected cost of such projects, the time frame recommended for implementation of each project and the methodology utilized to develop the priority, time frame for implementation and cost of implementation, see the Master Plan on the City's website at:

http://www.rivierabch.com/filestorage/1486/1312/Wastewater_Master_Plan_February_2013.pdf.

However, also see "WATER AND WASTEWATER MASTER PLAN" herein for an explanation of the projections, forecasts, assumptions and conclusions contained in the Master Plan and "FINDINGS AND CONCLUSIONS OF THE ENGINEERS REPORT" herein for a description of the opinions, conclusions and recommendations of the Consulting Engineer and the Feasibility Consultant (as hereinafter defined) concerning the System and the issuance of the Series 2016 Bonds.

Series 2016 Project

Set forth below are the specific water and wastewater capital improvement projects expected to funded with proceeds from the issuance of the Series 2016 Bonds (collectively, the "Series 2016 Project"). Each component of the Series 2016 Project is included in the CIP. For a complete list of the projects included in the CIP and the cost of acquiring, constructing and installing each project, reference is made to the Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Table 5-1 of the Engineers Report.

The Series 2016 Supplemental Resolution provides that, at the discretion of the District, other projects identified in the CIP may be added to or substituted for the projects described below which shall initially constitute the Series 2016 Project. The Series 2016 Supplemental Resolution also provides that other projects may be approved by resolution of the Board as part of the Series 2016 Project in addition to and/or in lieu of one or more of the projects which initially constitute the Series 2016 Project.

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Summary of the Series 2016 Project

Project Title	Total Project Cost	Spent in Prior Years	FY 2016 to FY 2020 Project Cost[1]	Funded by Series 2016 Bonds [2]
WTP[2] Disinfection System	$ 3,827,896	$421,801	$ 3,406,095	$ 3,406,095
Silver Beach Road Improvement	237,947	37,947	200,000	200,000
Replacement of WTP[3] Generator / Switchgear	2,121,000	- 0 -	2,121,000	1,121,000
Miscellaneous System Replacements / CIP Roadways	6,070,000	- 0 -	6,070,000	5,040,000
Lift Station # 47 Rehabilitation	4,516,530	199,530	4,317,000	4,317,000
Replacement of Lime Slakers	4,308,000	173,124	4,134,876	4,134,876
Rehabilitation / Replacement of Lime Softening Units	3,253,000	- 0 -	3,253,000	3,253,000
Parallel Intracoastal Force Main	7,130,000	- 0 -	7,130,000	7,130,000
New Intracoastal Water Main Crossing	3,193,000	- 0 -	3,193,000	3,193,000
New WTP[3] Perimeter Wall	1,530,000	25,000	1,505,000	1,505,000
New Utility Field Operations Building	1,133,000	- 0 -	1,133,000	1,133,000
New Raw Water Wells (A and B)	2,260,000	- 0 -	2,260,000	2,260,000
Lift Station Rehabilitation - Phase I	2,015,000	- 0 -	2,015,000	2,015,000
New Aqueous Ammonia System	513,500	- 0 -	513,500	513,500
Garden Road Improvements	169,542	44,542	125,000	125,000
Replacement of Water Mains (Palm Beach Shores)	999,000	- 0 -	999,000	431,529
Infill and Infiltration Sanitary Sewer Relining	713,000	- 0 -	713,000	222,000
TOTAL	$43,990,415	$901,944	$43,088,471	$40,000,000

Source: The Engineers Report. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report."

(1) FY = Fiscal Year.
(2) See "ESTIMATED SOURCES AND USES OF FUNDS" herein for a summary of the estimated use of proceeds of the Series 2016 Bonds and other moneys to be deposited into the Series 2016 Project Subaccount to finance the cost of acquiring and constructing the Series 2016 Project.
(3) WTP = Water Treatment Plant.

Reference is made to the Engineers Report for a more detailed description of the Series 2016 Project, the methodology used to determine "project costs" and the current status of the general projects which comprise the Series 2016 Project. See "APPENDIX B - City of Riviera Beach Utility Special District Consulting Engineers and Bond Feasibility Disclosure Report" and in particular, Section 5 of the Engineers Report.

WATER AND WASTEWATER MASTER PLAN

Hazen and Sawyer, P.C., as the Consulting Engineer, was engaged by the District to prepare a Water and Wastewater Master Plan to identify the capital needs of the Water System and the Wastewater

System for twenty (20) years. Specifically, the Master Plan includes: (a) plans for capital improvements to maintain the reliability of the existing (i) water supply system, Water Treatment Plant and water distribution infrastructure, and (ii) wastewater transmission infrastructure; (b) plans to enhance security of Water System facilities; (c) plans for capital improvement to maintain compliance with existing and anticipated regulations relating to the design, operation and maintenance of water and wastewater infrastructure; (d) identification and planning of water storage and distribution system capacity improvements; (e) assessments of capital improvements to enhance the quality of the drinking water of the Water System and (f) development of (i) a priority for implementation of all proposed improvements, (ii) probable cost of implementing such improvements, and (iii) ten (10) year financial forecast of the ability of the District to fund proposed improvements.

The Master Plan addresses the ability of the System to provide water and wastewater services of sufficient quality to meet the near-term and longer term needs of its customers, while remaining in material compliance with regulatory requirements. Also discussed are shortcomings of the System that should be addressed, the adequacy of planned or proposed renewal and replacement projects, the reasonably expected useful life of various components of the System and the current status of permits required to operate the System.

The information contained in the Master Plan is a combination of information obtained by the Consulting Engineer from, among other sources, investigations and observations of the System and discussions with District management and operations personnel, and is based on a review by the Consulting Engineer of documents relating to System operations. The Master Plan should be read in its entirety for a complete understanding of the matters addressed therein. The Master Plan contains recommendations for projects to be funded and implemented by the District within the time frames established in the Master Plan. To support such recommendations, projections, forecasts and assumptions are made by the Consulting Engineer. **No assurance can be provided that any of the projections, forecasts and assumptions set forth in the Master Plan will be realized or, if realized, will be in the amounts or in the time periods provided in the Master Plan. No statement made in this Official Statement should be construed as an assurance by the District that the projections, forecasts and assumptions made by the Consulting Engineer in the Master Plan are reasonable.**

An electronic version of the Master Plan is available on the City's website at:

http://www.rivierabch.com/filestorage/1486/1312/Wastewater_Master_Plan_February_2013.pdf.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

General

All of the personnel who are employed by the District are actually employees of the City. See "THE SYSTEM - Administration - Personnel" herein. Pursuant to the Utilities Services Agreement, the District pays the City an amount equal to the salaries and benefits of those employees. Included in those amounts are the pension plan and other post employment benefits ("OPEB"). The following is a description of the pension plan and OPEB offered by the City. A more complete discussion of the City's pension plans and OPEB can be found in "APPENDIX C - Basic Financial Statements of the City for the Fiscal Year Ended September 30, 2015," beginning on page 57 under Note 11 and continuing through Note 12 ending on page 83.

