

RESOLUTION NO. 89-189

A RESOLUTION AMENDING AND SUPPLEMENTING RESOLUTION NO. 89-84 OF THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, ADOPTED APRIL 25, 1989, ENTITLED: "RESOLUTION PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND ERECTION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE WATER DISTRIBUTION FACILITIES OF ST. JOHNS COUNTY, AND OF NEW SEWAGE COLLECTION AND TREATMENT FACILITIES TO BE OPERATED BY THE COUNTY IN COMBINATION WITH SUCH WATER FACILITIES AS A SINGLE WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE BY THE COUNTY OF NOT EXCEEDING \$10,000,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS, SERIES 1989A AND SERIES 1989B, TO FINANCE THE COST THEREOF AND THE COST OF REFUNDING THE COUNTY'S OUTSTANDING WATER REVENUE BONDS; PROVIDING FOR THE REFUNDING OF SAID OUTSTANDING BONDS; PLEDGING TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID SERIES 1989 BONDS CERTAIN PLEDGED FUNDS INCLUDING THE NET REVENUES OF SAID SYSTEM AND CERTAIN LAWFULLY AVAILABLE CONNECTION CHARGES, ALL MONEYS ON DEPOSIT IN AND INVESTMENTS HELD FOR THE CREDIT OF CERTAIN FUNDS CREATED HEREUNDER AND THE EARNINGS ON SUCH INVESTMENTS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID SERIES 1989 BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS WITH THE HOLDERS OF SAID SERIES 1989 BONDS; REPEALING THE COUNTY'S RESOLUTION NO. 88-241 AND RESOLUTION NO. 88-253; AND PROVIDING AN EFFECTIVE DATE;" FOR THE PURPOSE OF EFFECTING CERTAIN AMENDMENTS THEREOF TO IMPROVE THE MARKETABILITY OF THE BONDS; PROVIDING AUTHORITY FOR THE ISSUANCE OF AN ADDITIONAL \$430,000 PRINCIPAL AMOUNT OF THE BONDS; RATIFYING THE COUNTY'S ACCEPTANCE OF THE INSURER'S COMMITMENT AND MAKING CERTAIN COVENANTS FOR THE BENEFIT OF THE INSURER; FIXING THE DATE, MATURITIES, INTEREST RATES AND REDEMPTION PROVISIONS FOR THE BONDS; ACCEPTING THE DISCLOSURE STATEMENT OF THE BOND PURCHASERS AND AUTHORIZING A NEGOTIATED SALE OF THE BONDS AND THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT WITH RESPECT TO THE BONDS; APPROVING A PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO THE BONDS AND AUTHORIZING A FINAL OFFICIAL STATEMENT WITH RESPECT THERETO; APPOINTING THE REGISTRAR AND PAYING AGENT FOR THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT BETWEEN THE COUNTY AND THE ESCROW HOLDER; APPOINTING THE ESCROW HOLDER UNDER SAID ESCROW DEPOSIT AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, as follows:

SECTION 1. DEFINITIONS. The terms used in this resolution shall have the respective meanings assigned to them in the Original Instrument (as amended hereby) and in this Section, unless the text hereof clearly otherwise requires:

"Board" shall mean the Board of County Commissioners of the Issuer.

"Bond Counsel" shall mean Foley & Lardner, Jacksonville, Florida, bond counsel to the Issuer with respect to the issuance of the Series 1989 Bonds.

"Escrow Deposit Agreement" means the Escrow Deposit Agreement attached hereto as Exhibit D.

"Escrow Holder" means the Escrow Holder appointed pursuant to Section 10 of this resolution.

"Original Instrument" shall mean Resolution No. 89-84 adopted by the Board on April 25, 1989, the title of which is quoted in the title of this resolution.

"Preliminary Official Statement" shall mean the preliminary official statement relating to the Series 1989 Bonds attached hereto as Exhibit A.

"Purchase Contract" shall mean the Bond Purchase Agreement attached hereto as Exhibit B.

"Purchasers" shall mean William R. Hough & Co. and Smith Barney, Harris Upham and Co. Incorporated, the purchasers of the Series 1989 Bonds.

SECTION 2. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

SECTION 3. FINDINGS. It is hereby found and determined that:

(A) On April 25, 1989, the Board duly adopted the Original Instrument for the purpose of authorizing the refunding of the Refunded Obligations and the acquisition and construction of the Initial Project and the issuance of the Series 1989 Bonds to pay a part of the cost thereof.

(B) The aggregate principal amount of the Series 1989 Bonds to be issued has been determined to be \$10,430,000, and it is in the best interest of the Issuer that the issuance of an additional \$430,000 principal amount of the Series 1989 Bonds be authorized.

(C) It is necessary to make the amendments to the Original Instrument hereinafter stated in order to comply with certain conditions of the commitment of the Insurer hereinafter mentioned and to improve the marketability of the Series 1989 Bonds and, accordingly, it is in the best financial interest of the Issuer that such amendments be accomplished as herein provided.

(D) The Issuer has received from Financial Guaranty Insurance Company (the "Insurer") a commitment to provide a policy of municipal bond insurance with respect to the Series 1989 Bonds, a copy of which is attached hereto as Exhibit C, the Issuer has accepted said commitment, and it is now appropriate that such acceptance be approved, ratified and confirmed and that certain covenants be made for the benefit of the Insurer.

(E) It is necessary, appropriate and in accordance with Sections 2.01 and 2.02 of the Original Instrument that the Board adopt this supplemental resolution at this time in order to fix the date of the Series 1989 Bonds and their maturity dates, interest rates, redemption provisions and other terms, preparatory to the sale thereof to the Purchasers as herein authorized and provided.

(F) The Board is advised that due to the present volatility of the market for tax-exempt public obligations such as the Series 1989 Bonds, it is in the best interest of the Issuer to sell the Series 1989 Bonds by a negotiated sale, allowing the Issuer to enter such market at the most advantageous time, rather than at a specified advertised future date, thereby permitting the Issuer to obtain the best possible price, interest rate and other terms for the Series 1989 Bonds and, accordingly, the Board does hereby find and determine that it is in the best financial interest of the Issuer that a negotiated sale of the Series 1989 Bonds be authorized. The Purchasers have offered to purchase the Series 1989 Bonds and have submitted to the Issuer the Purchase Contract expressing the terms of such offer; and the Board does hereby find and determine that it is in the best financial interest of the Issuer that the terms expressed in the Purchase Contract be accepted by the Issuer and that the Chairman and the Clerk be authorized to execute its acceptance on the Purchase Contract.

(G) It is appropriate that the Issuer approve, ratify and confirm the distribution of a preliminary official statement for the purpose of acquainting potential investors with pertinent

information with respect to the Issuer and the Series 1989 Bonds and that the Issuer authorize the distribution of a final official statement contemporaneously with the issuance and delivery of the Series 1989 Bonds. For this purpose, it is appropriate that the distribution of the Preliminary Official Statement be approved, ratified and confirmed and that preparation and distribution of a final official statement be authorized in substantially the form of the Preliminary Official Statement, the final form thereof to be approved by the Chairman or the Vice Chairman at any time at or prior to the issuance of the Series 1989 Bonds.

(H) It is necessary and appropriate that the Issuer appoint a registrar and a paying agent for the Series 1989 Bonds, and the institution hereinafter named is acceptable to the Issuer; and it appears to the Board that the same is qualified to serve as Registrar and Paying Agent for the Series 1989 Bonds in accordance with the terms of the Original Instrument.

(I) In order to carry out the refunding described in the Original Instrument, it is necessary and appropriate that the Issuer authorize the execution and delivery of the Escrow Deposit Agreement between the Issuer and the Escrow Holder.

(J) It is necessary and appropriate that the Issuer appoint an escrow holder to serve as such under the Escrow Deposit Agreement, and the institution hereinafter named as acceptable to the Issuer; and it appears to the Board that the same is qualified to serve as Escrow Holder under the Escrow Deposit Agreement in accordance with the terms of the Escrow Deposit Agreement.

SECTION 2. AMENDMENTS. The Original Instrument is hereby amended in each of the following respects:

(A) The definition of "Act" contained in Section 1.01 thereof is hereby amended to read as follows, and all references to "Chapter 159, Part I, Florida Statutes, as amended," contained therein are hereby amended to read "St. Johns County Ordinance No. 86-89":

"'Act' shall mean Chapter 125, Part I, Florida Statutes, as amended, St. Johns County Ordinance No. 86-89 and other applicable provisions of law."

(B) Paragraph (3) of the definition of "Authorized Investments" contained in Section 1.01 thereof is hereby amended to read as follows:

"(3) Certificates of deposit properly secured at all times by collateral security described in either or both of paragraphs (1) and (2) of this definition or in the collateral provisions of Chapter 280, Florida Statutes,

as amended, and issued by commercial banks, savings and loan associations or mutual savings banks chartered by the State or the United States of America, and bank trust receipts issued by commercial banks or trust companies chartered by the State or the United States of America upon any securities described in paragraph (1) of this definition."

(C) The definition of "Reserve Account Requirement" contained in Section 1.01 thereof is hereby amended to read as follows:

"'Reserve Account Requirement' shall mean, as of any date of calculation, an amount of money equal to the lesser of (1) the Maximum Debt Service Requirement, (2) 125% of the average annual Debt Service Requirement, or (3) 10% of the initial proceeds of all Bonds. In computing the Reserve Account Requirement, the interest rate on Variable Rate Bonds shall be assumed to be 9.20% per annum."

(D) The definition of "Series 1989 Bonds" contained in Section 1.01 thereof is hereby amended to read as follows:

"'Series 1989 Bonds' shall mean the Issuer's Water and Sewer Revenue Bonds, Series 1989, authorized pursuant to Section 2.02 hereof."

(E) The definitions of "Series 1989A Bonds" and Series 1989B Bonds" contained in Section 1.01 thereof are hereby stricken, all references to "Series 1989A Bonds" and "Series 1989B Bonds" contained therein are hereby amended to read "Series 1989 Bonds," and all references to "Series 1989A" and "Series 1989B" contained therein are hereby amended to read "Series 1989."

(F) Section 1.04(D) thereof is hereby stricken and Sections 1.04(E), (F) and (G) thereof are hereby redesignated as Sections 1.04(D), (E) and (F), respectively.

(G) Article I thereof is hereby amended by adding thereto as Section 1.06 thereof the following:

"SECTION 1.06. Refunding Authorized. The refunding of the Refunded Bonds in the manner herein provided is hereby authorized."

(H) The first and second paragraphs of Section 2.02 thereof are hereby stricken and the following is hereby inserted in lieu thereof:

"A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized to be issued by the Issuer in an aggregate principal amount not to exceed \$10,430,000 for the principal purposes of financing a part of the cost of refunding the Refunded Bonds and acquiring and constructing the Initial Project, funding the Reserve Account and paying a part of the costs of issuance incurred with respect to such Series. Such Series shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, 'St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1989.'"

(I) Section 2.08 thereof is hereby amended by adding thereto as the final paragraph thereof the following paragraph:

"Upon the occurrence of an Event of Default which would require Financial Guaranty, as defined in Section 5.16 hereof, to make payments under its Bond Insurance Policy, Financial Guaranty and its designated agent shall be provided with access to the registration books of the Issuer."

(J) The third paragraph of Section 3.03 thereof is hereby amended to read as follows:

"Prior to any redemption date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of and accrued interest on all the Bonds or portions of Bonds which are to be redeemed on that date; provided, however, that redemption of Bonds, other than mandatory sinking fund redemptions and other than pursuant to the application of refunding bond proceeds, shall be made only from and to the extent of funds on deposit with the Paying Agent, or other paying agent with respect to such Bonds, and available for such purpose on the date the official notice of redemption is mailed."

(K) The second sentence of Section 4.06(A)(2) thereof is hereby amended to read as follows:

"The moneys on deposit in the Debt Service Fund shall be applied by the Issuer in the manner provided herein solely for the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds, for the funding of the Reserve Account and for the purchase of, and reinstatement of the maximum limits

of, any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, and shall not be available for any other purpose."

(L) Section 4.06(A)(2)(d) thereof is hereby amended by adding thereto as the final paragraph thereof the following paragraph:

"Prior to deposit in the Reserve Account, any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall be approved in writing by any Insurer or Credit Bank and shall conform to such additional or different restrictions as such Insurer or Credit Bank shall reasonably require."

(M) Section 4.06(A)(3) thereof and Section 4.06(A)(4) thereof are hereby redesignated and reordered accordingly as Section 4.06(A)(4) thereof and Section 4.06(A)(3) thereof, respectively.

(N) Section 4.07 thereof is hereby amended to read as follows:

"SECTION 4.07. Rebate Fund. Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States Treasury (except to the extent the same may be transferred to the Revenue Fund) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. The Issuer agrees to undertake all actions required of it in its arbitrage certificate, relating to the Bonds, and other instructions from Bond Counsel, delivered in connection with or subsequent to the issuance of the Bonds, including, but not limited to:

"(A) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Fund;

"(B) depositing from moneys in the Revenue Fund or from other moneys of the Issuer derived from sources other than ad valorem taxation and legally available for such purpose the amount determined in clause (A) above into the Rebate Fund;

"(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Fund and any other legally available moneys of the Issuer derived from sources other than ad valorem taxation such

amounts as shall be required by the Code to be rebated to the United States Treasury; and

"(D) keeping such records of the determinations made pursuant to this Section 4.07 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds of the Series of which such accounts were created.

"The provisions of the above-described instructions of Bond Counsel may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

"Public Financial Management, Inc., Philadelphia, Pennsylvania, is hereby appointed to serve as rebate administrator hereunder with respect to every Series of the Bonds until the Issuer shall by resolution appoint as successor rebate administrator any Bond Counsel or any certified public accountant, bank or trust company, or other agent of the Issuer who shall be qualified to assure compliance by the Issuer with the requirements of this section. The rebate administrator is hereby authorized to hire counsel, accountants, and other experts which the rebate administrator may, in its sole discretion, determine advisable for the purpose of obtaining the required calculations of the rebate amounts and determinations as to the due dates for the rebate thereof and other matters necessary for compliance with Section 148(f) of the Code as the same relates to the Bonds. The rebate administrator will not be liable for any loss occasioned by its reliance upon the instructions of such experts or upon the Issuer's certification of the amounts earned on nonpurpose investments, as such term is defined in Section 148(b)(2) of the Code, in which gross proceeds of the Bonds shall be invested. The duties and responsibilities of the rebate administrator may be performed by more than one Person."

(O) The second paragraph of Section 4.08 thereof is hereby stricken and the following is hereby inserted in lieu thereof:

"Any and all income received by the Issuer from the investment of moneys in the Construction Fund, in the Rebate Fund, in the Revenue Fund and in the Reserve Account in the Debt Service Fund (to the extent the amount therein is less than the Reserve Account Requirement) shall be retained in such respective fund or account unless otherwise required by applicable law.

"Any and all income received by the Issuer from the investment of moneys in the Interest Account, the Principal Account and the Bond Amortization Account in the Debt Service Fund, in the Current Account and in the Stabilization Account in the Connection Charges Fund, in the Operation and Maintenance Fund and in the Renewal and Replacement Fund shall be deposited in the Revenue Fund."

(P) Section 5.02(E)(2) thereof is hereby amended to read as follows:

"(2) In the event the Issuer shall have completed additions, extensions or improvements to the System prior to the issuance of the proposed Additional Bonds but not prior to the beginning of such twelve consecutive months and/or shall be constructing or acquiring additions, extensions or improvements to the System to be financed wholly or in part from the proceeds of such Additional Bonds or from any other source, from which Project or Projects the Issuer expects to derive revenues within three (3) years after issuance of such Additional Bonds, such Net Revenues may be adjusted by adding thereto the net revenues estimated by the Consulting Engineers to be derived from existing residential and business development during the first twelve (12) months of operation of such Project after completion of the construction or acquisition thereof."

(Q) Section 5.02(E)(4) thereof is hereby amended to read as follows:

"(4) In the event the Issuer shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues and such Connection Charges may be adjusted by adding thereto the Net Revenues and the Connection Charges (in an amount not exceeding the Connection Charges Debt Service Component for the proposed Additional Bonds for the first Bond Year commencing after completion of the construction or acquisition of said additions, extensions and improvements) estimated by the Consulting Engineers to be derived during the first twelve (12) months of operation after completion of the construction or acquisition of said additions, extensions and improvements from existing residential and business users of the facilities to be

financed by Additional Bonds together with other funds on hand or lawfully obtained for such purpose."

(R) Article V thereof is hereby amended by adding thereto as Section 5.16 thereof the following:

"SECTION 5.16. Financial Guaranty as Insurer. Notwithstanding any provisions to the contrary contained herein, the following provisions shall apply so long as the Bond Insurance Policy issued by Financial Guaranty, as hereinafter defined, shall be in full force and effect:

"(A) Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto ("Financial Guaranty"), shall be deemed the Insurer of the Series 1989 Bonds.