During the Fiscal Year ended September 30, 2015, the City sponsored three (3) separate single employer defined benefit pension plans: the General Employees' Retirement System (the "GERS"), the Police Pension Fund (the "PPF"), and the Firefighters' Pension Trust Fund (the "FPTF" and, collectively with the GERS and the PPF, the "Pension Funds"). Pursuant to Ordinance No. 4058 enacted by the City Council on February 4, 2015, all general employees and firemen hired by the City on or after May 1, 2015, and elected officials, as of March 1, 2015, are required to participate in the Florida Retirement System (the "FRS") instead of the Pension Funds. General employees and firemen hired by the City before May 1, 2015, also were required to become compulsory participants in the FRS, except for those general employees and firemen who elected prior to May 1, 2015 not to participate in the FRS. Of the 266 general employees and firemen hired by the City before May 1, 2015 who were previously in the Pension Funds, 241 elected to stay in the Pension Funds and not participate in the FRS. For each of the 25 employees that opted to leave the Pension Funds and transfer to the FRS, the City agreed to purchase up to 5 years of past service credits in the FRS at a cost of approximately $325,000. The City also agreed to purchase up to 5 years of past service credits in the FRS for approximately 70 part-time employees at an estimated cost of $300,000. In exchange, the Pension Funds retained all prior contributions made to the Pension Funds on behalf of the 25 full-time employees transferred to the FRS and the investment earnings thereon. Part-time employees were not members of the Pension Funds.

Based on the number of general employees and firemen who are now participants in the FRS, the City estimates that its total required annual contribution to the Pension Funds and to the FRS will be approximately $130,000 less than if all general employees and firemen continued to be participants in the Pension Funds.

Ordinance No. 4058 does not apply to police officers because the police officers voted not to join the FRS. However, the City and the union representing the police officers have re-entered negotiations to discuss pension concessions. Discussions revolve around another FRS vote or modifications to the current plan to generate savings to the City equal to those that would be realized from joining the FRS. If the police officers opt to join the FRS, there is no way to predict how many police officers would elect to stay in the PPF and not participate in the FRS, although based on the experience with the City's general employees and firemen, it is expected that most current police officers would remain in the PPF.

Independent Boards of Trustees administer each of the Pension Funds. Audited financial statements are issued separately for the PPF and FPTF. Actuarial valuations are issued separately for each of the Pension Funds. Copies of the reports may be obtained from the City by contacting the City's Finance Director/Chief Financial Officer at: 600 West Blue Heron Boulevard, Riviera Beach, Florida 33404, Telephone number: (561) 845-4040, Email address: financedept@rivierabch.com.

General Employees' Retirement System

Plan Description

The GERS covers all regular full-time employees, excluding members of the PPF, the FPTF and the FRS. The City reports the GERS as a trust fund in its financial statements. The plan does not issue separate financial statements. The GERS is administered by a seven (7) person board of trustees, of which four (4) members are appointed by the Mayor, with approval of the City Council, and three (3) members are elected by GERS participants.

The GERS was established under of the Code of Ordinances for the City of Riviera Beach, Part II, Chapter 14, Article II, and was recently amended under Ordinance No. 4001 enacted by the City

Council on March 7, 2012 (collectively, the "GERS Ordinance"). The GERS is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. The GERS may be amended by the City Council from time to time. As of June 1, 2015 the GERS is closed to new members.

Benefits Provided

A member may retire on the first day of the month coincident with or next following the earlier of: (i) age 65, regardless of Credited Service (as defined in the GERS Ordinance), (ii) age 55, with 10 years of Credited Service, (iii) age 52 and 1/2, with 15 years of Credited Service, (iv) age 50, with 20 years of Credited Service, or (v) when the total of age plus Credited Service equals 75. The normal retirement benefit is equal to three percent (3%) of the average monthly earnings for each year of service calculated, based on the highest two (2) consecutive years of the last ten (10) years of service preceding the retirement or termination date.

A member may elect to retire earlier than the date of normal retirement eligibility upon attainment of age 50 and 10 years of Credited Service and approval of the GERS Board of Trustees. The normal retirement benefit is reduced by 1/15th for each of the first 5 years and 1/30th for each of the next 5 years by which the date of early retirement precedes the normal retirement date. Members may also receive retirement benefits other than through normal retirement. The GERS plan documents provide special details on the requirements and the payment calculation methods used to determine benefit payments.

Summary of significant accounting policies

Basis of accounting The portion of the City's financial statements providing GERS trust fund reporting is presented using the accrual basis of accounting. GERS member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of GERS.

Valuation of investments. GERS investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Securities traded on a national exchange are valued at the last reported sales price on the balance sheet date while securities without an established market are reported at estimated fair value.

Contributions

Employees are required to contribute six percent (6%) of their earnings. Based on periodic actuarial valuations, the City contributes the remaining amount necessary to meet the normal cost of the plan and to make payments towards the liquidation of an unfunded past service liability. The actuarial valuation is performed at the beginning of the preceding Fiscal Year and is used to determine the pension funding required during the next budget year. For the Fiscal Year ended September 30, 2015, the City's actual contribution was $36,283,028 or 362.73% of payroll, based on a payroll amount of $10,002,888. This amount was larger than the required contribution of $5,150,931 or 53.15% of covered payroll due to the issuance by the City on September 2, 2015 of its Taxable Public Improvement Revenue Bonds, Series 2015 to pay, among other costs, the cost of funding the unfunded actuarial accrued liability (the "UAAL") of the GERS, the PPF and the FPTF. From the City's actual contribution to the GERS for Fiscal Year 2015, $31,132,097 of such amount was deposited to satisfy the actuarial UAAL for the GERS as of October 1, 2014.

Membership information

As of September 30, 2015, the membership of the GERS consisted of:

Retirees and Beneficiaries currently receiving benefits, including DROP, and terminated employees entitled to, but not yet receiving benefits	194
Active employees	207
Total members	401

Source: City of Riviera Beach, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2015.

Net Pension Liability

The net pension liability for the GERS is the difference between the total pension liability and the GERS's fiduciary net position. The total pension liability is the present value of pension benefits allocated to current members due to past service, using the entry age normal actuarial cost method. Net pension liability is based on an actuarial valuation performed as of September 30, 2014.