"(B) The notice address for Financial Guaranty shall be: Financial Guaranty Insurance Company, 175 Water Street, New York, New York 10038, Attention: President.

"(C) Financial Guaranty shall be provided with the Annual Budget pursuant to Section 5.06 hereof, the Annual Audit pursuant to Section 5.09 hereof and in addition Financial Guaranty shall be provided with the following information:

- (1) Official statements, if any, prepared in connection with the issuance of additional debt, whether or not such debt is on a parity with the Bonds within 30 days of the sale thereof;
- (2) Notice of any draw upon or deficiency due to market fluctuation in the Reserve Account;
- (3) Notice of the redemption, other than mandatory sinking fund redemption, of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (4) On an annual basis commencing October 1, 1989:
 - (a) The number of System users as of the end of the Fiscal Year;
 - (b) Notification of the withdrawal of any major System users (defined as a user comprising 4% or more of System sales

measured in terms of revenue dollars)
since the last reporting date;

(c) Since the last reporting date any significant plant retirements or expansions planned or undertaken; and

(5) Such additional information as Financial Guaranty may reasonably request from time to time.

"(D) For the purposes of Article VI hereof, Financial Guaranty shall be deemed the sole Holder of Bonds insured by Financial Guaranty, and the prior written consent of Financial Guaranty shall be required for any waiver of an Event of Default.

"(E) For the purposes of Section 8.01 hereof, only cash or Federal Securities shall be used to accomplish defeasance of the Bonds, provided, however, that Pre-refunded Obligations may be used with the prior written consent of Financial Guaranty, and in the event of an advance refunding, there shall be provided a verification report of an independent nationally recognized certified public accounting firm."

(S) Section 6.01(A) thereof is hereby amended to read as follows:

"(A) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due by the Issuer."

(T) The first sentence of the second paragraph of Section 8.01 thereof is hereby amended to read as follows:

"Except as otherwise provided in Section 5.16 hereof, any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 8.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or

trust company at the same time shall be sufficient, to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be."

SECTION 3. ACCEPTANCE OF INSURANCE COMMITMENT. The Issuer's acceptance of the Insurer's commitment to provide a policy of municipal bond insurance with respect to the Series 1989 Bonds is hereby approved, ratified and confirmed.

SECTION 4. SPECIFICATIONS. The Series 1989 Bonds shall be dated as of August 1, 1989, shall be in denominations of \$5,000 or integral multiples thereof, and shall bear interest at such rates, payable on such dates, mature on such dates, be redeemable prior to maturity upon such terms and conditions and have such other terms as are set forth in the Purchase Contract.

SECTION 5. SALE OF THE SERIES 1989 BONDS; AUTHORIZATION OF EXECUTION OF PURCHASE CONTRACT. The Purchasers having filed with the Board the disclosure statement required by Section 218.385(4), Florida Statutes, as amended, a copy of which is attached hereto as an exhibit to the Purchase Contract, the Series 1989 Bonds are hereby sold and awarded to the Purchasers at the price and on such other terms and conditions as are stated in the Purchase Contract. The Chairman and the Clerk are hereby authorized to execute the Issuer's acceptance of the Purchase Contract, and said officers and the other officers, agents and employees of the Issuer are hereby authorized and directed to conclude the issuance and delivery of the Series 1989 Bonds in accordance with the provisions of the Purchase Contract.

SECTION 6. APPROVAL OF PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZATION OF FINAL OFFICIAL STATEMENT. The execution and delivery of the Preliminary Official Statement to the Purchasers and the distribution thereof by the Purchasers is hereby approved, ratified and confirmed, and a final official statement in substantially the form of the Preliminary Official Statement, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or the Vice Chairman prior to the release thereof, is hereby authorized to be delivered by the Issuer to the Purchasers for distribution contemporaneously with the issuance and delivery of the Series 1989 Bonds. The Chairman or the Vice Chairman is hereby authorized to evidence the Issuer's approval of the final official statement by his endorsement thereof upon one or more copies, and approval of all such omissions, insertions and variations may be presumed from such endorsement upon any copy of such final official statement. Bond Counsel is hereby directed to furnish to the Division of Bond Finance of the Department of General Services of the State of Florida a copy of the final official statement, a notice of the

impending sale of the Series 1989 Bonds and the other information required by Section 218.38, Florida Statutes, as amended, within the appropriate time periods specified by such section.

SECTION 7. REGISTRAR AND PAYING AGENT. Barnett Banks Trust Company, N.A., a national banking association, Jacksonville, Florida, is hereby appointed as Registrar and Paying Agent under the Original Instrument, to serve as Registrar and Paying Agent for the Series 1989 Bonds; and the Chairman or the Vice Chairman and the Clerk are hereby authorized to execute and deliver on behalf of the Issuer a registrar and paying agency agreement in a form which shall be approved by the Issuer's attorney.

SECTION 8. AUTHORIZATION OF EXECUTION AND DELIVERY OF ESCROW DEPOSIT AGREEMENT. The Chairman or the Vice Chairman and the Clerk are hereby authorized to execute and deliver the Escrow Deposit Agreement in favor of the Escrow Holder, with such omission, insertions and variations as may be necessary and/or desirable and approved by the Chairman or the Vice Chairman and the Clerk prior to the delivery thereof, such necessity and/or desirability and approval by the Chairman or the Vice Chairman and the Clerk to be presumed by their execution and delivery thereof.

SECTION 9. ESCROW HOLDER. First Florida Bank, N.A., a national banking association, Tampa, Florida is hereby appointed to serve as Escrow Holder under the Escrow Deposit Agreement.

SECTION 10. AUTHORIZATION OF EXECUTION OF OTHER CERTIFICATES AND OTHER INSTRUMENTS. The Chairman, the Vice Chairman and the Clerk are hereby authorized and directed, either alone or jointly, under the official seal of the Issuer, to execute and deliver certificates of the Issuer certifying such facts as the Issuer's attorney, counsel to the Purchasers or Bond Counsel shall require in connection with the issuance, sale and delivery of the Series 1989 Bonds, and to execute and deliver such other instruments as shall be necessary or desirable to perform the Issuer's obligations under this resolution, the Original Instrument and the Purchase Contract and to consummate the transactions contemplated hereby and thereby.

SECTION 11. ORIGINAL INSTRUMENT IN FULL FORCE AND EFFECT. Except as hereby amended and supplemented, the Original Instrument shall remain in full force and effect.

SECTION 12. REPEALING CLAUSE. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 13. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this ninth day of August, 1989.

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA

Henry Waldron
Its Chairman

(OFFICIAL SEAL)

ATTEST:

Carl "Bud" Markel
Its Clerk

I, Carl "Bud" Markel, Clerk of the Board of County Commissioners of of St. Johns County, Florida, hereby certify that the foregoing is a true and correct copy of Resolution No. 89-189 of said County passed and adopted on August 9, 1989.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said County this ninth day of August, 1989.

Carl "Bud" Markel
Clerk of the Board of County
Commissioners of St. Johns
County, Florida

(OFFICIAL SEAL)

TB17RS1

NEW ISSUE

**Ratings: Moody's:
Standard & Poor's:
(Financial Guaranty Insured)
See "Ratings" herein**

In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants in the Resolution described herein, interest on the Series 1989 Bonds is excluded from gross income for federal income tax purposes, and the Series 1989 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined in Chapter 220, Florida Statutes, as amended. See, however, "TAX MATTERS" herein for a description of certain federal minimum and other special taxes that may affect the tax treatment of interest on the Series 1989 Bonds.

\$9,300,000*
St. Johns County, Florida
Water and Sewer Revenue Bonds
Series 1989

Dated: August 1, 1989

Due: June 1, as shown below

The Water and Sewer Revenue Bonds, Series 1989 (the "Series 1989 Bonds") are being issued by St. Johns County, Florida (the "County") as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Interest (first payment due December 1, 1989 and semiannually on each June 1 and December 1, thereafter) will be payable by check or draft of Barnett Banks Trust Company, N.A., Jacksonville, Florida, as Registrar and Paying Agent, made out and mailed to the registered owner, as shown on the registration books of the County maintained by the Registrar on the fifteenth day of the month prior to each interest payment date. Principal of the Series 1989 Bonds is payable to the registered owner upon presentation, when due, at the principal corporate trust office of Barnett Banks Trust Company, N.A., Jacksonville, Florida. First Florida Bank, N.A., Tampa, Florida, will act as Escrow Agent for the Refunded Bonds, as defined herein.

The Series 1989 Bonds are subject to redemption prior to their stated maturities as described herein.

The Series 1989 Bonds are being issued (i) to acquire, construct and erect additions, extensions and improvements to the water distribution facilities of the County, (ii) to establish new wastewater collection and treatment facilities to be operated in combination with the water facilities as a single water and sewer system (the "System"), (iii) to finance a portion of the cost of refunding the Refunded Bonds, (iv) to fund a portion of the Reserve Account, and (v) to pay a portion of the costs of issuance incurred with respect to the Series 1989 Bonds.

The Series 1989 Bonds are payable solely from and secured by a lien upon and pledge of the Pledged Funds, as herein defined, including the net revenues to be derived from the operation of the System and certain lawfully available connection charges, all as more specifically described herein. Neither the full faith and credit, nor the taxing power of the County is pledged for the payment of the Series 1989 Bonds. The Series 1989 Bonds shall not constitute a lien upon said water and sewer system or any other property of the County, nor shall they constitute an indebtedness of the County within the meaning of any constitutional or statutory provision or limitation.

The payment of the principal of and interest on the Series 1989 Bonds will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Series 1989 Bonds.



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES OF YIELDS*

<u>Maturity</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1990	\$ 20,000			1998	\$410,000		
1991	25,000			1999	440,000		
1992	285,000			2000	465,000		
1993	300,000			2001	500,000		
1994	320,000			2002	535,000		
1995	340,000			2003	570,000		
1996	360,000			2004	610,000		
1997	385,000						

\$3,735,000 ____% **Term Bonds Due June 1, 2009** — Price ____%
(Plus Accrued Interest)

The Series 1989 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to legality by Foley & Lardner, Jacksonville, Florida, Bond Counsel. Certain legal matters will be passed on for the County by James G. Sisco, Esquire, St. Augustine, Florida, Attorney for the County. Certain legal matters will be passed upon for the Underwriters by their counsel, Roberts, Baggett, LaFace & Richard, P.A., Tallahassee, Florida. It is expected that the Series 1989 Bonds in definitive form will be available for delivery in New York, New York on or about August 24, 1989.

William R. Hough & Co.

Smith Barney, Harris Upham & Co.
Incorporated

August , 1989

*Preliminary, subject to change

EXHIBIT A

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

**ST. JOHNS COUNTY, FLORIDA
MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS**

**Harry Waldron, Chairman
Craig Maguire, Vice Chairman
Sarah W. Bailey
Francis N. Brubaker
Donald Herold**

COUNTY ADMINISTRATOR

R. Daniel Castle

COUNTY CLERK

Carl "Bud" Markel

COUNTY FINANCE DIRECTOR

Henry Hendrix

DIRECTOR OF UTILITIES

Bobby Jones

ATTORNEY FOR THE COUNTY

James G. Sisco, Esquire

CONSULTING ENGINEERS

**Hart Engineers, Inc.
Jacksonville, Florida**

BOND COUNSEL

**Foley & Lardner
Jacksonville, Florida**

FINANCIAL ADVISOR

**Public Financial Management, Inc.
Fort Myers, Florida**

No dealer, broker, account executive, salesman or other person has been authorized to make any representations or to give any information, 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 the County. 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 1989 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 by the Underwriters, is believed to be correct. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact, and the County expressly makes 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 made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof, or any earlier date as of which such information is given.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1989 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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SUMMARY STATEMENT

Terms not specifically defined herein shall have the meanings given such terms in the Resolution, a copy of which is attached hereto as Appendix D.

The County - St. Johns County is located directly south of Duval County, Florida and is bordered on the west by the St. Johns River, on the south by Flagler County and on the east by the Atlantic Ocean. Its 1988 estimated population is 80,278. Further information concerning St. Johns County is located in Appendix B of this Official Statement.

The Series 1989 Bonds - The Series 1989 Bonds are being issued in fully registered form in denominations of \$5,000 or integral multiples thereof. Interest on the Series 1989 Bonds is payable by check or draft mailed to the registered owners thereof. Principal and premium, if any, shall be paid to each registered owner of the Series 1989 Bonds upon presentation when due at the principal corporate trust office of the Registrar.

The Purpose of the Series 1989 Bonds - The Series 1989 Bonds are being issued to acquire, construct and erect additions, extensions and improvements to the water distribution facilities of the County, to establish new wastewater collection and treatment facilities to be operated in combination with such water facilities as a single water and sewer system, to finance a portion of the cost of the Refunded Bonds, to fund a portion of the Reserve Account and to pay a portion of the costs of issuance incurred.

Security for the Series 1989 Bonds - The Series 1989 Bonds are payable solely from and secured by a lien upon and a pledge of the Pledged Funds in accordance with the provisions of the Resolution.

Financial Information - The following table shows historical and projected revenues, expenses and debt service for the water and sewer system. Projections of revenue and expenses are derived from the Consulting Engineers' Report included herein as Appendix A.

	Fiscal Years Ended September 30										
	(000's omitted)										
	Historical				Projected(1)						
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Gross Revenues	\$ 578	919	843	772	888	1,223	1,078	2,049	2,190	2,349	2,524
Operating Expenses(2)	238	328	307	355	398	481	864	942	1,029	1,118	1,216
Net Operating Revenues	340	591	536	417	490	742	1,014	1,107	1,161	1,231	1,308
Other Income(3)	19	35	62	111	110	110	110	110	110	110	110
Total Net Revenues	\$ 359	626	598	529	600	852	1,124	1,217	1,271	1,341	1,418
Fledged Unit Connection Fees(4)	—	—	—	—	—	296	343	377	410	365	394
Total Net Revenues and Unit Connection Fees	\$ 359	626	598	529	600	1,148	1,467	1,594	1,681	1,706	1,812
Annual Debt Service 1981 Issue(5)	\$ 142	144	144	143	144						
1989 Issue(6)	—	—	—	—	55	658	908	908	911	912	912
Total Debt Service	\$ 142	144	144	143	199	658	908	908	911	912	912
Debt Service Coverage Net Revenues	2.527	4.360	4.147	3.700	3.011	1.294	1.238	1.341	1.396	1.470	1.554
Debt Service Coverage Net Revenues and Fledged Unit Connection Fees						1.744	1.615	1.756	1.846	1.870	1.986

(1) Reflects rate increase effective June 15, 1989.

(2) Does not include depreciation.

(3) Entries are actual for Fiscal Years 1985-1988, all interest bearing accounts. Projections for Fiscal Years 1989 and subsequently are Consulting Engineers' estimates and exclude interest earnings on construction accounts.

(4) Amounts are lesser of total projected unit connection fees revenue (Fiscal Years 1990 and 1993) or expansion percentage applied to total annual debt service (Fiscal Years 1991, 1992, 1994 and 1995).

(5) Full scheduled payment for Fiscal Year 1989. Series 1981 Bonds being refunded by the Series 1989 Bonds.

(6) Interest only for Fiscal Year 1989. Debt service based on information provided by the Financial Advisor to the Consulting Engineers.

NOTE: Totals might not add due to rounding.

Municipal Bond Insurance - The County has received a commitment from Financial Guaranty Insurance Company to issue, effective as of the date on which the Series 1989 Bonds are issued, a policy of insurance insuring the payment, when due, of the principal of and interest on the Series 1989 Bonds as more fully described in this Official Statement.

OFFICIAL STATEMENT
Relating To

\$9,300,000*
St. Johns County, Florida
Water and Sewer Revenue Bonds
Series 1989

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the summary statement and the appendices, is to furnish information with respect to the sale of \$9,300,000* aggregate principal amount of Water and Sewer Revenue Bonds, Series 1989, (the "Series 1989 Bonds") of St. Johns County, Florida (the "County").

The Series 1989 Bonds are issued pursuant to and under the authority of Chapter 125, Part I, Florida Statutes, as amended, Chapter 159, Part I, Florida Statutes, as amended, and other applicable provisions of law (collectively the "Act") and resolution 89-84 of the County duly adopted by the Board of County Commissioners of St. Johns County (the "Board") on the 25th day of April, 1989, as amended and supplemented (the "Resolution"). The Resolution is attached as Appendix D.

The Series 1989 Bonds are being issued (i) to acquire, construct and erect additions, extensions and improvements to the water distribution facilities of the County, (ii) to establish new wastewater collection and treatment facilities to be operated in combination with the water facilities (the "System"), (iii) to finance a portion of the cost of refunding the County's Water Revenue Bonds, dated June 15, 1981 of which \$2,267,000 are presently outstanding (the "Refunded Bonds"), (iv) to fund a portion of the Reserve Account and (v) to pay a portion of the costs of issuance with respect to the Series 1989 Bonds.

For a complete description of the terms and conditions of the Series 1989 Bonds, reference is made to the Resolution. All terms defined in the Resolution shall have the same meanings in this Official Statement unless indicated to the contrary or the context expressly requires otherwise. All information included herein has been provided by the County except where attributed to other sources. The description of the Series 1989 Bonds and the documents authorizing and securing the same and the information from and summaries of all reports, statutes, and documents not contained in this Official Statement and other instruments referred to herein, do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each. Copies of documents not contained in this Official Statement, and further information which may

*Preliminary, subject to change

be desired, may be obtained from the County's Finance Director, Mr. Henry Hendrix, St. Johns County Administration Building, St. Augustine, Florida 32085, telephone (904) 824-8131 or from Public Financial Management, Inc., 5900 Enterprise Parkway, Fort Myers, Florida 33905, telephone (813) 693-7117.

The County has received a commitment from Financial Guaranty Insurance Company to issue, effective as of the date on which the Series 1989 Bonds are issued, a policy of insurance insuring the payment, when due, of the principal and interest on the Series 1989 Bonds. See "MUNICIPAL BOND INSURANCE."

DESCRIPTION OF THE SERIES 1989 BONDS

General

The Series 1989 Bonds shall be dated August 1, 1989 and are being issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Interest on the Series 1989 Bonds (first payment due December 1, 1989 and semiannually on each June 1 and December 1 thereafter) will be payable by check or draft of Barnett Banks Trust Company, N.A., Jacksonville, Florida, as Registrar ("Registrar") and Paying Agent ("Paying Agent"), made out and mailed to the address of the registered owner, as shown on the registration books of the Registrar on the fifteenth day of the month prior to each interest payment date (the "Record Date"). Interest on the Series 1989 Bonds shall be calculated on a 360-day year. The principal of and premium, if any, on the Series 1989 Bonds is payable to the registered owner upon presentation, when due, at the principal corporate trust office of Barnett Banks Trust Company, N.A., Jacksonville, Florida. First Florida Bank, N.A., Tampa, Florida shall act as escrow agent for the Refunded Bonds (the "Escrow Agent").

Optional Redemption

The Series 1989 Bonds maturing on June 1, _____ through June 1, ___ shall not be redeemable prior to their stated dates of maturity. The Series 1989 Bonds maturing on or after June 1, _____ are redeemable, at the option of the County, in part, in such manner as the Registrar shall deem fair and appropriate, within a maturity if less than an entire maturity is to be redeemed, on June 1, _____, or on any June 1 or December 1 thereafter, or as a whole on June 1, _____ or at any time thereafter, at the following redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

<u>Redemption Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
June 1, _____ to May 31, _____	
June 1, _____ to May 31, _____	
June 1, _____ and thereafter	

Mandatory Redemption

The Series 1989 Bonds maturing on June 1, _____ will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June 1, _____ and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amounts</u>
-------------	--------------------------

Notice of Redemption

Notice of redemption of the Series 1989 Bonds shall be mailed, postage prepaid, by registered or certified mail by the Registrar not less than 30 days nor more than 60 days before the date fixed for redemption to the registered owners of any Series 1989 Bonds or portions of Series 1989 Bonds which are to be redeemed, at their addresses as they appear on the registration books kept by the Registrar. Failure of the registered owner of any Series 1989 Bonds which are to be redeemed to receive any such notice shall not affect the validity of the proceedings for the redemption of Series 1989 Bonds for which proper notice has been given. Interest shall cease to accrue on any of the Series 1989 Bonds duly called for prior redemption if payment of the redemption price has been duly made or provided for.

SECURITY FOR THE SERIES 1989 BONDS

Pledged Funds

The Series 1989 Bonds will be payable solely from and secured by a lien upon and a pledge of the Pledged Funds. Pledged Funds include the Net Revenues of the System (i.e., all income and moneys received by the County from the fees and charges made and collected by the County for the use of the services or facilities of the System, less Operating Expenses), any Connection Charges (i.e. "water unit connection fees," "sewer unit connection fees," impact fees, capital expansion fees, utility improvement fees or other similar fees and charges, separately imposed from time to time upon new customers of the System as a nonuser capacity charge for a proportionate share of the cost of the acquisition or construction of Expansion Facilities, but only to the extent that any such fee or charge has been lawfully levied and collected by the County and may under applicable law be used for the acquisition or construction of the Expansion Facilities or for Collection Charges Debt Service Components) on deposit in the Current Account of the Correction Charges Fund and, until applied in accordance with the provisions of the Resolution, the proceeds of the Series 1989 Bonds and all moneys, including investments thereof, in the Revenue Fund and the Debt Service Fund. The System consists of the complete water facilities now owned, operated and maintained by the County, the Initial Project, every Additional Project and any and all other water and

sewer facilities hereafter acquired and operated by the County and declared by the Board to be a part of the System, including any and all improvements, extensions and additions to the foregoing constructed or acquired, together with all property now or hereafter owned or used in connection therewith.

The County is not obligated to pay the Series 1989 Bonds or the interest thereon except from the Pledged Funds and neither the faith and credit, nor the taxing power of the County is pledged for the payment of the Series 1989 Bonds. The Series 1989 Bonds shall not constitute a lien upon the System or any other property of the County, nor shall they constitute an indebtedness of the County within the meaning of any constitutional or statutory provision or limitation.

Construction Fund

Moneys in the Construction Fund, until applied in payment of any item of the Cost of the Project, shall be held in trust by the County and subject to a lien and charge in favor of the Holders of the Series 1989 Bonds and for the further security of each Holder.

Covenants of the County

So long as any of the principal of, premium, if any, or interest on any of the Series 1989 Bonds remains outstanding and unpaid, as described in the Resolution, the County covenants as follows:

(a) Rates and Connection Charges. The County covenants that it will fix, establish, maintain and collect Rates and revise the same effective at the beginning of each Fiscal Year as will always provide Net Revenues in each Fiscal Year (A) which if Connection Charges are currently being imposed and clause (B) below shall be satisfied, are adequate at all times to pay in each Fiscal Year at least one hundred ten percent (110%) of the current annual Debt Service Requirement becoming due in such Fiscal Year on each Series of Outstanding Bonds and at least one hundred percent (100%) of any amounts required by the terms of the Resolution to be deposited in the subaccounts of the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and (B) which, together with Connection Charges actually deposited in the Current Account, are adequate to pay at least one hundred twenty percent (120%) of the current annual Debt Service Requirement becoming due in such Fiscal Year on each Series of Outstanding Bonds.

(b) Operation and Maintenance. The County will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The County

will obtain and renew to the full extent required by applicable law all permits for acquisition, construction and operation of the System.

(c) Mortgage, Sale or Closing of Facilities. The County irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of any facilities of the System except as provided in the Resolution, until all of the Series 1989 Bonds and all interest thereon shall have been paid in full or provision for payment has been made.

(d) Insurance. So long as the Net Revenues are pledged for payment of the Series 1989 Bonds, the County will carry, with a reputable insurance carrier or carriers, such insurance as is ordinarily carried by private or public corporations owning and operating water and sewer facilities similar to the System, including public liability insurance, in such amounts as the County shall determine to be sufficient. The property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, furniture, fixtures or equipment of the System.

(e) Additional Bonds. No Additional Bonds payable from the Pledged Funds on a parity with the Bonds then outstanding shall be issued except under the conditions and in the manner provided in the Resolution. See Appendix D-copy of Resolution attached hereto.

Debt Service Reserve Account

The Resolution provides for the establishment and maintenance of a Reserve Account. Upon delivery of the Series 1989 Bonds, there shall be deposited into the Reserve Account a sum which, together with other moneys on deposit in the Reserve Account, shall equal the Reserve Account Requirement for the Series 1989 Bonds, which sum shall be maintained for the benefit of the holders of the Series 1989 Bonds. No further payments shall be required to be made into the Reserve Account as long as the amount on deposit therein shall equal the Reserve Account Requirement for the outstanding Series 1989 Bonds.

The County may, in lieu of the required deposits into the Reserve Account, cause to be deposited a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit into the Reserve Account as described in the Resolution.

The "Reserve Account Requirement" for the Series 1989 Bonds is the lesser of (1) the Maximum Debt Service Requirement, (2) 125% of the average annual Debt Service Requirement, or (3) 10% of the initial proceeds of the Series 1989 Bonds.

Separate Accounts

The County is not required to open separate bank accounts for such funds and accounts, but will use separate internal accounts maintained and segregated by the County into separate accounts in its financial reporting and accounting and control system.

REFUNDING PLAN

A portion of the proceeds derived from the sale of the Series 1989 Bonds, together with monies currently on deposit in certain funds and accounts for the Refunded Bonds, shall be deposited in an escrow account held by First Florida Bank, N.A., Tampa, Florida as Escrow Agent pursuant to the terms and provisions of an escrow deposit agreement. The monies deposited into the escrow account shall be applied to the purchase of U.S. Government obligations so as to produce sufficient funds to pay, as of any date of calculation, the principal, interest and redemption premium, if any, on the Refunded Bonds, as the same shall mature and become due or are redeemed. Upon such deposit of monies into the escrow account and the investment thereof, the lien and pledge of the holders of the Refunded Bonds on the Net Revenues shall be discharged.

MUNICIPAL BOND INSURANCE

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bonds New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the County. Financial Guaranty will make such payments to Citibank, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the County. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds

may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a wholly-owned subsidiary of General Electric Capital Corporation ("GECC"). Neither the Corporation nor GECC is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of March 31, 1989, the total capital and surplus of Financial Guaranty was approximately \$398,200,000. Copies of Financial Guaranty's financial statements, prepared on the basis of statutory accounting principles, and the Corporation's financial statements, prepared on the basis of generally accepted accounting principles, may be obtained by writing to Financial Guaranty at 175 Water Street, New York, New York 10038, Attention: Communications Department. Financial Guaranty's telephone number is (212) 607-3000.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Series 1989 Bonds, together with other monies from the County shall be applied as follows:

Sources:

Principal Amount of the Series 1989 Bonds	\$ _____
Accrued Interest on the Series 1989 Bonds	_____
Existing Sinking Fund and Reserve Account Funds	_____
Interest Earned on Construction Fund	_____
County Equity Contribution	_____
Total Sources	\$ _____

Uses:

Deposit to Construction Fund	\$ _____
Deposit to Defeasement Refunded Bonds	_____
Deposit to Interest Account	_____
Deposit to Reserve Account	_____
Deposit to Costs of Issuance Account (including Bond Insurance Premium)	_____
Underwriter's Discount	_____
Total Uses	\$ _____

DEBT SERVICE SCHEDULE FOR THE SERIES 1989 BONDS

<u>Years</u>	<u>Principal</u>	<u>Amortization Installments</u>	<u>Interest</u>	<u>Total Debt Service</u>
1990				
1991				
1992				
1993				
1994				
1995				
1996				
1997				
1998				
1999				
2000				
2001				
2002				
2003				
2004				
2005				
2006				
2007				
2008				
2009				

HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

The following table is based on information contained in the Consulting Engineers' Report included herein as Appendix A.

	Fiscal Years Ended September 30 (000's omitted)										
	Historical				Projected(1)						
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
GROSS OPERATING REVENUES											
Water Sales											
Retail	\$ 191	258	305	333	397	642	701	766	837	897	962
Bulk to ASD	365	624	495	409	467	531	1,081	1,135	1,150	1,206	1,264
Total	<u>556</u>	<u>882</u>	<u>800</u>	<u>742</u>	<u>864</u>	<u>1,173</u>	<u>1,782</u>	<u>1,901</u>	<u>1,987</u>	<u>2,103</u>	<u>2,226</u>
Sewer Service Charges	-	-	-	-	-	14	58	106	158	204	254
Meter Installations (Tapping Fees)	<u>22</u>	<u>38</u>	<u>43</u>	<u>30</u>	<u>24</u>	<u>35</u>	<u>38</u>	<u>42</u>	<u>44</u>	<u>41</u>	<u>44</u>
TOTAL	\$ 578	919	843	772	808	1,223	1,878	2,049	2,190	2,349	2,524
OPERATING EXPENSES(2)											
Historical per Annual Financial Reports											
Contractual Services	\$ 90	123	124	158							
Salaries and Benefits	-	-	-	-							
Operating Expenses	117	138	151	153							
Maintenance	30	67	32	44							
Projected per Rate Study Report											
Water System - General Operations					\$ 370	403	725	784	849	917	991
Water System - New Installation											
Mtls.					<u>27</u>	<u>30</u>	<u>33</u>	<u>36</u>	<u>40</u>	<u>44</u>	<u>48</u>
Water System - Total					<u>397</u>	<u>433</u>	<u>758</u>	<u>820</u>	<u>889</u>	<u>961</u>	<u>1,039</u>
Sewage System - Total					<u>48</u>	<u>106</u>	<u>122</u>	<u>139</u>	<u>157</u>	<u>177</u>	
TOTAL	\$ 238	328	307	355	398	481	864	942	1,029	1,118	1,216
NET OPERATING REVENUE	\$ 340	591	536	417	490	742	1,014	1,107	1,161	1,231	1,308
OTHER (NON-OPERATING) INCOME(3)	19	35	62	111	110	110	110	110	110	110	110
TOTAL NET REVENUE	\$ 359	626	598	529	600	852	1,124	1,217	1,271	1,341	1,418
PLEGDED UNIT CONNECTION FEES(4)						296	343	377	410	365	394
TOTAL NET REVENUE AND UNIT CONNECTION FEES	\$ 359	626	598	529	600	1,148	1,467	1,594	1,681	1,706	1,812
ANNUAL DEBT SERVICE											
1981 Bonds(5)	\$ 142	144	144	143	144						
1989 Bonds(6)					<u>55</u>	<u>658</u>	<u>908</u>	<u>908</u>	<u>911</u>	<u>912</u>	<u>912</u>
TOTAL DEBT SERVICE	\$ 142	144	144	143	199	658	908	908	911	912	912
DEBT SERVICE COVERAGE-NET REVENUES EXCESS, AVAILABLE FOR RENEWAL AND REPLACEMENT	2.527	4.360	4.147	3.700	3.011	1.294	1.238	1.341	1.396	1.470	1.554
REQUIRED RENEWAL AND REPLACEMENT - 5% of GROSS OPERATING REVENUE	\$ 217	483	354	386	401	193	216	309	360	428	506
DEBT SERVICE COVERAGE-NET REVENUES AND PLEDGED UNIT CONNECTION FEES						1.744	1.615	1.756	1.846	1.870	1.986

(1) Reflects rate increase effective June 15, 1989.

(2) Does not include depreciation.

(3) Entries are actual for Fiscal Years 1985-1988, all interest bearing accounts. Projections for Fiscal Years 1989 and subsequently are Consulting Engineers' estimates and exclude interest earnings on construction accounts.

(4) Amounts are lesser of total projected unit connection fees revenue (Fiscal Years 1990 and 1993) or expansion percentage applied to total annual debt service (Fiscal Years 1991, 1992, 1994 and 1995).

(5) Full scheduled payment for Fiscal Year 1989. Series 1981 Bonds being refunded by the Series 1989 Bonds.

(6) Interest only for Fiscal Year 1989. Debt service based on information provided by the Financial Advisor to the Consulting Engineers.

NOTE: Totals might not add due to rounding.

INTERIM OPERATING RESULTS

	May 31, <u>1988</u>	May 31, <u>1989</u>
GROSS OPERATING REVENUE		
Water Sales	\$446,990	\$ 488,855
Meter Installation (Tap Fees)	<u>19,275</u>	<u>40,475</u>
TOTAL	\$466,265	\$529,330*
OPERATING EXPENSES		
Contractual Services	\$ 97,625	\$132,028
Operating Expenses	86,615	99,977
Maintenance	<u>25,340</u>	<u>21,160</u>
TOTAL	\$209,580	\$253,165
NET OPERATING REVENUE	\$256,685	\$276,165
NON OPERATING INCOME	<u>67,918</u>	<u>97,851</u>
TOTAL NET REVENUE	\$324,603	\$374,016

*Does not reflect the rate increase effective June 15, 1989. The Consulting Engineers' Report as shown in Appendix A for the System's overall operations reflects the rate increase. This rate increase was instituted to pay increases in operating expenses and estimated bond debt service.