Total pension liability	$96,940,276
Fiduciary net position	71,318,932
Net pension liability	$25,621,344

Changes in Net Pension Liability

The change in net pension liability for the GERS for the Fiscal Year ended September 30, 2015 (based on a measurement for the Fiscal Year ended September 30, 2014) is presented below:

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City of Riviera Beach, Florida
GERS Net Pension Liability

Total Pension Liability	
Service Cost	$ 2,257,243
Interest	6,902,113
Differences between Actual and Expected Experience	537,982
Changes of Assumptions	–
Benefit Payments (Including Refunds of Employee Contributions)	(4,900,328)
Refunds	(155,661)
Net Change in Total Pension Liability	4,641,349
Total Pension Liability (Beginning of Year)	92,298,927
Total Pension Liability (End of Year) (a)	96,940,276
Plan Fiduciary Net Position	
Contributions - City	4,843,648
Contributions - Members	534,435
Net Investment Income	6,555,653
Benefit Payments (Including Share Distributions)	(4,900,328)
Refund of Contributions	(155,661)
Administrative Expense	(163,784)
Net Change in Plan Fiduciary Net Position	6,713,963
Plan Fiduciary Net Position (Beginning of Year)	64,604,969
Plan Fiduciary Net Position (End of Year) (b)	71,318,932
City's Net Pension Liability (End of Year) (a) - (b)	$25,621,344
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.57%
Covered Employee Payroll	$ 8,907,250
City's Net Position Liability as a Percentage of Covered-Employee Payroll	287.65%

Source: City of Riviera Beach, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2015.

Actuarial Methods and Assumptions

Actuarial methods and significant actuarial assumptions used to determine the net pension liability for the current Fiscal Year are as follows:

Valuation date	September 30, 2014
Actuarial cost method	Entry age normal
Inflation	3.0%
Salary increases	6.2% to 11.0%, based on service, including inflation
Investment rate of return	7.5%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000, using Scale AA

Based on the number of current and retired employees of the City who work for the District, the GERS net position liability of the City that is allocable to employees working for the District is approximately $2,617,592.

Florida Retirement System

City employees that do not participate in one of the Pension Funds, participate in the FRS. As provided by Chapters 112 and 121, Florida Statutes, as amended, the FRS provides two (2) defined benefits plans administered by the Florida Department of Management Services, Division of Retirement, the FRS Pension Plan and the Retiree Health Insurance Plan ("HIS Plan"). Under Section 121.4501, Florida Statutes, as amended, the FRS also provides a defined contribution plan alternative to the FRS Pension Plan, which is administered by the State Board of Administration and essentially operates as an investment plan. As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, as amended, and FAC Chapter 60S. Amendments to the FRS can be made only by an act of the Florida State Legislature.

The State of Florida issues a publicly available financial report annually that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or from the State of Florida website at: www.dms.myflorida.com/workforce_operations/retirement/publications.

FRS Pension Plan

Plan Description. The FRS Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees. The FRS Pension Plan may be amended at any time by the Florida legislature.

Benefits Provided. Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation and service credit. For the FRS members enrolled before July 1, 2011, regular class members who retire at or after age 62, with at least six (6) years of credited service, or with thirty (30) years of credited service regardless of age, are entitled to a retirement benefit payable monthly for life equal to 1.6% of their final average compensation. Vested members with less than thirty (30) years of credited service may retire before age 62 and receive reduced retirement benefits. Special Risk

Administrative Support class members under the FRS Pension Plan who retire at or after age 55, with at least six (6) years of credited service, or with twenty-five (25) years of service regardless of age, are entitled to a retirement benefit payable monthly for life equal to 1.6% of their final average compensation. Special Risk class members under the FRS Pension Plan (i.e., sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55, with at least six (6) years of credited service, or with twenty-five (25) years of service regardless of age, are entitled to a retirement benefit payable monthly for life equal to 3.0% of their final average compensation. Senior Management Service class members under the FRS Pension Plan who retire at or after age 62, with at least six (6) years of credited service, or with thirty (30) years of service regardless of age, are entitled to a retirement benefit payable monthly for life equal to 2.0% of their final average compensation. Elected Officers' class members under the FRS Pension Plan who retire at or after age 62, with at least six (6) years of credited service, or with thirty (30) years of service regardless of age, are entitled to a retirement benefit payable monthly for life equal to 3.0% of their final average compensation. The final average compensation for each category of membership is computed based on the five (5) highest years of salary for each year of credited service.

For the FRS members enrolled on or after July 1, 2011, the vesting requirement is extended to eight (8) years of credited service and increasing normal retirement to age 65, or thirty-three (33) years of service regardless of age, for Regular, Senior Management Service, and Elected Officers' class members, and to age 60, or thirty (30) years of service regardless of age, for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight (8) highest years of salary for each year of credited service.

For the FRS members initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. For the FRS members initially enrolled in the FRS before July 1, 2011 and service credit was accrued on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. Such annual cost-of-living adjustment shall be a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement, multiplied by 3%. For the FRS members initially enrolled on or after July 1, 2011, such members will not have a cost-of-living adjustment after retirement.

Contributions. Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. Employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and July 1, 2015 through September 30, 2015, respectively, were as follows: Regular class members - 7.37% and 7.26%, Special Risk class members - 19.82% and 22.04%, Special Risk Administrative Support class members - 42.07% and 32.95%, Elected Officers' class members - 43.24% and 42.27%, Senior Management Service class members - 21.14% and 21.43% and DROP participants - 12.28% and 18.75%. These employer contribution rates include a 1.20% and 1.26% HIS Plan subsidy for the periods from October 1, 2014 through June 30, 2015 and July 1, 2015 through September 30, 2015, respectively.

The City's contribution for the State fiscal year ended June 30, 2015 was $13,705.

Net Pension Liability. As of September 30, 2015, the City reported a liability of $72,605 for its proportionate share of the net pension liability for the FRS. At June 30, 2015, the City's proportionate share of the FRS net pension liability was 0.000562117%. Fiscal year 2015 was the first year that the City calculated its proportionate share of the FRS's net pension liability following the transfer of certain City employees from the Pension Funds to the FRS. See "PENSION FUND AND OTHER POST

EMPLOYMENT BENEFITS - General" herein. For the Fiscal Year ended September 30, 2015, the City recognized a pension expense of $19,110.

Actuarial Assumptions. The total pension liability in the FRS actuarial valuation for June 30, 2015 was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality	Generational RP-2000 with Projection Scale BB tables

Retiree Health Insurance Subsidy

Plan Description. The HIS Plan is a cost-sharing multiple employer defined benefit pension plan. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement. The HIS Plan may be amended at any time by the Florida legislature.

Benefits Provided. For the Fiscal Year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS Plan payment of five dollars ($5.00) for each year of creditable service completed at the time of retirement, with a minimum HIS Plan payment of thirty dollars ($30.00) and a maximum of one hundred fifty dollars ($150.00) per month. To be eligible to receive HIS Plan benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from the FRS participating employers. Employer contributions are a percentage of gross compensation for all active FRS members. For the Fiscal Year ended September 30, 2015, the HIS Plan contribution for the periods from October 1, 2014 through June 30, 2015 and July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The City contributed one hundred percent (100%) of its statutorily required contributions for the current year. HIS Plan contributions are deposited in a separate trust fund and payments are authorized to be made from such fund. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled $14,500 for the Fiscal Year ended September 30, 2015.

Net Pension Liability. As of September 30, 2015, the City reported a liability of $11,080 for its proportionate share of the HIS Plan's net pension liability. The City's proportionate share of the HIS Plan's net pension liability was 0.000108648%.

Other Post Employment Benefits

The City's Other Post Employment Benefits Plan is reported in accordance with Government Accounting Standard Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions ("OPEB")* issued in June 2004. GASB

45 requires employer governments to account for and report the annual cost of other post employment benefits in the same manner as they do for pensions. The City recognizes the cost of post employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows.

According to Section 112.08, Florida Statutes, as amended, the City is required to permit eligible retirees and their eligible dependents to participate in the City's health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available to active employees. The City's underlying health plans are fully insured. These retirees are required to pay the full amount of the premium in order to remain covered under the medical plan. The premiums charged by the insurance company are based on the blending of the experience among active employees and older retired employees. Since the older retirees actually have higher costs, this means that the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees, which is referred to as the "implicit rate subsidy" by GASB.

Plan Description

All full-time employees of the City who satisfy the disability, early or normal retirement provisions of the applicable Pension Fund may be eligible for certain OPEB benefits. OPEB benefits include lifetime access to coverage for the retiree and dependents under the medical and prescription plans as well as participation in the dental, vision and life insurance group plans sponsored by the City for employees. Eligible retirees may choose among the same medical plan options available for active employees of the City. Dependents of retirees may be covered at the retiree's option, the same as dependents of active employees. Prescription drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the medical plan options. Covered retirees and their dependents are subject to all the same medical and prescription benefits and rules for coverage as active employees. Retirees and their dependents age 65 and over are not required to enroll in Part B under Medicare in order to remain covered under the program. The plan pays as secondary for claims otherwise covered under Part B for those who enroll.

To begin and maintain retiree medical and prescription coverage, premium contributions are required from the retiree. For dependent coverage, the retiree is required to pay a premium as well. If any required amounts are not paid timely, the coverage for the retiree and/or the dependent(s) will cease. The amount of the contributions required for retiree and dependent coverage may change from time to time. Retirees may also continue their participation in the City-sponsored dental, vision, and life insurance plans. However, these benefits are not considered as OPEB for the purposes of GASB Statement No. 45.

Funding Policy

Currently, the City's OPEB benefits are unfunded. That is, there is no separate trust fund or equivalent arrangement into which the City makes contributions to advance fund the obligation, as it does for the Pension Funds. Therefore, the ultimate subsidies which are provided over time are financed directly by the general assets of the City, which are invested in very short- term fixed income instruments according to the City's current investment policy. All approved benefits are paid by the City when due. Consequently, according to GASB No. 45, the interest discount rate used to calculate the present values and costs of the OPEB must be the long-range expected return on the short-term fixed income instruments in which the general assets of the City are invested. The City selected an interest discount rate of 3.75% compounded annually for this purpose.

Plan membership

Based on the actuarial valuation results as of October 1, 2014, the number of participants included in the OPEB plan is as follows:

Active participants	353
Retired participants and surviving spouses	42
Total participants	395

Actuarial Methods and Assumptions

Actuarial methods and significant actuarial assumptions used for the OPEB plan for the current year are summarized below:

Actuarial methods:	
Actuarial valuation date	October 1, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Closed
Remaining amortization period	25 years
Actuarial assumptions:	
Asset valuation method	Market Value of Assets
Investment rate of return	3.75%
Projected salary increases	3.00%
Inflation rate	2.40%
Medical trend assumption rate	4.50%

Funded Status and Funding Progress

The funded status of the OPEB plan as of October 1, 2014, the most recent actuarial valuation, is provided below. An actuarial valuation was provided for October 1, 2011 and October 1, 2013 but not for October 1, 2012.

City of Riviera Beach, Florida
OPEB Current Funding Status
(in thousands)

Actuarial Valuation Date	(a) Actuarial Value of Plan Assets	(b) Actuarial Accured Liability (AAL) Entry Age	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Percent Funded	(c) Annual Covered Payroll	([b-a]/c) UAAL as a Percent of Covered Payroll
10/1/11	- 0 -	$8,957	$8,957	0.00%	$19,724	45.41%
10/1/13	- 0 -	3,740	3,740	0.00	19,147	19.53
10/1/14	- 0 -	4,103	4,103	0.00	19,723	20.80

Source: City of Riviera Beach, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2015.

Based on the number of current and retired employees of the City who work for the District, the unfunded OPEB liability of the City that is allocable to employees working for the District is approximately $447,432.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost is the amount that is expensed for the year. Since the City's OPEB plan is currently unfunded, the offset to that expense comes from actual subsidies expected to be paid on behalf of the current retirees and their dependents for the current year. This offset is called the employer contribution, and equals the total age-adjusted premiums paid by the City for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The annual OPEB cost accrued for the Fiscal Year ended September 30, 2015 was $549,000, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The annual OPEB cost and the net OPEB obligation (asset) for the fiscal year ended September 30, 2015 and the preceding years are presented below:

City of Riviera Beach, Florida
OPEB Cost and Obligations

	Fiscal Year ended September 30,		
	2015	2014	2013
Normal Cost (service cost for one year)	$ 394,000	$ 379,000	$ 729,154
Amortization of Unfunded Actuarial Accrued Liability	175,000	154,000	327,980
Annual Required Contribution	569,000	533,000	1,057,134
Net OPEB Obligation, Beginning of Year	3,990,135	3,619,135	2,767,145
Annual Required Contribution	569,000	533,000	1,057,134
Interest on Normal Cost and Amortization	150,000	136,000	103,768
Adjustment to Annual Required Contribution	(155,000)	(149,000)	(95,649)
Annual OPEB Cost (expense)	549,000	520,000	1,065,253
Employer Contributions Made	(155,000)	(149,000)	(213,263)
Increase in Net OPEB Obligation	394,000	371,000	851,990
Net OPEB Obligation, End of Year	$4,384,135	$3,990,135	$3,619,135

Source: City of Riviera Beach, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2015.

The amounts paid by the District to the City for OPEB was $90,373.62, $90,084.32 and $75,003.70 for the Fiscal Years ended September 30, 2013, 2014 and 2015, respectively.

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TAX MATTERS

Exclusion of Interest from Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Series 2016 Bonds in order to assure that interest on the Series 2016 Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the District to comply with such requirements may cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Series 2016 Bonds. The District has covenanted to comply with the provisions of the Code applicable to the Series 2016 Bonds and has covenanted not to take any action or permit any action that would cause the interest on the Series 2016 Bonds to be included in gross income under Section 103 of the Code or cause interest on the Series 2016 Bonds be an item of tax preference under Section 57 of the Code.