Source: County Finance Department

THE WATER AND SEWER SYSTEM

Background

Water System

The System was constructed initially in 1980-1981 with proceeds of a Community Facilities Loan and Grant from Farmers Home Administration, U.S. Department of Agriculture. Principal system facilities include:

Water Supply - five shallow wells in a well field on Tillman Ridge west of Interstate 95 and north of County Road 214; the Tillman Ridge field, with initial supply wells and additional shallow and deep (Floridan aquifer) wells, was planned to be the principal source of supply to both the County System and Anastasia Sanitary District ("ASD" or the "District") System described hereinafter,

Water Treatment Plant - 1.0 million gallons per day ("mgd") lime softening water treatment plant on the south side of Shore Drive east of U.S. Highway 1; "Spiractor" reactor, filters, chemical feed equipment, 1.0 million gallons ("mg") finished water ground storage reservoir and service pumping station,

Finished Water Distribution System - 8-inch and smaller mains, appurtenances and service connections, principally in the St. Augustine South area (east of Old Moultrie Road and from Shore Drive south to just north of Moultrie Creek), and

Pipeline Interconnection to ASD System - a 10-inch pipeline northward from Shore Drive in U.S. Highway 1, then eastward in S.R. 312, including bridge supported crossing of the Matanzas River, to connect to the County and ASD water systems.

ASD provides water as well as sewer service to Anastasia Island, an Atlantic coastal barrier island situated east of the intercoastal waterway along the coast of St. Johns County, Florida. Additional information relating to ASD is contained in the Official Statement being distributed by the District concurrently with the distribution of this Official Statement by the County.

During earlier years of system operation when finished water demands in the two systems were lower, the Mainland system plant was operated to supply finished water to both the County and ASD systems, the piping connection in S.R. 312 being used as a finished water main. Upon completing and initial operation of the ASD water treatment plant on 16th Street about three years ago, greater capacity and more economical operations were available there. The S.R. 312 main was converted to raw water transfer usage and a booster pump was installed to increase its hydraulic capacity. About the same time bowl stages were added to the existing Tillman Ridge shallow well turbines and the County acquired rights to, and effected renovations of, old shallow wells oriented on Holmes Boulevard and previously used by the City of St. Augustine as raw water supplies. The modified Tillman Ridge wells and the renovated Holmes Boulevard wells continue to serve as the source for the ASD system, in the latter case being augmented by limited yields (0.75 mgd, nominal) from shallow and deep well supplies on Anastasia Island during peak seasonal demand periods.

The System's finished water transmission system has been extended incrementally in recent years. Dead end mains now extend southward along U.S. Highway 1 to several thousand feet south of Wildwood Drive; in an easement at the Tree of Life property from Old Moultrie Road to Dobbs Road, then in Dobbs Road to S.R. 207, then in S.R. 207 to the southwest side of I-95; and in Wildwood Drive (two segments) extending several thousand feet south from S.R. 207 and several thousand feet west from U.S. Highway 1. As these mains have been extended, they have provided service to distribution systems in developments along their routes. The effect has been accelerating growth in numbers of connections and volumes of water sold.

A map of the service area is included in the Consulting Engineers' Report attached as Appendix A.

Total retail connections have increased from 645 to 1,828 in the nominal 7.1 year period (December 20, 1981, through January 31, 1989), a total increase of 183 percent, and a compounded annual growth rate of 15.8 percent.

Wastewater System

The County has not previously owned or operated a public wastewater system.

Largest Retail Customers

<u>Largest Retail Customers</u>	<u>Water and Usage Gallons May, 1989 Billing</u>
Cardinal Industries/Moultrie Apts.	220,000
Southgate Trailer Park	151,000
Leteon Construction Co. (Publix)	140,000
Moultrie Woods Townhomes	100,000
Charles Morand, MD	89,000
Hester Floor Covering	13,000
Kenneth E. Baker	12,000
Professional Arts Building	11,000
Steven H. Martin, DDS	8,000
Franke Dental Lab	3,000

Mandatory Connections

On May 23, 1989, the County passed Ordinance 89-21 requiring mandatory connection to the System's water and sewer facilities. As of June 15, 1989, a property owner is notified when sewer or water service is available and has 90 days to connect to the System. No connection is required for water or sewer where the County connection line for such service is more than two hundred feet from the structure or improvement.

Water and Sewer Rates

On May 23, 1989, the County adopted new rates, fees and charges, as shown below. The adjustments became effective June 15, 1989 or on such other dates as noted.

User Charges

	<u>Previous</u>	<u>Adjusted</u>
WATER RATES - Monthly		
Minimum (4,000 gallons Allowed)	\$7.95	\$13.10
Overage (per 1,000 gallons)	2.05	3.40
SEWER USER FEES - Monthly		
Minimum (4,000 gallons Allowed)	n.a.	\$13.35
Overage (per 1,000 gallons)	n.a.	3.15

Tapping Fees

<u>Water Meter Size</u>	<u>Previous</u>	<u>Adjusted</u>
3/4-inch	\$ 200.00	\$ 300.00
1-inch	275.00	412.50
1 1/2-inch	800.00	1,200.00
2-inch	1,200.00	1,800.00
3-inch	2,500.00	3,750.00
4-inch	4,000.00	6,000.00
6-inch	6,500.00	9,750.00

Bulk Water Sales - Unit Cost per 1,000 gallons

Previous Charge: \$1.25 per 1,000 gallons - raw water

<u>Adjusted Charge: Time Period</u>	<u>Unit Cost</u>	<u>Water Characteristic</u>
October 1, 1989 - September 30, 1990*	\$1.35	Raw
October 1, 1990* - September 30, 1992	2.70	Finished
October 1, 1992 - September 30, 1995	2.60	Finished

* Adjust date of rate change to actual date of initial finished water purchase.

Unit Connection Fees

	<u>Previous</u>	<u>Adjusted</u>
Water (per gpd)*	\$1.25	\$3.00
Sewer (per gpd)*	n.a.**	3.80

* Based on schedule of typical volume usages per dwelling unit type or establishment type:

** n.a. - Not applicable; there has been no previous sewer system, hence no previous sewer unit connection fees.

Collection Practices; Delinquencies

The System bills the customers of the System on a monthly basis. Water and sewage service will be billed jointly by the System. In the event of nonpayment of a bill for water or sewer services ten days after notice from the System has been mailed to the customer and at least thirty days from the date the payment was originally due the System may discontinue or terminate service to that customer.

At the end of fiscal years 1987, 1986, 1985, and 1984, the over-60-day delinquent accounts receivable of the System which were not collected were .003%, .003%, .002% and .002% of total billing, respectively. On May 23, 1989 by joint resolution 89-5, the District agreed to purchase from the County and the County agreed to sell to the District untreated water at a rate of \$1.35 per thousand gallons up to a maximum of three million gallons per day. The rate becomes effective October 1, 1989. The resolution may be terminated by either party on 30 days prior notice. The System provides no other exemptions or reduced rates from the rates and fees described herein.

Regulation

The United States Environmental Protection Agency ("EPA") and the Florida Department of Environmental Regulation ("FDER") promulgate various regulations governing operation of the System. Associated with the regulations are various monitoring and reporting requirements. In addition, EPA and FDER have also promulgated regulations in regard to grant moneys that may be received by the System for the planning, design and construction of various projects. The grant-related regulations touch upon a wide variety of matters, including planning, methodologies, design criteria, construction activities, and the operation, maintenance and financing of facilities.

The System is not facing any EPA or FDER mandated schedules for elimination of discharges, or any wastewater related administrative orders or consent decree decisions.

In addition to regulation of the wastewater treatment facilities, EPA and FDER regulate the quality of the System's water. The System is currently in compliance with all applicable regulations relating to water quality.

THE CAPITAL IMPROVEMENT PROGRAM AND THE PROJECT

The Consulting Engineers, Hart Engineers, Inc., Jacksonville, Florida (the "Consulting Engineers"), have issued a Consulting Engineer's Report dated June 22, 1989 which is reproduced in its entirety in Appendix A to this Official Statement.

Water System Improvements

The planned improvements program includes water supply improvements, water treatment plant construction, finished water storage reservoir and service pumping station and finished water transmission mains.

Water Supply Improvements

Planned improvements include: two additional shallow supply wells in the existing Tillman Ridge well field, with turbines and electric motors, to yield 400 gallons per minute ("gpm") each, two deep (Floridan aquifer) supply wells on the site of the new Tillman Ridge water treatment plant, with turbines and electric motors, to yield 2,100 gpm each, well discharge piping connections and headers to convey raw water from the existing shallow wells and new wells to the new treatment plant for lime softening treatment, emergency generator provisions to drive all well turbine motors (existing and new wells, except existing wells with standby engine drives) in event of primary power source failure; auxiliary generator to have automatic transfer switch, and supervisory control system to permit operator start-and-stop control of all well motors remotely from operator station at the new treatment plant.

Water Treatment Improvements

The planned facility is a lime softening treatment plant to be constructed on a 20-acre site recently acquired by St. Johns County on Tillman Ridge, north of County Road 214. Principal features and treatment process units include: head tank/gravity aerator - one unit, rated capacity - 7.0 mgd; "Claricone" solids contact reactor clarifiers - two units, rated capacity - 3.5 mgd each, 7.0 mgd total; recarbonation tank with carbon dioxide diffuser system - rated capacity 7.0 mgd; dual media filters - rated capacity 5.0 mgd, plant laid out and piping stubbed for deferred addition of two identical filters (to be relocated from existing ASD plant) to increase capacity to 7.0 mgd; chemical feed systems for lime, polymer, carbon dioxide, ammonia and chlorine, space reserved for future provision of soda ash feed system - rated capacities 7.0 mgd each; clearwell and finished water transfer pumps; filter backwash system including backwash pumps, backwash water recovery tanks, recycle pumps and underflow (sediment) pumps to waste; lime sludge blowdown treatment system including holding tank, press feed pumps, polymer feed system, belt filter press for lime sludge dewatering, sludge cake conveyor/loading system, and standby lagoon; operations building/laboratory and chemical feed building; plant electrical system with auxiliary generator and automatic transfer switch; yard piping system; and sitework.

Finished Water Storage and Service Pumping Improvements

The improvements are planned to be constructed on the southern end of the Tillman Ridge water plant site and will consist of 1.5 mg storage reservoir for finished water, of prestressed concrete construction; and a service pumping station.

Finished Water Transmission Mains

The planned improvements program includes finished water transmission mains, principally designed and located to reinforce the finished water system's transmission grid southward from State Road 207 and westward from Old Moultrie Road, to and

including Wildwood Drive. Specifically, locations, approximate lengths and diameters of planned transmission mains are: Wildwood Drive - 8,800 linear feet ("L.F.") of 10-inch main; Dobbs Road - 2,500 L.F. of 12-inch main (from existing 16-inch main at Industrial Park Road south to Kings Estate Road) and 5,600 L.F. of 10-inch main (existing 16-inch main north to the existing 10-inch main); Kings Estate Road and St. Augustine Road Boulevard - 12,300 L.F. of 10-inch main (Old Moultrie Road to S.R. 207).

Wastewater System Improvements

The planned wastewater system improvements constitute the initial-phase program of the planned County wastewater system; heretofore, St. Johns County has not been in the wastewater business on the mainland. The planned program consists of wastewater treatment and treated effluent storage facilities, and of a raw wastewater transmission facility to serve developments in the State Road 207 corridor.

Wastewater Treatment Plant

The planned plant will be constructed on an approximate ten-acre "utilities site" in the northeastern corner of the County-owned Cypress Lakes golf course property in the southwestern quadrant of the Interstate 95 interchange at State Road 207. Plant design capacity is 0.250 mgd. Treatment will be secondary treatment, principally by means of a factory-built, field-erected extended aeration treatment plant. Effluent will be fine-media filtered and chlorinated to meet FDER quality standards for disposal by irrigation onto an area of uncontrolled public access, in this case, a golf course. The design includes sludge holding tank provisions, with the intent that sludge be periodically hauled liquid by tank truck to the ASD plant for dewatering. Effluent will be disposed by spray irrigation of the County-owned Cypress Lakes golf course.

Raw Wastewater Transmission System

The planned program includes a raw wastewater force main pipeline extending from the treatment plant site to State Road 207, then northeastward in State Road 207 to Dobbs Road. The pipeline consists of approximately 16,600 L.F. of 16-inch main and 11,900 L.F. of 10-inch main. The design concept is that the County system will provide hydraulic pipeline capacity and that individual developments will be served to on-site pumping stations (installed by developers to County specifications), discharging through manifolded connections to the transmission force main. The size change (10-inch to 16-inch) is at a point near Moultrie Creek and Wildwood Drive where a deferred southerly transmission system branch will logically be manifolded in the future. Also, as actual flows and head losses increase in the transmission piping, the County System will construct master "booster" stations at points along the main to increase hydraulic capacity while limiting required pump discharge pressures at the developer-installed tributary stations. The immediate program includes one booster station, to be located near the entrance to Foxhill Estates Subdivision on the 10-inch portion of the main. A

map of the area to be served by the wastewater system is included as part of the Consulting Engineers' Report attached hereto as Appendix A.

Cost of the Project

<u>Water System Improvements</u>	<u>Construction</u>	<u>Contingency</u>	<u>Total</u>
Water Supply	\$ 475,000	\$ 95,000	\$ 570,000
Water Treatment	2,732,000	546,000	3,278,000
Storage and Service Pumping	800,000	160,000	960,000
Finished Water Transmission	<u>430,000</u>	<u>86,000</u>	<u>516,000</u>
TOTAL WATER SYSTEM PROGRAM	\$4,437,000	\$887,000	\$5,324,000

Funding will be provided by a local contribution in the amount of \$780,000 (transfer from System construction account, available funding derived from unit connection fee collections and prior years' retained system earnings) and Series 1989 Bond Proceeds.

<u>Wastewater System Improvements</u>	<u>Construction</u>	<u>Contingency</u>	<u>Total</u>
Wastewater Treatment and Effluent Storage	\$1,110,000	\$222,000	\$1,332,000
Wastewater Transmission System	<u>717,300</u>	<u>143,700</u>	<u>861,000</u>
TOTAL WASTEWATER SYSTEM PROGRAM	\$1,827,300	\$365,700	\$2,193,000

PERMITS FOR THE PROJECT

Although the County has not yet received all permits necessary for the construction and operation of the planned improvements, it has no reason to believe that such permits will not be timely received.

STUDY OF CONSULTING ENGINEERS

The Consulting Engineers' Report, which appears as Appendix A hereto, sets forth the projected operating results for each of the seven fiscal years from 1989 through 1995. The projections reflect debt service coverage for the Series 1989 Bonds. The Consulting Engineers' Report should be read in its entirety, including the considerations and assumptions upon which the projected operating results are based.

The projection of operating results included in the Consulting Engineers' Report is based on assumptions of future events. The assumptions used were reviewed with and approved by the County and are based on present circumstances and information currently available. While the Consulting Engineers believe that the considerations and assumptions used constitute reasonable basis for the preparation of the projections, the achievement of projected operations is dependent upon the occurrence of future events which cannot be assured.

PROPOSED ADDITIONAL BOND FINANCINGS

Concurrently with the issuance of the Series 1989 Bonds, the Anastasia Sanitary District expects to issue approximately \$5,405,000 Water and Sewer Revenue Bonds, Series 1989 for purposes related to the District's Water and Sewer System.

At an election held on May 23, 1989, the electors of St. Johns County approved the issuance of up to \$47,000,000 School District of St. Johns County, Florida, General Obligation School Bonds, which would be payable from unlimited ad valorem taxes on all taxable property in the County. A sale date for such bonds has not been scheduled.

In addition, the Board of County Commissioners of St. Johns County is contemplating the issuance of approximately \$24 million County revenue bonds payable from a local government 1/2 cent sales tax. The proceeds would be used to acquire and construct new courthouse facilities. Other possible financings by the County Commissioners include self supporting revenue bonds for solid waste disposal projects.

RATINGS

Standard and Poor's Corporation and Moody's Investors Service, Inc., have assigned their municipal bond ratings of "_____" and "_____", respectively, to this issue of Series 1989 Bonds with the understanding that upon delivery of the Series 1989 Bonds, a policy insuring the payment when due of the principal of and interest on the Series 1989 Bonds will be issued by Financial Guaranty.

Such ratings reflect the views of the respective rating agencies and an explanation of the significance of such ratings may be obtained only from the rating agencies. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the respective agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 1989 Bonds.

LEGAL MATTERS

Certain legal matters in connection with the authorization, issuance and sale of the Series 1989 Bonds are subject to the approval of Foley & Lardner, Jacksonville, Florida, Bond Counsel, the form of whose approving opinion is attached hereto as Appendix E. Certain legal matters will be passed upon for the County by James G. Sisco, Esquire, St. Augustine, Florida, Attorney for the County. Certain legal matters will be passed upon for the Underwriters by their Counsel, Roberts, Baggett, LaFace & Richard, P.A., Tallahassee, Florida.