Assuming the District complies with its covenants with respect to the Code, Greenspoon Marder, P.A., Bond Counsel to the District, is of the opinion that, under existing law, interest on the Series 2016 Bonds is excluded from the gross income of the owners of the Series 2016 Bonds for federal income tax purposes pursuant to Section 103 of the Code and interest on the Series 2016 Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

Tax Treatment of Original Issue Discount

The initial public offering price of the Series 2016 Bonds maturing in the years _____ and _____ (the "Series 2016 Discount Bonds") is less than the principal amount payable on such Series 2016 Bonds at maturity. The difference between the initial public offering price at which a substantial amount of the Series 2016 Discount Bonds was sold and the principal amount payable at maturity of the Series 2016 Discount Bonds constitutes original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Series 2016 Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Series 2016 Discount Bonds.

Under Section 1288 of the Code, original issue discount on the Series 2016 Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Series 2016 Discount Bond acquired at the initial public offering price of the Series 2016 Discount Bond will be increased by the amount of such accrued discount.

Owners of the Series 2016 Discount Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Series 2016 Discount Bonds and the tax accounting treatment of accrued interest.

Tax Treatment of Original Issue Premium

The Series 2016 Bonds maturing in the years _____ and _____ (the "Series 2016 Premium Bonds") were sold at a price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Series 2016 Premium Bonds to a purchaser (other than a purchaser who holds such Series 2016 Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible

from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Series 2016 Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Series 2016 Premium Bonds. Accordingly, an owner of a Series 2016 Premium Bond may have taxable gain from the disposition of the Series 2016 Premium Bond, even though the Series 2016 Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Series 2016 Premium Bond. Bond premium amortizes over the term of the Series 2016 Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Series 2016 Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Series 2016 Premium Bonds.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the Series 2016 Bonds, interest on the Series 2016 Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Series 2016 Bonds in "adjusted current earnings" of certain corporations.

Prospective purchasers of the Series 2016 Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Series 2016 Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the Series 2016 Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Series 2016 Bonds from gross income pursuant to Section 103 of the Code and interest on the Series 2016 Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Series 2016 Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Series 2016 Bonds.

The Internal Revenue Service (the "Service") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Series 2016 Bonds will be audited. If an audit is commenced, under current Service procedures the holders of the Series 2016 Bonds may not be permitted to participate in the audit process, and the value and liquidity of the Series 2016 Bonds may be adversely affected.

State of Florida Tax Treatment

Bond Counsel is further of the opinion that the Series 2016 Bonds and the interest thereon are exempt from taxation under existing laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by

corporations, as defined therein. Bond Counsel has not opined as to the taxability of the Series 2016 Bonds or the income therefrom under the laws of any state other than Florida.

Changes in Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Series 2016 Bonds, gain from the sale or other disposition of the Series 2016 Bonds, the market value of the Series 2016 Bonds, or the marketability of the Series 2016 Bonds, or otherwise prevent the owners of the Series 2016 Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, federal legislative proposals have been made in recent years that would, among other things, limit the exclusion from gross income of interest on obligations such as the Series 2016 Bonds for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Series 2016 Bonds or the market price for, or marketability of, the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisers regarding such matters.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the District has agreed in the Series 2016 Supplemental Resolution to provide, within two hundred ten (210) days following the end of each Fiscal Year, commencing with the Fiscal Year ending September 30, 2016, certain financial information and operating data relating to the District and the Series 2016 Bonds. The District has also agreed in the Series 2016 Supplemental Resolution to provide notices of the occurrence of certain enumerated events in a timely manner not in excess of ten (10) business days after the occurrence of the event. Such enumerated events are as described in the Rule. See "APPENDIX D - Form of the Resolution."

The District also entered into a continuing disclosure undertaking for purposes of the Rule in connection with the issuance of the Series 2004 Bonds. Such undertaking required the District to file certain information relating to the District and operating data relating to the System by March 31 of each year following issuance of the Series 2004 Bonds (the "Annual Report") and notice of events, if material, in a timely manner following the occurrence of the event. Except as otherwise set forth below, the District has complied in all material respects with its previous undertaking made with respect to the Rule and is currently in compliance with such undertaking. Any failure to comply with the continuing disclosure undertaking established for the Series 2016 Bonds shall not constitute a default under the Resolution and any failure of the District to comply with its previous continuing disclosure undertaking relating to the Series 2004 Bonds did not constitute a default under the Resolutions under which the Series 2004 Bonds were issued.

Although the District has filed the Annual Report in each of the past five (5) years, it has not been filed by March 31. For the Annual Report due March 31, 2013, the Annual Report was filed on April 1, 2013. For the Annual Report due March 31 in the years 2011, 2012 and 2014, the Annual Report was filed significantly later than March 31. However, as contemplated by the District's continuing disclosure undertaking relating to the Series 2004 Bonds, unaudited financial statements of the City were filed prior to the filing of the Annual Report and were filed by March 31 in such years.

All of the District's Series 2004 Bonds were defeased on August 7, 2014 pursuant to the issuance of the Series 2014 Bonds. See "INTRODUCTION" herein. On the date of delivery of the Series 2014

Bonds, the District entered into a new continuing disclosure undertaking in accordance with the requirements of the Rule, which changed the deadline for delivery of the District's Annual Report from March 31 to within two hundred ten (210) days following the end of each Fiscal Year (approximately April 28). The District's Annual Report due in April 2016 was not filed when due. However, as permitted by the District's continuing disclosure undertaking relating to the Series 2014 Bonds, unaudited financial statements of the City for the Fiscal Year ended September 30, 2015 were filed on April 27, 2016 and the Annual Report for Fiscal Year 2015 was filed on _____, 2016.

Payment of the principal of and interest on the Series 2004 Bonds, when due, was insured by a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company ("FGIC") and Moody's and Fitch (as such terms are hereinafter defined) issued ratings for the Series 2004 Bonds, based on the insurance policy issued by FGIC. Within the past five (5) years both Moody's and Fitch have announced ratings downgrades of the insurance policies issued by FGIC. The District, however, has not made any material event notice filings with respect to such ratings downgrades. Based on the amendments to the Rule which became effective on December 1, 2010 and which, among other things, changed the standard for the filing of material event notices, the District has determined that it intends to file notices of future rating changes of insurers providing a policy of insurance for any outstanding bonds of the District.

In order to provide continuing disclosure with respect to the Series 2016 Bonds in accordance with the Rule, the District will retain the services of Digital Assurance Certification, L.L.C. ("DAC"). The obligation of DAC to deliver the information at the times, and with the contents described in the Series 2016 Supplemental Resolution is limited by and in all respects subject to the receipt by DAC of such information from the District in the time periods required for its delivery. DAC also served as the District's agent for the dissemination of information required by the continuing disclosure undertaking relating to the Series 2004 Bonds.