TAX MATTERS

Federal Tax Matters

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Series 1989 Bonds, including investment restrictions, a requirement of periodic payments of arbitrage profits to the United States, requirements regarding the use of bond proceeds and the facilities financed therewith, and certain other matters. The County has covenanted to use its best efforts to comply with all requirements of the Code that must be satisfied in order for the interest on the Series 1989 Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 1989 Bonds to be included in gross income retroactive to the date of issuance of the Series 1989 Bonds.

Subject to the condition that the County comply with the pertinent requirements of the Code, under existing law, in the opinion of Bond Counsel, interest on the Series 1989 Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Reference is made to a proposed form of the Bond Counsel opinion attached hereto as Appendix E for the complete text thereof.

In rendering the opinion, Bond Counsel will rely upon certificates of the County with respect to certain material facts relating to the property financed with the proceeds of the Series 1989 Bonds and the application of the proceeds of the Series 1989 Bonds.

The Code contains numerous provisions which could affect the economic value of the Series 1989 Bonds to certain owners of the Series 1989 Bonds. The following is a brief summary of some of the significant provisions that may be applicable to particular owners of the Series 1989 Bonds. Prospective owners of the Series 1989 Bonds, however, should consult their own tax advisors with respect to the impact of such provision on their own tax situations.

The Series 1989 Bonds will not be "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. Interest on indebtedness incurred or continued to purchase or carry the Series 1989 Bonds or, in the case of banks and certain other

financial institutions, interest expense allocable to interest on the Series 1989 Bonds, will not be deductible for federal income tax purposes.

Insurance companies (other than life insurance companies) are required for taxable years beginning after 1986 to reduce the amount of their deductible underwriting losses by 15% of the amount of tax-exempt interest received or accrued on certain obligations, including the Series 1989 Bonds, acquired after August 7, 1986. If the amount of this reduction exceeds the amount otherwise deductible as losses incurred, such excess may be includable in income. Life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest, such as interest on the Series 1989 Bonds.

Interest on the Series 1989 Bonds must be included in the adjusted net book income of corporations (other than S corporations, regulated investment companies, real estate investment trusts, and REMICs) for taxable years beginning in 1987, 1988 and 1989, and such corporations are required to include in their calculation of alternative minimum taxable income 50% of the excess of adjusted net book income over alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). For taxable year beginning after 1989, the use of "adjusted net book income" is to be replaced with "adjusted current earnings". Interest on the Series 1989 Bonds will be included in "adjusted current earnings". For such taxable years, the alternative minimum taxable income of corporations must be increased by 75% of the excess of adjusted current earnings over alternative minimum taxable income (determined with regard to this adjustment and prior to reduction of certain net operating losses).

On April 11, 1989, Representative Rostenkowski, Chairman of the Ways and Means Committee of the House of Representatives, introduced H.R. 1761 which, among other things, would include for taxable years beginning after December 31, 1989 as an adjustment in determining the alternative minimum taxable income of a corporation any amount which would be excluded from gross income but which is taken into account in determining the amount of earnings and profits of such corporation. H.R. 1761 would repeal the "adjusted current earnings" provisions described in the preceding paragraph. H.R. 1761 would not affect the calculations of the alternative minimum taxable income of individuals. No assurance can be given that H.R. 1761 will not be adopted or that if adopted, it will be in its present form.

An environmental tax is imposed on corporations (other than S corporations, regulated investment companies, real estate investment trusts, and REMICs) by Section 59A of the Code. The environmental tax is effective for taxable years beginning after 1988, and before 1992. The amount of the environmental tax is equal to 0.12% of the excess of the alternative minimum taxable income (determined with regard to net operating losses and the deduction for the environmental tax) over \$2 million. The environmental tax may be imposed even if the corporation pays no alternative minimum tax because the corporation's regular income tax liability exceeds its alternative minimum tax liability. For purposes of the environmental tax, alternative minimum taxable income includes interest on tax-exempt obligations, such as the Series 1989

Bonds, to the same extent and in the same manner as such interest is included in alternative minimum taxable income as described in the preceding paragraph.

Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits in gross income by reason of the receipt or accrual of interest on tax-exempt obligations, such as the Series 1989 Bonds.

For foreign corporations that operate branches in the United States, Section 884 of the Code imposes a branch level tax on certain earnings and profits in tax years beginning after 1986. Interest on tax-exempt obligations, such as the Series 1989 Bonds, may be included in the determination of such domestic branches' taxable base on which this tax is imposed.

Passive investment income, including interest on the Series 1989 Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year is greater than 25% of the gross receipts of the S corporation consists of passive investment income.

Florida Tax Matters

It is also the opinion of Bond Counsel that, under existing law, the Series 1989 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined by Chapter 220, Florida Statutes, as amended.

LITIGATION

The County, its County Attorney and several County constitutional officers are currently being sued by Mr. John Barrow, a chronic litigator. The suit involves an alleged civil rights violation under federal law and seeks \$50,000,000 in damages, but in the opinion of the attorney representing the County and its officers, the suit is without merit. Additionally, lawsuits and several claims have been filed against the County and against its sheriff seeking substantial damages, including punitive damages, for injuries alleged to have been incurred by inmates of the County Jail, for false arrest, and for various other reasons pertaining to law enforcement or inmate incarceration. The County Attorney has been advised by counsel for the sheriff that such claims are generally covered by the Florida Sheriffs-Insurance Fund and should not affect the County's ability to perform its financial obligations. It is the opinion of the County Attorney, that no legal proceedings are pending or threatened which materially affect the County's ability to perform its obligations to the owners of the Series 1989 Bonds.

There is no litigation or controversy of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 1989 Bonds or in any way contesting the validity of the Series 1989 Bonds or any proceedings of the County taken with respect to the authorization, sale or issuance of the Series 1989 Bonds

or the pledge or application of any moneys provided for the payment of the Series 1989 Bonds.

ANNUAL FINANCIAL REPORT

The Component Unit Financial Statements of the County for the fiscal year ended September 30, 1988, reproduced herein as Appendix C, are integral parts of this Official Statement. Copies of the complete Annual Financial Report are available from the Finance Director upon request.

VERIFICATION

The arithmetical accuracy of the mathematical computations supporting the adequacy of the maturing principal amounts of, and interest accrued on the direct obligations of, or obligations the principal of and interest on which are guaranteed by the United States of America together with monies, if any, deposited with the Escrow Agent to pay when due, the principal of and interest and premium on the Refunded Bonds described herein, and the computations supporting the conclusion that the Series 1989 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code, will be verified by Grant Thornton, independent auditors, as a condition to the delivery of the Series 1989 Bonds. Such verification will be based upon information provided by the County.

UNDERWRITING

The Series 1989 Bonds are being purchased by William R. Hough & Co. and Smith Barney, Harris Upham & Co. Incorporated (collectively, the "Underwriters"), at an aggregate discount of \$ _____, from the initial offering prices set forth on the cover page of this Official Statement, subject to certain terms and conditions set forth in a Purchase Contract between the County and the Underwriters, including the approval of certain legal matters by Bond Counsel and the existence of no material adverse change in the condition of the System and the County from that set forth in this Official Statement. The Series 1989 Bonds may be offered and sold to certain dealers at prices lower than such offering prices and such public offering prices may be changed from time to time by the Underwriters.

FINANCIAL ADVISOR

Public Financial Management, Inc., Ft. Myers, Florida, is serving as financial advisor to the County with respect to the sale of the Series 1989 Bonds. The financial advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 1989 Bonds and provided other advice. Public Financial Management, Inc., is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal

securities or any other negotiable instruments. Public Financial Management, Inc. is a wholly owned subsidiary of Marine Midland Bank.


MISCELLANEOUS

All information included herein has been provided by the County, except where attributed to other sources. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument. The information herein has been compiled from official and other sources and, while not guaranteed by the County, 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 of estimates, whether or not expressly stated, they are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized.

AUTHORIZATION OF AND CERTIFICATION OF OFFICIAL STATEMENT

The delivery of this Official Statement has been duly authorized by the Board of County Commissioners of St. Johns County, Florida. At the time of delivery of the Series 1989 Bonds, the Chairman or Vice-Chairman of the Board of County Commissioners will furnish his certificate to the effect that, to the best of his knowledge, this Official Statement did not, as of its date, and does not as of the date of delivery of the Series 1989 Bonds contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY
COMMISSIONERS

BY: 
Chairman

Hart Engineers, Inc.

June 22, 1989



Honorable Chairman and Members,
Board of Commissioners of St. Johns County
County Administration Building
4020 Lewis Speedway
St. Augustine, Florida 32084

Attn: Mr. R. Daniel Castle
St. Johns County Administrator

Re: Mainland Utilities System Water and Sewer
Revenue Bond Issue - Series 1989
Consulting Engineers' Report

New York, NY
Albany, NY
Boston, MA
Cherry Hill, NJ
Detroit, MI
Hartford, CT
Irvine, CA
Jacksonville, FL
Liberty Corner, NJ
Pittsburgh, PA
Sacramento, CA
Washington, DC

Dear Mr. Castle:

In accordance with terms and conditions of your authorization of services dated March 14, 1989, we are pleased to submit our Consulting Engineers' Report for inclusion in the Official Statement for the referenced utilities revenue bond issue. This letter report summarizes evaluations by Hart Engineers, Inc. (HART) of physical facilities of the existing Mainland system; review of planned improvements and expansions thereof; operational and managerial practices; and sales, revenue and expense history as a basis for projections. Future gross revenues, O & M expenses and net revenues available for servicing the proposed bonded debt have been projected, and coverage factors have been determined based on the anticipated debt service schedule for the proposed Series 1989 issue.

Our preparation of this letter report has drawn extensively on recent investigations as reported in our **Consulting Engineers' Report on Water and Sewer Rate Studies, Mainland Utilities Systems**, April 1988. Preparation of that report was based on information provided by the St. Johns County Finance and Utilities Departments and by Public Financial Management, Inc. (PFM), the County's bond finance consultant. Assistance provided by these agencies was invaluable in providing factual bases from which our rate studies and this Report could be developed; we express our sincere appreciation for their cooperation and assistance.

1. Summary

On completion of the improvements programs to be financed by proceeds of the Series 1989 Revenue Bonds, facilities of the Mainland utilities systems will comprise:

- Water supply and treatment facilities with capacity adequate to serve demands for a projected ten-year period exerted by all retail users in the Mainland Water System's service area and to provide finished water for bulk sale to the County-owned Anastasia Sanitary District water system.



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- ° A gridded finished water transmission system throughout the more heavily developed portion of the service area (a generally triangular area bounded by the Matanzas River on the east, Florida East Coast (FEC) Railway on the northwest, and Wildwood Drive on the west and south) with transmission mains southerly therefrom in U.S. Highway 1 and southwesterly in S.R. 207 to serve increasing developments along those corridors.
- ° Ground storage reservoirs for finished water - 1.5 million gallons (mg) at the Tillman Ridge treatment plant and 1.0 mg on Shore Drive east of U.S. Highway 1 - and service pumps to pressurize stored water for introduction into the transmission/distribution system. Storage volume and ample service pump capacity are provided to permit storage to be "drawn down" to meet short-term peak demand periods for finished water throughout the system.
- ° An initial capacity increment of a planned staged wastewater treatment plant (0.25 million gallons per day - mgd) in the southwestern quadrant of the S.R. 207 interchange at I-95, with treated effluent to be disposed by spray irrigation on an adjacent County-owned golf course. The plant is designed for ready and economical modular expansion, with the initial expansion projected to be needed about 1996.
- ° Raw wastewater transmission force main, discharging to the treatment plant and extending northeasterly in S.R. 207 to the Dobbs Road intersection, with one intermediate transmission repumping station near the entrance to Foxhill Estates Subdivision. The planning concept provides for individual developments to provide their own collection systems with pumping stations discharging through manifolded connections into the force main. The initial main provides hydraulic capacity adequate for a projected fifteen-year minimum period to serve wastewater needs of the S.R. 207 corridor and future extensions/branch mains (e.g., southerly along Dobbs Road or Wildwood Drive). Future hydraulic capacity increases may be effected readily and economically, as actual service demands dictate, by provision of booster (repump) transmission system pumping stations at intervals along the initial force main.

On completion of the planned program, all component facilities of both systems will be new (ten-year or less age); of modern, energy-efficient, low-maintenance design and construction features; and master planned for staged, incremental expansion and extension to assure continuing adequacy of capacity for the water and wastewater needs of a dynamic service area. The systems are well operated and maintained by certified staffs of the St. Johns County Utilities Department. Administrative policies are established by the Board of Commissioners of St. Johns County. Administrative services and financial management are provided by professional staffs of the St. Johns County Administrator and the Clerk of the Courts.



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The existence of the County-owned Anastasia Sanitary District (ASD) system, and its continuing dependence of the Mainland Water System (MWS) as its sole reliable source of bulk water for distribution and resale, provides financial strength and soundness to the Mainland system disproportionate to its size in terms of present retail users. Revenues from bulk sales to ASD will account for just under 61 percent of the Mainland systems' gross operating revenues in the initial operations year of the improved system facilities (F.Y. 1991), gradually reducing to approximately 57 percent in F.Y. 1995. The magnitude and reliability of this revenue stream enables the Mainland systems to undertake the major improvements programs, providing reserve capacities for future service demands of residences and businesses (potential retail users) in the dynamic service area at reasonable rates and charges even while the existing retail user revenue base remains quite limited. Established County policy provides that developers install water distribution and wastewater collection systems at their expense, to County standards and subject to County inspection prior to acceptance. The policy also assesses and collects demand-proportional unit connection fees, the proceeds of which are deposited to restricted capital improvements accounts to be used for construction of needed system expansions and improvements (principally transmission mains to interconnect new developments to existing system facilities). These policies provide self-perpetuating means for "fleshing out" the basic skeletal bond-financed systems without necessitating issuance of additional bonds.

In summary, our investigations have found the Mainland systems to have been soundly planned; in good physical condition; prudently administered and well maintained; with atypically reliable revenues for systems of their size; and readily expandable to meet projected strong growth in demands for utilities services within their service area. Subsequent paragraphs set forth the factors and features considered as a basis of these summary conclusions.

2. Service Area - Service Population

The service area of the Mainland utilities systems is somewhat indefinitely bounded. Systems' facility planning has been guided generally by findings, conclusions and recommendations of two prior engineering master plans, as follows:

- Master Plan Report for the Mainland Water System, St. Johns County, Florida, Robert Bates & Associates, Inc., June, 1985.
- Consulting Engineers' Report, Wastewater System Master Planning for State Road 207 - Interstate Highway 95 Service Area, St. Johns County, Florida, Robert Bates & Associates, Inc., April, 1987.

The former Master Plan identified a potential or ultimate service area bounded generally by the existing City of St. Augustine system service area on the northeast, Matanzas River on the east, the State Road 206 corridor



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on the south, the Interstate Highway 95 corridor on the west, and the FEC Railway on the north. More realistically and for the intermediate term, the Master Plan noted the system's prior service to the St. Augustine South area and areas immediately to the west and, based thereon, defined a "priority" area, generally the northeastern portion of the "ultimate" area, abutting the City service area and bounded by Matanzas River, FEC Railway and Wildwood Drive. Developmental corridors from that area, southwesterly along S.R. 207 and southerly along U.S. Highway 1 were anticipated.

The Mainland water system's "priority" service area comprises 16.9 square miles and is shown in Figure 1; the figure also shows the service area of the County-owned Anastasia Sanitary District system, which is a bulk water customer of the Mainland system.

Wastewater system master planning, developed several years after the initial water system was in operation and providing potable water service to appreciable, predominantly single-family residential development, noted the general suitability of soils and water table for continued satisfactory use of on-site septic tank-tile field disposal systems in much of the water system's prior service area. These higher, better-drained, sandy areas predominate along the Matanzas River shoreline (e.g., St. Augustine South) and as sand hills bounding the Moultrie Creek flood plain. The wastewater report noted the fairly advanced state of development in areas suitable for septic tank usage and the likelihood that these areas can be built out to ultimate single-family residential development with continued satisfactory usage of septic tank systems, thereby obviating the need for central sewerage. Conversely, the non-suitability of septic tanks in areas of high groundwater and more concentrated development densities (multi-family residential and commercial) was recognized. The deterrent effect of lack of central sewerage on developmental potential was noted and the area of greatest immediate future growth potential was identified as the corridor along S.R. 207 from the City service area southwestward to and including the I-95 interchange.

The wastewater report developed a facilities plan comprising treatment plant and effluent disposal system (spray irrigation of County-owned golf course) in the southwestern quadrant of the interchange and transmission force main northeasterly in S.R. 207 to Dobbs Road. The planned facilities provide immediate transmission and treatment capacity for service to pending developments in the S.R. 207 corridor, with reserve capacity for expanding (broadening) the service area by means of force main branches. The treatment plant is expandable readily by addition of parallel incremental capacity modules. When full initial design hydraulic capacity of the transmission force main is attained, expansion will be effected first by construction of booster repumping stations and, ultimately if required, by paralleling the pipeline.

While the pressure sewer (pumping station and force main) transmission system design concept is not rigidly constrained by natural topographic



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features, as a practical matter the FEC Railway trackage is a northern/northwestern boundary of this system's service area. The U.S. Highway 1 - Old Moultrie Road corridor is a practical eastern boundary. The area may be extended somewhat indefinitely to the south by transmission/collection force main extensions; logically, however, the area should extend to include developments whose wastewaters can be collected to a future branch transmission force main in Wildwood Drive. Potentially, the wastewater system service area boundaries may coincide generally with those of the "priority" water system service area. It is considered most unlikely, however, that County-owned system service will ever be extended into established single-family residential areas where septic tank systems function satisfactorily.

Figure 2 shows the extent of the potential service area (14.6 square miles) of the planned wastewater improvements program, as discussed in preceding paragraphs. As indicated, pending future construction of manifolded branch transmission force mains, the immediate service area will be the State Road 207 corridor.

Growth potential in the service area is significant. North bound traffic access to St. Augustine is necessarily via U.S. Highway 1 (an existing four-laned primary highway) or from Interstate Highway 95, via State Road 207 (an existing two-lane facility for which Florida D.O.T. is proceeding with plans for widening to four lanes). Major traffic movements from the mainland to populous Anastasia Island are via State Road 312, with current extension westerly from U.S. 1 to skirt the northeastern edge of the service area. The recently completed County-owned golf course at the S.R. 207 interchange at I-95 provides a direly needed public recreation facility and will "anchor" satellite residential and commercial developments around the interchange. The interchange and the City of St. Augustine at the southwestern and northeastern ends, respectively, will inevitably generate additional commercial and residential developments in the intervening S.R. 207 corridor. Similar quite dense commercial development along U.S. 1 to south of Moultrie Creek has already been experienced in the recent past.

Major residential growth will occur in all parts of St. Johns County as present County population is projected to more than double by the year 2010. Significant portions of total County growth will inevitably locate in the service area in response to the stimuli of proximity and accessibility to transportation routes, the City of St. Augustine, established commercial/shopping areas and the Atlantic Ocean beaches on Anastasia Island. Realization of the area's developmental potential has been hindered heretofore by unavailability of utility system services (particularly wastewater). Completion of planned improvements programs will eliminate that deterrent.

Table No. 1 traces growth of the existing Mainland water system in terms of active service connections and estimates population growth in the service

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area based on an assumed equivalent population of 3.0 persons per connection.

The dynamism of the area is shown by the growth in the recent three-year period (compounded annual rate of 15.9 percent). An independent measure of dynamism (and pent up demand for utility services) is the County Utilities Director's report that applications are on hand from four (4) pending developments or development phases for a total of 374 water and wastewater service connections as soon as planned facilities are available for commitment of service.

TABLE NO. 1

HISTORIC GROWTH IN SERVICE CONNECTIONS AND
ESTIMATED POPULATION OF THE SERVICE AREA OF THE
MAINLAND WATER SYSTEM

<u>Date</u>	<u>Total Service Connections</u>	<u>Estimated Population*</u>
01-31-86	1,173	3,519
01-31-87	1,447	4,341
01-31-88	1,653	4,959
01-31-89	1,828	5,484

* Estimated at average 3.0 persons per connection.

3. System History

The Mainland system has not heretofore owned or operated a public wastewater system. The history of the water system and a description of its present facilities are set forth in succeeding paragraphs.

The Mainland Water System was constructed initially in 1980-1981 with proceeds of a Community Facilities Loan and Grant from Farmers Home Administration (FmHA), U.S. Department of Agriculture (USDA). Principal system facilities included:

- ° Water Supply - five (5) shallow wells in a well field on Tillman Ridge west of Interstate 95 and north of County Road 214; the Tillman Ridge field, with initial supply wells and additional shallow and deep (Floridan aquifer) wells, was planned to be the principal source of supply to both the Mainland Water System and the County-owned Anastasia Sanitary District system,



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- ° Raw Water Transmission Main - a 16-inch main from the well field, generally easterly in County Road 214, Holmes Boulevard, Industrial Park Road, Florida Power Company right-of-way and U.S. Highway 1 to the Shore Drive water treatment plant,
- ° Water Treatment Plant - 1.0 mgd lime softening water treatment plant on the south side of Shore Drive east of U.S. Highway 1; "Spiractor" reactor, filters, chemical feed equipment, 1.0 mg finished water ground storage reservoir and service pumping station,
- ° Finished Water Distribution System - 8-inch and smaller mains, appurtenances and service connections, principally in the St. Augustine South area (east of Old Moultrie Road and from Shore Drive south to just north of Moultrie Creek),
- ° Pipeline Interconnection to ASD System - a 10-inch pipeline northward from Shore Drive in U.S. Highway 1, then eastward in S.R. 312, including bridge supported crossing of the Matanzas River, to connect the MWS and ASD water systems.

During earlier years of system operation when finished water demands in the two systems were lower, the Mainland system plant was operated to supply finished water to both the MWS and ASD systems, the piping connection in S.R. 312 being used as a finished water main. Upon completion and initial operation of the ASD water treatment plant on 16th Street about three (3) years ago, greater capacity and more economical operations were available there. The S.R. 312 main was converted to raw water transfer usage and a booster pump was installed to increase its hydraulic capacity. About the same time, bowl stages were added to the existing Tillman Ridge shallow well turbines and MWS acquired rights to, and effected renovations of, old shallow wells oriented along Holmes Boulevard and previously used by the City of St. Augustine as raw water supplies. The modified Tillman Ridge wells and the renovated Holmes Boulevard wells continue to serve as the total source of supply for the MWS system and the principal raw water source for the ASD system, in the latter case being augmented by limited yields (0.75 mgd, nominal) from shallow and deep well supplies on Anastasia Island during peak seasonal demand periods.

The MWS finished water transmission system has been extended incrementally in recent years. Dead end mains now extend southward along U.S. Highway 1 to several thousand feet south of Wildwood Drive; in an easement at the Tree of Life property from Old Moultrie Road to Dobbs Road, then in Dobbs Road to S.R. 207, then in S.R. 207 to the southwest side of I-95; and in Wildwood Drive (two (2) segments) extending several thousand feet south from S.R. 207 and several thousand feet west from U.S. Highway 1. As these mains have been extended, they have provided service to distribution systems in developments along their routes. The effect has been accelerating growth in numbers of connections and volumes of water sold.



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The Rate Study Report, previously cited, traced historic growth of the MWS water system in terms of number of service connections, at approximate annual intervals from December 20, 1981, through January 1989. Total retail connections increased from 645 to 1,173 in the nominal 4.1-year period (December 20, 1981, through January 31, 1986), a total increase of 82 percent, and a compounded annual growth rate of 15.8 percent. More recently, growth rates have been as shown in prior Table No. 1.

Funding for development of present system facilities has come from two principal sources:

- (1) As noted previously in this Paragraph 3, the initial program was financed by Community Facilities loan (serial bonds) and grant funds from FmHA, USDA. The outstanding bonds were sold to the private sector about two years ago. The principal amount outstanding is \$2,270,000; portions of proceeds of the planned Series 1989 issue sale will be used to refund the outstanding debt.
- (2) The Mainland system assesses and collects capacity-based unit connection fees from all new water system users. Collections are deposited directly to a dedicated capital improvements account to provide funding for system expansions and extensions. Developer contributions, in the form of pre-paid unit connection fees, and funds available from retained system earnings are also used for this purpose. All transmission system extensions from the initial system (described previously in this Paragraph 3) have been constructed using these funds. From its inception, the Mainland wastewater system will assess and collect unit connection fees, similar to the water system's historical practice, to provide funds for wastewater extensions and expansions.

4. Proposed System Improvements

4.1 Water System Improvements

The planned improvements program includes water supply improvements, water treatment plant construction, finished water storage reservoir and service pumping station, and finished water transmission mains. Following subparagraphs briefly describe the planned water system improvements.

a. Water Supply Improvements

Planned improvements include:

- ° Two (2) additional shallow supply wells in the existing Tillman Ridge well field, with turbines and electric motors, to yield 400 gallons per minute (gpm) each.



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- ° Two (2) deep (Floridan aquifer) supply wells on the site of the new Tillman Ridge water treatment plant, with turbines and electric motors, to yield 2,100 gallons per minute (gpm) each.
- ° Well discharge piping connections and headers to convey raw water from the existing shallow wells and new wells to the new treatment plant for lime softening treatment.
- ° Emergency generator provisions to drive all well turbine motors (existing and new wells, except existing wells with standby engine drives) in event of primary power source failure; auxiliary generator to have automatic transfer switch.
- ° Supervisory control system to permit operator start-and-stop control of all well motors remotely from operator station at the new treatment plant.

b. Water Treatment Improvements

The planned facility is a lime softening treatment plant to be constructed on a 20-acre site recently acquired by St. Johns County on Tillman Ridge, north of County Road 214. Principal features and treatment process units include:

- ° Head tank/gravity aerator - one (1) unit, rated capacity - 7.0 mgd.
- ° "Claricone" solids contact reactor clarifiers - two (2) units, rated capacity - 3.5 mgd each, 7.0 mgd total.
- ° Recarbonation tank with carbon dioxide diffuser system - one (1) unit, rated capacity 7.0 mgd.
- ° Dual media filters - four (4) units, rated capacity - 5.0 mgd, total; plant laid out and piping stubbed for deferred addition of two identical filters (to be relocated from existing ASD plant) to increase capacity to 7.0 mgd, total.
- ° Chemical feed systems for lime, polymer, carbon dioxide, ammonia and chlorine; space reserved for future provision of soda ash feed system - rated capacities 7.0 mgd each.
- ° Clearwell and finished water transfer pumps.
- ° Filter backwash system including backwash pumps, backwash water recovery tank, recycle pumps and underflow (sediment) pumps to waste.



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- ° Lime sludge blowdown treatment system including holding tank, press feed pumps, polymer feed system, belt filter press for lime sludge dewatering, sludge cake conveyer/loading system, and standby lagoon.
- ° Operations building/laboratory and chemical feed building.
- ° Plant electrical system with auxiliary generator and automatic transfer switch.
- ° Yard piping system
- ° Sitework

c. Finished Water Storage and Service Pumping Improvements

The improvements are planned to be constructed on the southern end of the Tillman Ridge water plant site and will consist of:

- ° 1.5 million gallon ground storage reservoir for finished water, of prestressed concrete construction.
- ° Service pumping station, with multiple pumps, electric motor driven, taking suction from the ground storage reservoir and discharging through discharge header connection to the existing 16-inch main in County Road 214; pumping station electrical system to be interconnected to plant electrical system to provide auxiliary generation, with automatic transfer switch, to drive service pump motors during interruption of primary electric supply service.

d. Finished Water Transmission Mains

The planned improvements program includes finished water transmission mains, principally designed and located to reinforce the finished water system's transmission grid southward from State Road 207 and westward from Old Moultrie Road, to and including Wildwood Drive. Specifically, locations, approximate lengths and diameters of planned transmission mains are:

- ° Wildwood Drive - 8,800 L.F. of 10-inch main.
- ° Dobbs Road - 2,500 L.F. of 12-inch main (from existing 16-inch main at Industrial Park Road south to Kings Estate Road) and 5,600 L.F. of 10-inch main (existing 16-inch main north to the existing 10-inch main at "Tree of Life" connection)
- ° Kings Estate Road and St. Augustine Boulevard - 12,300 L.F. of 10-inch main (Old Moultrie Road to S.R. 207).



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e. Estimated Costs of Improvements

Estimated construction costs, contingency allowances (at approximately twenty percent of construction costs) and total estimated costs of each improvement and of the overall planned water system program are as follows:

<u>I m p r o v e m e n t</u>	<u>E s t i m a t e d C o s t s</u>		
	<u>Construction</u>	<u>Contingency</u>	<u>Total</u>
Water Supply	\$ 475,000	\$ 95,000	\$ 570,000
Water Treatment	2,732,000	546,000	3,278,000
Storage and Service Pumping	800,000	160,000	960,000
Finished Water Transmission	<u>430,000</u>	<u>86,000</u>	<u>516,000</u>
TOTAL WATER SYSTEM PROGRAM	\$4,437,000	\$887,000	\$5,324,000

Financial planning is based on providing funding in the amount of \$5,324,000 to the Water Construction Fund. Planned sources of funding are:

- Local Construction - \$780,000 (transfer from MWS construction account, available funding derived from unit connection fee collections and prior years' retained system earnings);
- Bond Proceeds

4.2 Sewage System Improvements

The planned sewage system improvements constitute the initial-phase program of the planned Mainland sewage system; heretofore, St. Johns County has not "been in the sewage business" on the Mainland. The planned program consists of sewage treatment and treated effluent storage facilities, and of a raw sewage transmission facility to serve developments in the State Road 207 corridor. Following subparagraphs briefly describe the planned improvements.

a. Sewage Treatment Plant

The planned plant will be constructed on an approximate ten-acre "utilities site" in the northeastern corner of the County-owned Cypress Lakes golf course property in the southwestern quadrant of the Interstate 95 interchange at State Road 207. Plant design capacity is 0.250 million gallons per day (mgd). Treatment will be secondary treatment, principally by means of a factory-built, field-erected extended aeration treatment plant. Effluent will be fine-media filtered and chlorinated to meet Florida DER quality standards for disposal by irrigation onto an area of uncontrolled public access (e.g., a golf course). The design includes sludge holding tank



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provisions, with the intent that sludge be periodically hauled liquid by tank truck to the Anastasia Sanitary District plant for dewatering.

b. Effluent Disposal

Effluent will be disposed by spray irrigation of the County-owned Cypress Lakes golf course. Irrigation pumps, piping and applicators were constructed with the golf course development project (not in the sewage program). To provide flexibility and continuity of treatment operations during wet weather periods when irrigation is impractical, provisions are made for temporary storage of treated effluent on the treatment plant site. Specifically, the planned sewage system improvements include a 1.15 million gallon concrete effluent storage tank; tank size and configuration provide for its ready conversion to an oxidation ditch type sewage treatment unit (1.0 mgd capacity) when increasing flows require the plant be expanded. The plant project also includes an effluent pump well and piping connection to the golf course irrigation pumps.

c. Raw Sewage Transmission System

The planned program includes a raw sewage force main pipeline extending from the treatment plant site to State Road 207, then northeastward in State Road 207 to Dobbs Road. The pipeline consists of approximately 16,600 L.F. of 16-inch main and 11,900 L.F. of 10-inch main. The design concept is that the County system will provide hydraulic pipeline capacity and that individual developments will be served to on-site pumping stations (installed by developers to County specifications), discharging through manifolded connections to the transmission force main. The size change (10-inch to 16-inch) is at a point near Moultrie Creek and Wildwood Drive where a deferred southerly transmission system branch will logically be manifolded in the future. Also, as actual flows and head losses increase in the transmission piping, the Mainland system will necessarily construct master "booster" stations at points along the main to increase hydraulic capacity while limiting required pump discharge pressures at the developer-installed tributary stations. The immediate program includes one booster station, to be located near the entrance to Foxhill Estates Subdivision on the 10-inch portion of the main. The station is a duplex self-priming pump installation with precast concrete wetwell, mechanical and electrical equipment in aboveground masonry pump house, and auxiliary generator set (design operating conditions-580 gallons per minute (gpm) vs. 65-foot total head (T.H.)).

d. Estimated Costs of Improvements

Estimated construction costs, contingency allowances (at approximately twenty percent of construction costs) and total estimated costs of



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each improvement and of the overall planned wastewater system program are as follows:

<u>Improvement</u>	<u>Estimated Costs</u>		
	<u>Construction</u>	<u>Contingency</u>	<u>Total</u>
Wastewater Treatment and Effluent Storage	\$1,110,000	\$222,000	\$1,332,000
Wastewater Transmission System	<u>717,300</u>	<u>143,700</u>	<u>861,000</u>
TOTAL WASTEWATER PROGRAM	\$1,827,300	\$365,700	\$2,193,000

Financial planning is based on provision of funding in the amount of \$2,193,000 to the Sewage Construction Fund; all funding will be provided from Bond proceeds.

5. Improved Systems

As planned and designed, the Mainland water supply and treatment facilities constitute the single source of water for transmission and distribution to supply all finished water demands throughout the potential service area of the Mainland system and, ultimately, of the County-owned Anastasia Sanitary District system. The relatively great sophistication and expense of constructing and operating physical-chemical treatment units to remove objectionable gaseous and dissolved solids constituents, both inorganic and organic, and "economy of scale" tend to favor single larger treatment facilities rather than multiple smaller facilities of equal total capacity. The practicality of the "single plant concept" is further reinforced by the economy and practicality of transmitting finished water over broad areas by interconnected (gridded) piping systems, with remote storage reservoirs and repumping stations as needed. With future additions of supply wells, treatment plant capacity increments, transmission main extensions and reinforcing interconnections, remote storage reservoirs and pumping stations, all as warranted by actual patterns, densities and rates of future development, the water system may be continuously expanded, practically and feasibly, to serve indefinitely St. Johns County's growing needs for potable water.