RATINGS

S&P Global Ratings, a division of S&P Global Inc. ("S&P") and Fitch Ratings ("Fitch") **[**are expected to assign ratings of "_____" and "_____," respectively, to the Series 2016 Bonds insured by the Bond Insurance Policy, with the understanding that upon delivery of such Series 2016 Bonds the Bond Insurance Policy insuring the payments, when due, of the principal of and interest on such Series 2016 Bonds will be issued by the Bond Insurer. See "MUNICIPAL BOND INSURANCE" herein.**]** In addition, S&P and Fitch have each assigned underlying ratings of "A+" to the Series 2016 Bonds, each with a "stable outlook," without regard to the Bond Insurance Policy. Such ratings reflect the view of such organizations and an explanation of the significance of such ratings may be obtained only from S&P and Fitch, respectively. An explanation of the ratings assigned by S&P may be obtained from S&P at 55 Water Street, 38th Floor, New York, New York 10041, (212) 438-2124. An explanation of the ratings assigned by Fitch may be obtained from Fitch at 33 Whitehall Street, New York, New York 10004, (212) 908-0500.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. A securities rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings provided by S&P and Fitch, respectively, will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Series 2016 Bonds.

LITIGATION

There is no litigation or administrative proceeding, other than as is disclosed in this Official Statement, of any nature, now pending or, to the best knowledge of the District and the City, threatened against the District or the City which, in the opinion of Andrew DeGraffenreidt, III, Esquire, serving as the District Attorney and the City Attorney, will have any material adverse effect on the Gross Revenues to be derived by the District from the System, the use of such Gross Revenues in the manner contemplated by the Resolution or the ability of the District to comply with its obligations under the Resolution. At the time of the delivery of the Series 2016 Bonds, opinions will be delivered by Andrew DeGraffenreidt, III, Esquire, serving as the District Attorney and as the City Attorney, to the effect that no litigation or other proceedings are pending or, to his best knowledge, threatened against the District or the City in any way (i) restraining or enjoining the issuance, sale or delivery of the Series 2016 Bonds or (ii) questioning or affecting the validity of the Series 2016 Bonds or any proceedings of the District or the City taken with respect to the authorization, sale, execution or issuance of the Series 2016 Bonds or of the pledge of any moneys or other security provided for the Series 2016 Bonds.

The District and the City experience routine litigation and claims incidental to the conduct of municipal affairs. In the opinion of Andrew DeGraffenreidt, III, Esquire, serving as the District Attorney and the City Attorney, there are no lawsuits presently pending or, to his best knowledge, threatened, the adverse outcome of which would impair the District's ability to perform its obligations under the Resolution.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2016 Bonds by the District and with regard to the tax-exempt status thereof are subject to the approving opinion of Greenspoon Marder, P.A., West Palm Beach, Florida, Bond Counsel, whose approving opinion will be available at the time of delivery of the Series 2016 Bonds. Greenspoon Marder, P.A. is also serving as Disclosure Counsel to the District and its opinion as Disclosure Counsel also will be available at the time of delivery of the Series 2016 Bonds. Certain other legal matters will be passed on for the District by its counsel, Andrew DeGraffenreidt, III, Esquire, West Palm Beach, Forida, City Attorney, and for the Underwriters by their counsel, Greenberg Traurig, P.A., Fort Lauderdale, Florida.

The proposed text of the approving legal opinion of Bond Counsel to be delivered concurrently with the delivery of the Series 2016 Bonds is set forth as APPENDIX E to this Official Statement. The actual legal opinion to be delivered may vary from the text of APPENDIX E, if necessary, to reflect facts and law on the date of delivery of the Series 2016 Bonds.

The legal opinions to be delivered by Bond Counsel, Disclosure Counsel and Counsel to the District concurrently with the delivery of the Series 2016 Bonds are based on existing law, which is subject to change. Such legal opinions are further based on factual representations made as of the date thereof. The attorneys rendering legal opinions concurrently with the delivery of the Series 2016 Bonds assume no duty to update or supplement their respective opinions to reflect any facts or circumstances, including changes in law, that may thereafter occur or become effective. In addition, such legal opinions express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed in such opinions. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction.

Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2016 Bonds upon an event of default under the Resolution are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2016 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally, and by equitable remedies and proceedings generally.

FINANCIAL ADVISOR

Public Financial Management, Inc., Coral Gables, Florida, is acting as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Series 2016 Bonds. The Financial Advisor has acted as advisor to the District in connection with the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2016 Bonds. The Financial Advisor has not undertaken to make independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement.

The Financial Advisor is a registered municipal advisory firm. The Financial Advisor is not engaged in the business of underwriting, marketing or trading of municipal securities. Investors should not base any investment decision on the fact that the Financial Advisor has advised the District on the Series 2016 Bonds.

UNDERWRITING

The Series 2016 Bonds are being purchased by Stifel Nicolaus & Company, Incorporated and Siebert Brandford Shank & Co., L.L.C. (the "Underwriters"). The Underwriters have agreed to purchase the Series 2016 Bonds at a price of $_____ (representing the par amount of the Series 2016 Bonds, [plus / minus a net original issue premium / discount] of $_____, less Underwriters' discount of $_____). The Underwriters will purchase all of the Series 2016 Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions contained in a Bond Purchase Agreement relating to the Series 2016 Bonds and to the approval of certain legal matters by counsel.

The Series 2016 Bonds are offered for sale to the public at the prices or yields set forth on the inside cover page of this Official Statement. The Series 2016 Bonds may be offered and sold to certain dealers at prices lower than or yields higher than such offering prices or yields. After the initial public offering, such public offering prices or yields may be changed, from time to time, by the Underwriters.

Siebert Brandford Shank & Co., L.L.C., one of the Underwriters, has entered into separate agreements with Muriel Siebert & Co. and Credit Suisse Securities (USA) for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to these distribution agreements, if applicable to the Series 2016 Bonds, Muriel Siebert & Co. and/or Credit Suisse Securities (USA), as the case may be, will purchase the Series 2016 Bonds at the original issue price less the selling concession

with respect to any Series 2016 Bonds that such entity sells. Siebert Brandford Shank & Co., L.L.C. will share a portion of its underwriting compensation with Muriel Siebert & Co. and/or Credit Suisse Securities (USA).

CONTINGENT FEES

The District has retained Bond Counsel, Disclosure Counsel and the Financial Advisor with respect to the authorization, sale, execution and delivery of the Series 2016 Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriters (including the fees of Underwriters' Counsel) are each contingent upon the issuance of the Series 2016 Bonds.

EXPERTS

The references in this Official Statement to Hazen and Sawyer, P.C., as the Consulting Engineer, and Public Resources Management Group, Inc., as the Feasibility Consultant, have been approved by such firms. The Engineers Report prepared by such firms on the System has been included as APPENDIX B to this Official Statement and referred to herein in reliance upon such report and upon such firms as experts in engineering, planning and financial analysis, as applicable. References to and excerpts in this Official Statement from the Engineers Report and from the Master Plan do not purport to be adequate summaries of the Engineers Report or the Master Plan or complete in all respects. References to the Engineers Report and to the Master Plan in this Official Statement are an integral part of this Official Statement. The Engineers Report and the Master Plan should be read in their entirety for complete information with respect to the subjects discussed therein.

FINANCIAL STATEMENTS

The basic financial statements of the City for the Fiscal Year ended September 30, 2015 (including the System) and the report of HCT Certified Public Accountants & Consultants, LLC, independent certified public accountants (the "Auditor"), in connection therewith, dated _____, 2016, are included in APPENDIX C as part of the public records of the City. The consent of the Auditor was not requested for the reproduction of its audit report in this Official Statement. The Auditor has performed no services in connection with the preparation of this Official Statement and is not associated with the offering of the Series 2016 Bonds.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Florida law requires the District to make a full and fair disclosure of any bonds or other debt obligations which it has issued or guaranteed and which are or have been in default as to principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which it has served as a conduit issuer). Florida law further provides, however, that if the District in good faith believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted. The District is not and has not been in default as to principal and interest on bonds or other debt obligations which it has issued as the principal obligor or guarantor.

MISCELLANEOUS

The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each reference or summary is qualified in its entirety by reference to such document, statute, report or other instrument. The information

herein has been compiled from official and other sources and, while not guaranteed by the District, is believed to be correct. So far as any statements made in this Official Statement and the appendices attached hereto involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

AUTHORIZATION AND APPROVAL

The delivery of this Official Statement by the District has been duly authorized and approved by the Board of Directors of the District.

CITY OF RIVIERA BEACH
UTILITY SPECIAL DISTRICT

By: _____
TERENCE D. DAVIS, Chairperson

By: _____
RANDY M. SHERMAN,
Finance Director/Chief Financial Officer

APPENDIX A

SUPPLEMENTAL INFORMATION- CITY OF RIVIERA BEACH

General Information

The City of Riviera Beach, Florida (the "City") was originally incorporated in 1923. The City is located in the east central portion of Palm Beach County (the "County"), approximately 5 miles north of West Palm Beach and 70 miles north of Miami. The City is bounded to the north by the Town of Lake Park, to the south by the Town of Mangonia Park, the Town of Palm Beach Shores and the City of West Palm Beach, to the east by the Atlantic Ocean and to the west primarily by unincorporated Palm Beach County. The City currently has a land area of approximately 8.53 square miles, and had an estimated population of 33,649, as of September 30, 2015. The City is primarily an urban area where services and industry play a major role in the economy. The City is empowered to levy a property tax on real property located within its boundaries. The City also has the power by statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

City Government

The City operates under the mayor-council-manager form of government. Policy-making and legislative authority are vested in the governing council, which consists of five council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City and for appointing the heads of the City's departments. The council is elected on a non-partisan basis. Council members are elected to three-year staggered terms according to district, though they compete city-wide, with two council members elected one year and three council members the following year. The City Council members also sit as the Board of the Community Redevelopment Agency and the Utility Special District. The Mayor does not vote, but the Mayor has appointment power in some matters and veto power in other matters, and has the authority to take disciplinary action.

City of Riviera Beach City Council

NAME	OFFICE	CURRENT TERM ENDS
Thomas Masters	Mayor	March 2019
Terence D. Davis	Council Chairperson	March 2019
KaShamba L. Miller	Council Chair Pro Tempore	March 2018
Lynne L. Hubbard	Council Member	March 2019
Tonya Davis Johnson	Council Member	March 2019
Dawn S. Pardo	Council Member	March 2018

City Employees

The City's workforce consists of approximately 424 full-time and 52 part-time employees. The City negotiates with four unions: PBA, IAFF, SEIU and PMSA- concerning wages, benefits and working conditions.

Bargaining Unit	Number of Employees
Police Benevolent Association	92
IAFF- Fire	68
SEIU- Public Works/Parks	181
PMSA – Supervisors and Managers	12

Population, Demographics

The following table provides population and other selected demographic information for the City and Palm Beach County for the periods indicated:

Year	Palm Beach County Population [1]	City of Riviera Beach Population [2]	Palm Beach County Per Capita Personal Income [3]	City Per Capita Personal Income [4]	City Unemployment Rate [5]
2006	1,265,707	35,846	$56,665	$23,234	4.1%
2007	1,264,648	36,138	59,240	23,234	5.6
2008	1,269,745	36,430	58,358	23,234	9.0
2009	1,279,745	36,722	57,461	21,694	11.4
2010	1,320,134	32,488	52,526	21,702	12.8
2011	1,323,394	32,496	53,787	21,702	11.8
2012	1,335,187	32,861	53,500	22,399	10.4
2013	1,356,545	33,129	53,500	22,399	7.9
2014	1,372,171	33,369	53,242	23,159	6.1
2015	1,397,710	33,649	52,878	23,652	5.7

Sources:
(1) U.S. Census Bureau, Population Estimates Program (July 1, 2014 estimate).
(2) U.S. Census Bureau, Population Estimates Program (July 1, 2014 estimate) City of Riviera Beach, Community Development Department.
(3) Bureau of Economic Analysis - http://www.bea.gov/regional/bearfacts/action.cfm (2014).
(4) U.S. Census Bureau - http://factfinder.census.gov.
(5) U.S. Bureau of Labor Statistics (September 2015).

Notes:
- Palm Beach County population for 2006 to 2015 is based on U.S. Census Bureau population estimates as of July 1 of each year.
- The City's per capita personal income is based on U.S. Census Bureau, 2007-2013 American Community Survey.

Culture and Recreation

The City offers a variety of recreational facilities, including the beach, bays, golf courses, tennis and shuffleboard courts. Shelling, water skiing, scuba diving, power boating, sailing and fishing are popular activities in the City. Parks and Recreation Department has 12 parks, 11 of which are developed, swimming pools, ball fields, fitness trails, and handball, racquetball and tennis courts. Peanut Island, a spoil island in the Intracoastal Waterway which runs through the City, is a popular destination for recreational boaters. In addition, the City is in close proximity to several area attractions, including the

Palm Beach Zoo at Dreher Park, Rapids Water Park, Lion country Safari, Kravis Center for the Performing Arts and the Palm Beach Kennel Club Entertainment Complex.

The City also has a municipal beach, one of the largest in northern Palm Beach County. It fronts on the Atlantic Ocean, and includes beach volleyball courts and a boardwalk, and shower and restroom facilities.

Municipal Marina

The City operates a marina on the Intracoastal Waterway that has 127 wet slips for boats of 32 feet or more. Other facilities at the municipal marina include water, lighting, electric and fuel facilities, an automotive parking area, laundry facilities, dockmaster and restroom facilities, a restaurant, a convenience store and a banquet hall.