While economy of scale considerations similarly favor centralization of wastewater treatment facilities, other factors (notably pumping energy requirements and septicity problems attendant to raw wastewater transmission over extreme distances and preferability/practicality of land disposal of effluent on dispersed sites with suitable soil and hydrogeologic characteristics) favor regionalized wastewater systems rather than a single County-wide system. The planned wastewater facilities are expandable as a regional system to serve ultimate needs of the service area described in prior Paragraph 2. In approximately one year, a similar regional system, to be owned and operated by the Mainland utilities system but not physically interconnected to the planned initial facilities, should



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be provided to serve an area centered on State Road 16 north of the planned program's service area; initial facility and financial planning is in progress. In the more distant future, a regional system may be warranted along U.S. Highway 1 south and southeast of the initial planned system's service area. Lastly, the existing County-owned Anastasia Sanitary District wastewater system will remain separate, with its own treatment facility, to provide wastewater service to areas east of the Matanzas River.

Succeeding paragraphs describe facilities and capacities of the Mainland system's water and wastewater facilities and capacities as the same will exist on completion of the planned improvements programs; the descriptions are relevant in the context of future service needs of the respective ultimate service areas of the two systems as discussed above.

5.1 Water System

a. Water Supply

(1) Shallow Well Supplies: Seven (7) wells in the Tillman Ridge field, capacity 400 gallons per minute (gpm) or 0.576 million gallons per day (mgd) each. The system owns five (5) additional well sites and permanent easements for necessary interconnecting pipelines. Maximum sustainable yield of the field is limited by aquifer recharge rates and should be limited to 5.0 mgd total, withdrawn through multiple small, dispersed wells.

(2) Deep Well Supplies: Two (2) wells into the Floridan aquifer, capacity of each 2,100 gpm (3.0 mgd), wells located on the site of the planned Tillman Ridge water treatment plant. Yields obtainable from the Floridan aquifer, North Florida's principal potable water source, are virtually limitless. The water is mineralized in the aquifer underlying St. Johns County, with better quality obtainable at the Tillman Ridge site than elsewhere. Deep and shallow well supplies may be blended in proportions not exceeding 1:1 to provide a blended raw water supply satisfactorily and economically treatable by lime softening.

b. Water Treatment: On completion of the planned improvements program, lime softening treatment capacity of 5.0 mgd, nominal, will be available. Upon installation of two additional 18-foot diameter dual media filters (existing units to be relocated from the Anastasia Sanitary District plant) about 1991-1992, the plant's capacity will be increased to 7.0 mgd. The plant site (20 acres) is ample for future construction of additional treatment capacity as needed. As more reliance must be placed on deep well supplies in future years, the plant expansion might suitably be of reverse osmosis (R.O.) or similar



design more suitable for poorer quality (more highly mineralized) unblended supply.

- c. Finished Water Storage and Service Pumping: Capability to store finished water and to pump it into the transmission/distribution system at peak short-term demand rates is of particular value in that it permits the treatment facility to be operated at steady-state daily demand rates, excess output during low demand hours being diverted to temporary storage from which it can subsequently be withdrawn to augment treatment rate in meeting subsequent peak demands. The system will have 2.5 million gallons (mg) of storage, a 1.5 mg ground storage tank at the Tillman Ridge plant and a 1.0 mg tank at Shore Drive near U.S. Highway 1 in the northeast corner of the service area. Each tank will have an associated high head service pumping station.
- d. Finished Water Transmission System: The finished water transmission system in the service area proper will consist of gridded 12-inch, 10-inch and 8-inch mains, principally as described in prior Paragraphs 3 and 4.1.d. Treated water from the plant will be transported a distance of approximately 32,000 feet in the existing 16-inch main in County Road 214 and Holmes Boulevard to connect into the gridded system at State Road 207 and at other points further south and east where the existing 16-inch main crosses existing and new finished water transmission mains. The 16-inch main, presently in raw water transmission usage, will be disinfected and converted to finished water usage immediately upon the new treatment plant's being placed into initial operation. The extreme length of the main between the plant and the gridded portion of the transmission system will result in high head losses (pressure drops) and inordinate pumping energy requirements and costs as service pumping rates increase to meet increasing finished water demands. An early deferred system improvement will be to increase hydraulic capacity in this segment, ideally by constructing a generally parallel main, so routed as to "reinforce" the existing main while also providing finished water service in a corridor as yet unserved. A functional, but less preferable, alternate would be provision of an intermediate booster pumping installation along the existing main route to accommodate increased pressure losses without necessitating excessive operating pressure at any point.
- e. Distribution Systems and Service Connections: Presently developed properties in the service area are provided potable water service through distribution systems interconnected to, and supplied water by, the finished water transmission mains. Established County policy requires developers to install distribution systems, at their expense, in conformance to County standards and subject to satisfactory inspection prior to acceptance. Completed systems are then deeded to the County for ownership, operation and maintenance. Typically, the developer stubs service connection piping to each lot and the County



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furnishes and installs a service meter for each property when it is initially occupied; a tapping fee is assessed against and collected from the property owner when the meter is installed. For the next several years, the single service connection to the County-owned Anastasia Sanitary District system, a bulk water customer, will continue to represent more sales volume and billing revenue than the cumulative volume requirements and billing revenues of all retail customers of the system. Anastasia Sanitary District is concurrently constructing a 20-inch pipeline connection (bulk water service connection) between the Mainland system (Shore Drive east of U.S. Highway 1) and the ASD system. Approximately one half the capital cost and more than 60 percent of initial years' operating expenses of the Mainland supply and treatment improvements are attributable to the ASD water demands. These costs will be recovered by the Mainland system through bulk water sales charges to ASD under terms of a service contract between the systems.

5.2 Sewage System

Treatment, effluent disposal and raw wastewater transmission system facilities will be solely those installed under the planned improvements program as described in Paragraph 4.2. County policy regarding sewage collection systems is similar to that for water distribution systems as discussed in Paragraph 5.1.e. That is, developers are required to construct collection systems, including gravity sewer laterals and sub-mains, necessary collection system pumping stations and force mains, and service connection piping stubbed to the property line, at their expense, to County standards and subject to preacceptance inspection. As each benefitted property is developed, the building sewer (service line) is installed by a licensed plumber, subject to County inspection, and connected to the stubbed service line.

6. System Growth

Historical growth of the water system, in terms of service connections in the recent past, is as shown previously in Table No. 1. Future growth, in numbers of connections, is projected conservatively at ten percent (10.0%) annually through F.Y. 1993 and at eight percent (8.0%) annually thereafter (in contrast to the 15.9 percent annual rate experienced January 1986 - January 1989). In acknowledgement that some growth will occur within predeveloped areas, with individual septic tank systems, although the majority of growth will be as new planned developments requiring both water and sewage service, sewage connection growth is projected at seventy percent (70%) of the water system growth rate, from the initial date of availability of County sewage service. The indirect projection method for sewage system growth is necessary because there is no pre-existing Mainland sewage system with historical operating data from which a direct projection may be made.



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7. Rates, Revenues and Expenses

Our recently completed **Consulting Engineers' Report on Water and Sewer Rate Studies**, cited previously, with refinements thereto as subsequently developed in concert with County Administrative and Finance staffs, has concluded that water rates, sewer user fees, tapping fees and unit charges for bulk water transfers to the Anastasia Sanitary District system should be set as indicated in Table No. 2. The Commission has adopted the schedule of rates, fees and charges summarized in Table No. 2 on May 23, 1989, effective date of adjustments to be June 15, 1989. The modified rates were established to generate revenues adequate to pay operations expenses and service bonded debt as projected subsequently in Table No. 3. Attachment A compares previous and adjusted rates of the Mainland system and the County-owned ASD system with rates of other public or privately-owned water and wastewater utilities in the vicinity.

In the course of preparation of our **Consulting Engineers' Report on Water and Sewer Rate Studies**, we examined published financial information from **St. Johns County, Florida, Annual Financial Reports**, by Price Waterhouse, for Fiscal Years ended September 30, 1985, 1986, 1987 and 1988. To obtain greater detail as to specific functional purposes of expenditures, we have also evaluated complete but unaudited chart-of-account expense records provided by the St. Johns County Finance Department for the same most recent four-year period. These data have been analyzed in conjunction with information from Paragraph 6 and from sources cited previously in this Paragraph 8 as input to Table No. 3.

Table No. 3 summarizes recent historical gross revenues and operating and maintenance expenses; expenses are categorized as in the **Annual Financial Reports** cited above. Based thereon, and on the more detailed evaluations of the recent **Water and Sewer Rate Studies**, gross revenues, operating and maintenance expenses and net revenues for Fiscal Years ending September 30, 1989 through 1995 are shown. Projected operating and maintenance expenses are categorized based on the Rate Studies Report projections, which essentially are summations of projected Departmental expense totals from intra-departmental functional subtotal projections.

Table No. 3 compares projected net revenues to debt service payments for the proposed Series 1989 revenue bond issue. Debt service payment schedule for the Series 1989 issue was provided by Public Financial Management, Inc., for a 20-year serial bond issue. Debt service coverage ratios are determined and debt service payments are deducted from total net revenue to determine funds available for renewal and replacement. For comparison purposes, the sums generally required by the Bond Ordinance for renewal and replacement (five percent of the current year's gross operating revenue) are shown.

The table also shows annual projected amounts of unit connection fee collections which may be pledged to debt service in accordance with



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covenants set forth in the Bond Ordinance. These annual amounts are added to annual net revenues and the resulting totals are tested for compliance with the covenant provision that minimum coverage of 1.20x must be maintained by net revenue plus pledged unit connection fees.

The projections of Table No. 3 are considered conservative in that system growth is projected at lower rates, in terms of numbers of connections for the water system than that experienced in the recent past. See Paragraph 6. Billing volume projections, from which user charge revenues are developed, are also conservative in that gradual decreases in average volume billed per bill rendered are anticipated, a continuation of the trending decreases reflected by historic billing information. Operating expense projections incorporate both anticipated increases in system service levels (growth in sales volumes) and an assumed 5.0 percent annual cost escalator.

The table determines "Total Net Revenue" as the sum of "Net Operating Revenue" and "Other Income". In that computation, "Other Income" excludes unit connection fee collections. Debt service coverage factor is projected as 1.294x in F.Y. 1990, the first full year of revenues from adjusted rates and with the debt service requirement of the Series 1989 issue being interest only. Projected coverage factor decreases to 1.238x in F.Y. 1991 when increased operating expenses of improved water system facilities and full year's expenses of the wastewater system are experienced concurrent with the first typical year of debt service (principal retirement as well as interest payment). Coverage is then projected to increase steadily to 1.554x in F.Y. 1995, as operating revenue increases from projected system growth significantly outpace operating expense increases resulting both from growth and cost escalation. In all years, the projected coverage factor, from Total Net Revenue exceeds the 1.10x minimum covenanted by the Bond Ordinance.

Table No. 3 also determines gross revenues to be adequate to:

- (a) Pay all operating and maintenance expenses.
- (b) Make principal and interest payments on the proposed Series 1989 revenue bond issue when the same come due while maintaining coverage factors exceeding the minimum required by the Bond Ordinance.
- (c) Fund a continuing program of system renewal and replacement at annual expenditure levels at least equal to five percent of current gross operating revenues.

Moreover, the projections of Table No. 3 are based on operating revenues generated by schedules of water rates, sewer service charges and other fees and charges as adjusted by the Board of County Commissioners on May 23, 1989, and as shown in Table No. 2. Thus, barring resumption of rates of inflation significantly greater than that incorporated into the



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projections, Table No. 3 indicates that the system will operate with increasing net revenues, with no further rate increases required for the next six years.


Lastly, Table No. 3 depicts the test for debt service coverage in Fiscal Years 1990-1995, based on the sum of net revenues and pledged unit connection fee income, with the amount pledged in any year being limited by covenants of the Bond Ordinance to the lesser of: (a) total projected annual unit connection fee income, or (b) the product of "expansion percentage" and total annual debt service payment. We have determined the expansion percentage to be 45.0 percent, and have found the pledged amount to be limited by "expansion percentage" in F.Y. 1990 and F.Y. 1993. In the other years tested, total unit connection fee income limits the pledged amount. Coverage factors so determined are 1.744x in F.Y. 1990, reducing to 1.615x in F.Y. 1991, then steadily increasing to 1.986x in F.Y. 1995. In all years, the projected coverage factor significantly exceeds the 1.20x minimum coverage covenanted by the Bond Ordinance.

9. Conclusion

We appreciate the opportunity to provide consulting engineering services in conjunction with the planned Revenue Bond Issue. We stand ready, upon request, to provide any needed further assistance to you, your financial consultants or bond counsel, in completing the Official Statement and bringing the issue to market.

Respectfully submitted,

HART ENGINEERS, INC.


Robert L. Bates, Jr., P.E.
Vice President

RLB/jcw

Attachments

TABLE NO. 2
PREVIOUS AND ADJUSTED RATES, FEES AND CHARGES

(Adjustments Adopted May 23, 1989; Effective Date June 15, 1989, unless otherwise noted)

<u>USER CHARGES</u>	<u>Previous</u>	<u>Adjusted</u>
WATER RATES - Monthly		
Minimum (4,000 gallons Allowed)	\$7.95	\$13.10
Overage (per 1,000 gallons)	2.05	3.40
SEWER USER FEES - Monthly		
Minimum (4,000 gallons Allowed)	n.a.	\$13.35
Overage (per 1,000 gallons)	n.a.	3.15

TAPPING FEES

<u>Water Meter Size</u>	<u>Previous</u>	<u>Adjusted</u>
3/4-inch	\$ 200.00	\$ 300.00
1-inch	275.00	412.50
1½-inch	800.00	1,200.00
2-inch	1,200.00	1,800.00
3-inch	2,500.00	3,750.00
4-inch	4,000.00	6,000.00
6-inch	6,500.00	9,750.00

BULK WATER SALES - Unit Cost per 1,000 gallons

Previous Charge: \$1.25 per 1,000 gallons - raw water

<u>Adjusted Charge: Time Period</u>	<u>Unit Cost</u>	<u>Water Characteristic</u>
October 1, 1989 - September 30, 1990*	\$1.25	Raw
October 1, 1990* - September 30, 1992	2.70	Finished
October 1, 1992 - September 30, 1995	2.60	Finished

* Adjust date of rate change to actual date of initial finished water purchase.

UNIT CONNECTION FEES

	<u>Previous</u>	<u>Adjusted</u>
Water (per gpd)*	\$1.25	\$3.00
Sewer (per gpd)*	n.a.**	3.80

* Based on schedule of typical volume usages per dwelling unit type or establishment type; schedule is incorporated in Rate Ordinance.

** n.a. - Not applicable; there has been no previous sewer system, hence no previous sewer unit connection fees.

Note: Unit connection fees are pledged to repayment of bonded debt per covenants of the Bond Ordinance. "Excess" unit connection fee collections not actually required for debt service payments will continue to be used for capital improvements of the systems. See discussion of historical practices and typical prior improvements in Paragraph 3.