Transportation Facilities

Highways:	US Highways 1-95, No. 1 and A1A and State Highways 710 pass through the City. Florida State Turnpike access is available nearby through interchanges at Okeechobee Blvd. and the Beeline Highway.
Railroads:	The Florida East Coast Railway lines pass through the City but there are currently no train stations.
Buses:	The local bus service (Palm Tran), owned and operated by the County, serves the City.
Airlines:	The City has easy access to the Palm Beach International Airport, administered by the Department of Airports, Palm Beach County. The airport is classified as a Port of Entry. Air transportation service is provided by all major national airlines, as well as a number of regional airlines.
Maritime Services:	The Port of Palm Beach, the 21st busiest port in the continental United States and the 4th largest container port in Florida, is located in the City. The port provides dockage and cargo facilities for ocean vessels.

Education

The Palm Beach County School District is the 5th largest in Florida and the 13th largest nationwide with approximately 170,000 students enrolled in 250 schools. The City is included as part of the County's School District. There are 4 public elementary schools, 1 public middle school and 1 public high school located in the City, with 4,102 students enrolled. There are also a number of private elementary and middle schools. Suncoast High School, a public high school located in the City, consistently ranks as one of the top public schools in the United States.

Higher education is offered by a number of nearby public and private schools, including Palm Beach State College, Florida Atlantic University, Nova Southeastern University, Keiser University and Palm Beach Atlantic University.

The Palm Beach County Public Library System and the Riviera Beach Public Library provide library services for residents in the City.

Medical

The City is served by several nearby hospitals. The Veteran's Administration Medical Center, a 236 bed facility, is located in the City.

Utilities

Public water supply and public sewer service are provided by the District. Electricity is provided by Florida Power and Light, and natural gas is provided by Florida Public Utilities.

Solid Waste

Solid waste collection is provided by Waste Management, Inc., pursuant to a franchise agreement that expires September 30, 2021. The Solid Waste Authority of Palm Beach County owns and operates five waste transfer stations, a resource recovery facility and a sanitary landfill which dispose of the solid waste generated in and by the City.

Financial Information

The following tables provide selected financial information about the City. For detailed information, see "APPENDIX C - Basic Financial Statements of the City for the Fiscal Year Ended September 30, 2015."

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Assessed Value and Estimated Actual Value of
Taxable Property Last Ten Fiscal Years

Fiscal Year Ended Sep 30	Tax Year	Taxable Value for Operating Millage: Real Property	Personal Property	Centrally Assessed	Total Property	Exemptions and Adjustments	Gross Assessed Value	Total Direct Tax Rate
2006	2005	$2,655,732,462	$285,383,378	$4,596,842	$2,945,712,682	$ 9,667,056	$2,936,045,626	9.0000
2007	2006	3,461,716,447	312,107,614	5,188,700	3,779,012,761	39,074,442	3,739,938,319	8.7500
2008	2007	3,665,329,272	335,919,182	5,306,193	4,006,554,647	9,017,535	3,997,537,112	8.4260
2009	2008	3,681,580,819	336,072,996	8,881,910	4,026,535,725	25,127,340	4,001,408,385	8.4260
2010	2009	3,351,772,451	308,308,269	8,804,706	3,668,885,426	78,132,343	3,590,753,083	8.4260
2011	2010	2,854,182,893	304,388,248	4,542,328	3,163,113,469	(7,147,834)	3,170,261,303	8.9980
2012	2011	3,437,386,175	302,134,311	4,855,627	3,744,376,113	720,587,888	3,023,788,225	8.9980
2013	2012	3,423,577,683	280,218,177	5,108,721	3,708,904,581	716,488,332	2,992,416,249	8.9980
2014	2013	3,826,250,140	301,145,150	4,657,362	4,132,052,652	750,387,922	3,381,664,730	8.9520
2015	2014	3,821,801,946	306,390,283	5,268,669	4,133,460,898	754,569,514	3,378,891,384	8.9520

Source: *DR-403 - Recapitulation of Ad Valorem Assessment Rolls*, Palm Beach County Property Appraiser's Office.

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Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended September 30	Tax Roll Year As of January 1	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy*		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2006	2005	$26,424,411	$25,499,975	96.50%	$ 31,145	$25,531,120	96.62%
2007	2006	32,724,460	31,502,034	96.26	116,235	31,618,269	96.62
2008	2007	33,759,229	32,406,580	95.99	151,798	32,558,378	96.44
2009	2008	33,927,590	32,332,320	95.30	512,816	32,845,136	96.81
2010	2009	30,999,758	27,715,818	89.41	387,193	28,103,011	90.66
2011	2010	28,461,695	28,257,434	99.28	351,497	28,608,931	100.52
2012	2011	27,217,043	25,871,229	95.06	243,621	26,114,850	95.95
2013	2012	27,020,224	25,713,920	95.17	406,352	26,120,272	96.67
2014	2013	27,693,990	27,257,403	98.42	736,387	27,993,790	101.08
2015	2014	28,901,318	29,304,127	101.39	213,593	29,517,720	102.13

Sources: (1) City of Riviera Beach, Finance and Administrative Services Department.
(2) Palm Beach County Property Appraiser's Office.

* Taxes collected during the Fiscal Year of the levy include legally available early payment discounts ranging from four percent (4%) to one percent (1%).

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Direct and Overlapping Governmental
Activities Debt - as of September 30, 2015

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable to City of Riviera Beach [1]	Amount Applicable to City of Riviera Beach
Direct Debt:			
City of Riviera Beach Direct Debt [2]	$ 135,492,849	100%	$135,492,849
Overlapping Debt:			
Debt Payable from Ad Valorem Taxes			
Palm Beach County School Board [3]	1,704,697,000	2.36	40,175,658
Palm Beach County [4]	869,958,538	2.42	21,045,138
Total Overlapping Debt[5]			**$ 61,220,796**
Total Direct and Overlapping Debt[5]			**$196,713,645**

Sources:
(1) City of Riviera Beach, Finance and Administrative Services Department.
(2) Palm Beach County School Board, Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2015.
(3) Palm Beach County, Office of Financial Management and Budget.
(4) Palm Beach County Property Appraiser's Office.

Notes:
(1) Estimated percentage applicable to the City of Riviera Beach is computed based on the ratio of Palm Beach County and Palm Beach County School Board's total taxable assessed value to that within the City of Riviera Beach.
(2) City of Riviera Beach's net outstanding debt includes revenue bonds and notes payable less Water and Sewer revenue bonds and obligations. Details of the debt are available in the City's notes to the financial statements for fiscal year ended September 30, 2015.
(3) Details regarding Palm Beach County School Board's outstanding debt are available in the School Board's notes to the financial statements for fiscal year ended June 30, 2015.
(4) Details regarding Palm Beach County's outstanding debt for fiscal year ended September 30, 2015 are available from Palm Beach County, Office of Financial Management and Budget.
(5) Overlapping government units are those with geographic areas that coincide, at least in part, with the geographic boundaries of the City of Riviera Beach.

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APPENDIX B

Consulting Engineers and Bond Feasibility Disclosure Report

APPENDIX C

Basic Financial Statements of the City

For the Fiscal Year Ended September 30, 2015

APPENDIX D

Form of the Resolution

APPENDIX E

Form of Opinion of Bond Counsel