TABLE NO. 3

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

P R O J E C T E D - F I S C A L Y E A R E N D I N G 0 9 - 3 0 :

HISTORICAL - FISCAL YEAR ENDED 09-30:	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
---------------------------------------	------	------	------	------	------	------	------	------	------	------	------

GROSS OPERATING REVENUES

Water Sales	\$190,558	\$257,720	\$305,222	\$333,089	\$396,500	\$641,900	\$701,200	\$766,000	\$836,700	\$897,200	\$962,200
Retail											
Bulk to ASD	365,360	623,803	495,087	408,977	467,300	531,500	1,080,700	1,135,400	1,150,500	1,206,300	1,263,700
Total	\$555,918	\$881,523	\$800,309	\$742,066	\$863,800	\$1,173,400	\$1,781,900	\$1,901,400	\$1,987,200	\$2,103,500	\$2,225,900
Sewer Service Charges						14,400	57,800	105,500	158,000	204,200	254,100
Meter Installations (Tapping Fees)	21,945	37,545	43,075	29,950	23,900	34,800	38,400	42,200	44,400	40,900	44,100
TOTAL	\$577,863	\$919,068	\$843,384	\$772,016	\$887,700	\$1,222,600	\$1,878,100	\$2,049,100	\$2,189,600	\$2,348,600	\$2,524,100

OPERATING EXPENSES

Historic per Annual Financial Reports

Contractual Services	\$ 90,420	\$123,151	\$124,479	\$157,924							
Salaries and Benefits	0	0	0	0							
Operating Expenses	117,363	138,469	150,594	152,756							
Maintenance	29,762	66,697	31,954	43,868							

Projected per Rate Study Report

Water System - General Operations					\$370,200	\$402,900	\$724,500	\$783,900	\$849,000	\$916,800	\$990,600
Water System - New Installation Mtls.					27,300	30,100	33,100	36,400	40,000	44,000	48,400
Water System - Total					\$397,500	\$433,000	\$757,600	\$820,300	\$889,000	\$960,800	\$1,039,000
Sewage System - Total					47,800	47,800	106,200	121,700	139,500	157,300	177,500
TOTAL	\$237,545	\$328,317	\$307,027	\$354,548	\$397,500	\$480,800	\$863,800	\$942,000	\$1,028,500	\$1,118,100	\$1,216,500
NET OPERATING REVENUE	\$340,318	\$590,751	\$536,357	\$417,468	\$490,200	\$741,800	\$1,014,300	\$1,107,100	\$1,161,000	\$1,230,500	\$1,307,600
OTHER (NON-OPERATING) INCOME (a)	18,978	35,367	62,007	111,228	110,000	110,000	110,000	110,000	110,000	110,000	110,000
TOTAL NET REVENUE	\$359,296	\$626,118	\$598,364	\$528,696	\$600,200	\$851,800	\$1,124,300	\$1,217,100	\$1,271,000	\$1,340,500	\$1,417,600
PLEGDED UNIT CONN. FEES (b)						296,281	342,996	376,956	409,811	365,070	393,936
TOTAL NET REV. + UNIT CONN. FEES						\$1,148,081	\$1,467,296	\$1,594,056	\$1,680,911	\$1,705,570	\$1,811,536

ANNUAL D.S. PAYMENT

Existing Issue - 1980 (c)	\$142,200	\$143,600	\$144,300	\$142,900	\$144,500						
Proposed Series 1989 Issue	n.a.	n.a.	n.a.	n.a.	54,867	658,403	908,402	907,652	910,692	912,167	912,038
TOTAL D.S.	\$142,200	\$143,600	\$144,300	\$142,900	\$199,367	\$658,403	\$908,402	\$907,652	\$910,692	\$912,167	\$912,038

DEBT SERVICE COVERAGE FACTOR (NET)

EXCESS, AVAILABLE FOR R & R	2,527	4,360	4,147	3,700	3,011	1,294	1,238	1,341	1,396	1,470	1,554
REQD R & R - 5% OF GROSS OP. REVENUE	\$217,096	\$482,518	\$354,064	\$385,796	\$400,833	\$193,397	\$215,898	\$309,448	\$360,408	\$428,333	\$505,562
D.S. COVERAGE (NET + PLEDGED U.C.F.)	\$28,893	\$45,953	\$42,169	\$38,601	\$44,385	\$61,130	\$93,905	\$102,455	\$109,480	\$117,430	\$126,205

(a) Entries actual for FY 1985-1988, all interest bearing accounts. Projections FY 1989 and subsequently are Engineers' estimates and exclude interest earnings

on construction accounts.

(b) Entries are lesser of total projected unit connection fee revenue (FY 1990 and 1993) or expansion percentage applied to total annual debt service (FY's 1991, 1992, 1994 and 1995).

(c) Full scheduled payment for FY 1989; Series 1980 issue to be paid by escrowed funds from the Series 1989 issue. There will be no payments for the Series 1980 issue subsequent to refunding.



ATTACHMENT A
 COMPARISON OF PREVIOUS AND ADJUSTED RATES
 WITH THOSE OF OTHER SYSTEMS IN THE VICINITY

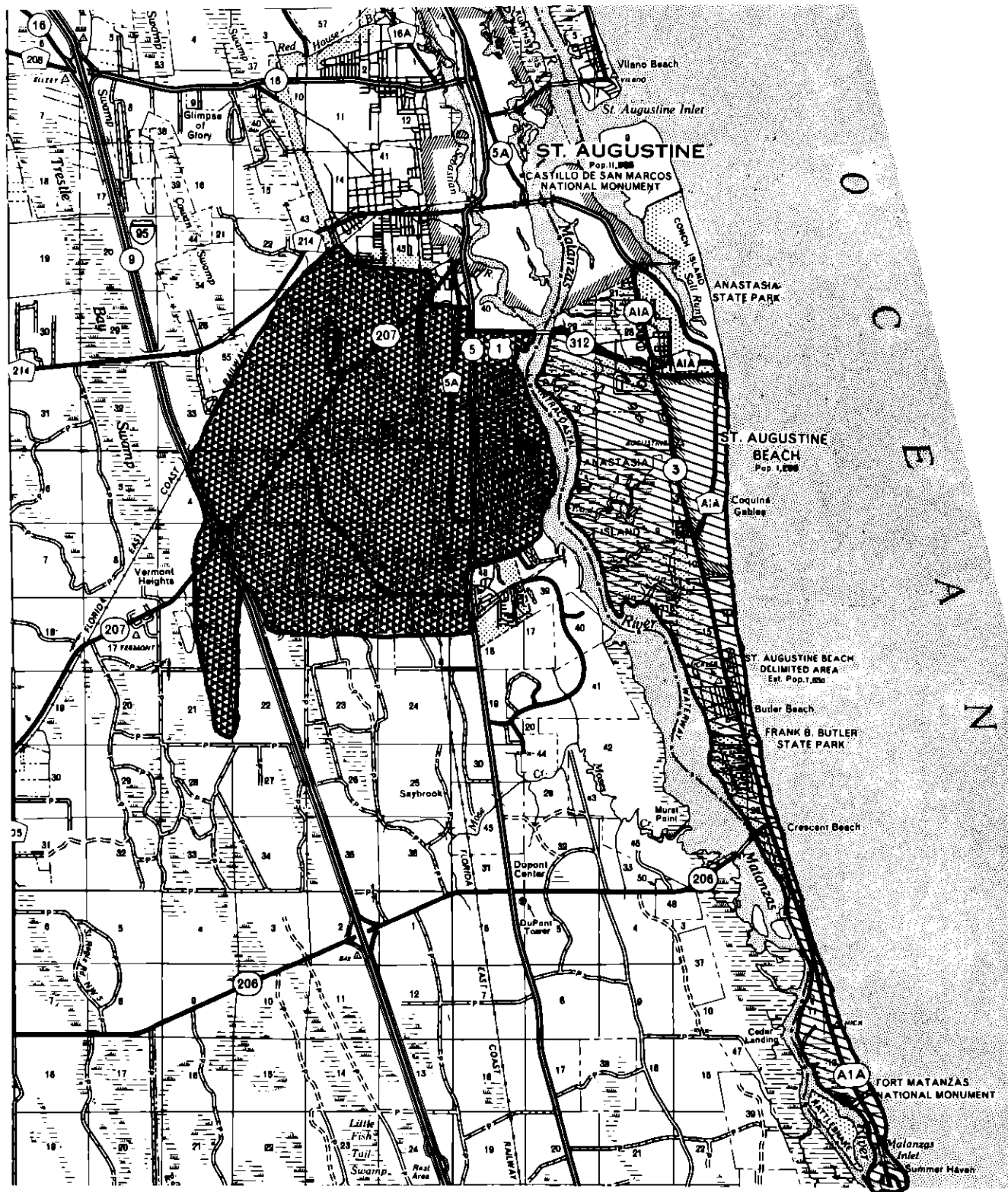
<u>S Y S T E M</u>	<u>Water Rates</u>		<u>Sewer User Fees</u>	
	<u>Monthly Charge for 4,000 gal.</u>	<u>Overage per 1,000 gal.</u>	<u>Monthly Charge for 4,000 gal.</u>	<u>Overage per 1,000 gal.</u>
MAINLAND - Previous	\$ 7.95	\$ 2.05	n.a.	n.a.
- Adjusted	13.10	3.40	\$13.35	\$ 3.15
ASD - Previous	9.15	2.35	9.30	2.15
- Adjusted	12.85	3.35	13.05	3.05
St. Augustine - In City	14.26	2.90	18.37	3.34
- Outside	17.85	3.65	23.48	4.68
Jacksonville Beach	8.53	0.92	11.96	2.99
Ormond Beach	9.70	1.70	13.58	2.38
Daytona Beach	8.92	1.44	9.60	2.09
Daytona Shores*	8.92	1.44	9.56	2.39
Palatka - In City	5.90	1.00	9.00	1.00**
- Outside	7.37	1.47	11.25	1.22
St. Augustine Shores	28.18	3.29	28.45	3.46***
Port Orange	11.60	2.30	13.50	3.00

* Water served by City of Daytona Beach system.



** Billing capped at 12,000 gallon monthly use.

*** Billing capped at 6,000 gallon monthly use.

Note: Tabulation based on rate information provided to the Engineer by the St. Johns County Director of Utilities.



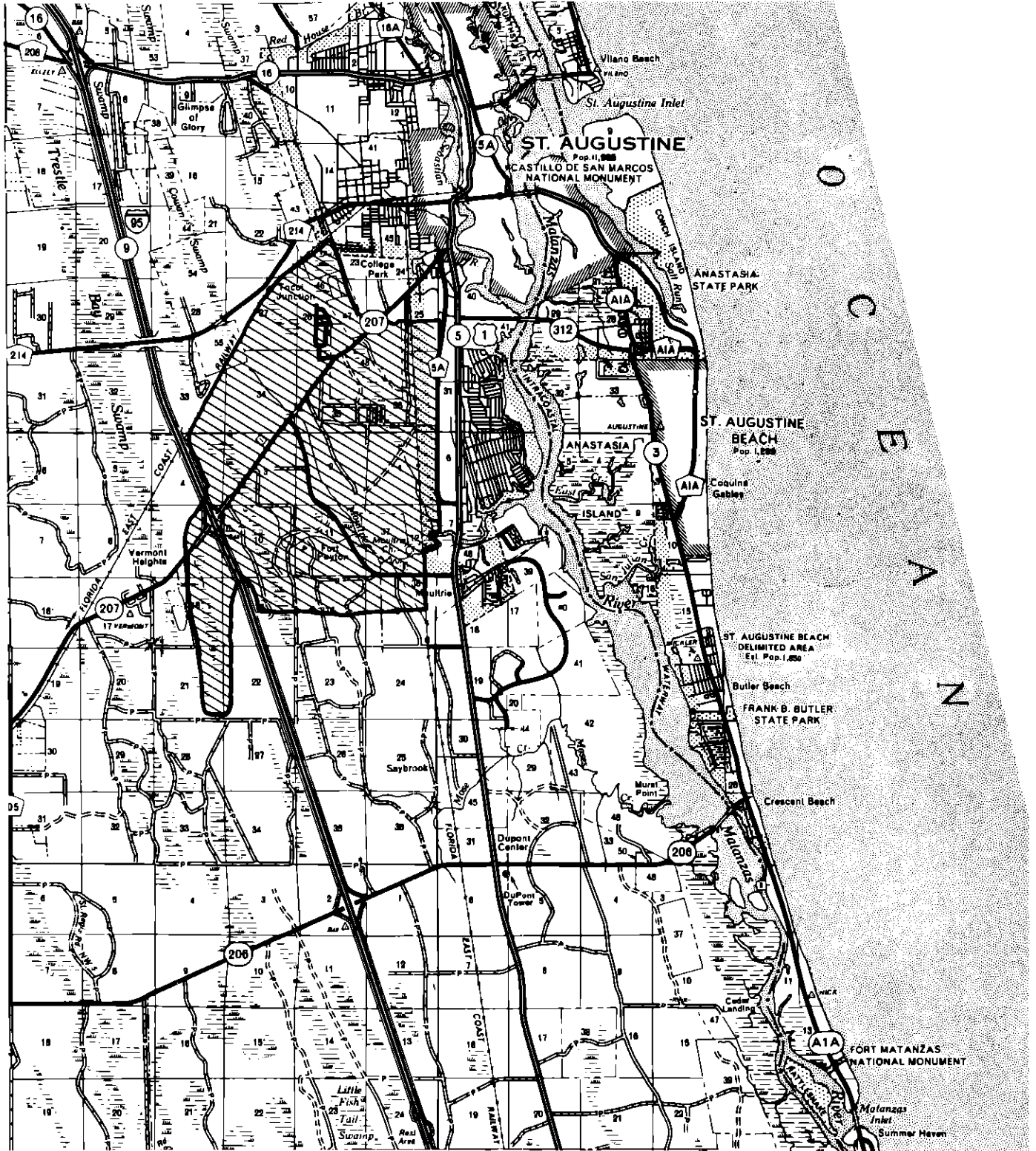
LEGEND

-  SERVICE AREA OF MAINLAND WATER SYSTEM (MWS)
-  SERVICE AREA OF ANASTASIA SANITARY DISTRICT (BULK CUSTOMER OF MWS)



SCALE: 1 INCH = 2 MILES

FIGURE 1: MAINLAND WATER SYSTEM SERVICE AREA




 NORTH
 SCALE: 1 INCH = 2 MILES

FIGURE 2: MAINLAND SEWAGE SYSTEM SERVICE AREA

APPENDIX "B"

GENERAL INFORMATION CONCERNING THE COUNTY

THE FOLLOWING INFORMATION CONCERNING ST. JOHNS COUNTY, FLORIDA IS INCLUDED ONLY FOR THE PURPOSE OF PROVIDING GENERAL BACKGROUND INFORMATION.

Location

St. Johns County (the "County") encompasses approximately 608 square miles and is located in the Northeast region of the State of Florida. The County is located directly south of Duval County, Florida, and it is bordered on the west by the St. Johns River, on the south by Flagler County, and on the east by the Atlantic Ocean.

There are four incorporated municipalities located in the County: St. Augustine, Hastings, portions of Marineland, and St. Augustine Beach. St. Augustine, which was founded in 1565, is the oldest permanent European settlement in the United States and is the County Seat.

Population

St. Johns County currently ranks 32nd out of Florida's 67 counties in gross population and ranks sixth statewide in the percentage change in population growth from 1980 to 1988.

St. Johns County has experienced steady population growth, as shown below:

<u>Year</u>	<u>Population</u>
1940 U.S. Census	20,012
1950 U.S. Census	24,998
1960 U.S. Census	30,034
1970 U.S. Census	31,025
1980 U.S. Census	51,303
1985 Estimate (1)	68,822
1986 Estimate (1)	73,093
1987 Estimate (1)	75,133
1988 Estimate (1)	80,278

(1) University of Florida Bureau of Economic and Business Research

Commerce and Industry

While tourism ranks high in the economy with more than one million visitors annually, manufacturing and commercial activities, including boat building, food processing, airplane modification and repair, book binding, aluminum extrusion and commercial fishing play key roles. The County is also the location of the general offices of the Florida East Coast Railway and the headquarters for the Florida Department of Military Affairs.

The strength of the employment growth and the steady growth in population has brought a corresponding increase in housing construction. From 1981 to 1985, multi-family construction exceeded that for single-family units, but the high population growth in 1986 generated a demand for single family housing as well as retailing and service employment.

Agriculture

Agribusiness remains a key sector of the state and the Northeast region's economy. Agriculture is a major industry in St. Johns County and in 1988 provided the County with on-farm revenue in excess of \$35 million.

St. Johns County is known as the potato and cabbage capital of Florida, and leads the other counties in Florida in value of these products. Agriculture commodities produced in the County and their respective values for 1988 are as follows:

Potatoes	\$21,200,000
Cabbage	1,700,000
Other Vegetables	2,000,000
Forest Products	4,000,000
Livestock and Dairy	2,000,000
Corn and Grain Sorghum	500,000
Cut Flowers and Nurseries	3,500,000
Poultry	1,000,000
Total	\$35,900,000

Source: Florida Department of Agriculture St. Johns County Extension Service, 1988.

The County's temperate climate with a mean temperature of 70 degrees fahrenheit and an average annual rainfall of 50 inches make it ideal for the agriculture products described above.

Employment

The following table shows employment by category for September, 1988.

<u>Distribution</u>	<u>Number of Employees</u>	<u>Percentage of Total</u>
Manufacturing	3,264	13.71%
Construction	1,131	4.75
Transportation, Communications & Utilities	387	1.63
Wholesale Trade	735	3.09
Retail Trade	6,263	26.31
Finance, Insurance and Real Estate	847	3.56
Service	6,599	27.72
Government	4,086	17.17
Agriculture (Except Domestic, Self Employed, Unpaid Family Workers and Seasonal Workers)	<u>490</u>	<u>2.06</u>
TOTAL	23,802	100.00%

Source: State of Florida, Department of Labor and Employment Security, Edited ES-202 Report

Major Employers

The following table shows the major employers in St. Johns County and their approximate level of employment as of May, 1989.

<u>Establishment</u>	<u>Product</u>	<u>Approximate Employment</u>
St. Johns County School Board	Education	1,495
Grumman St. Augustine Corporation	Aircraft overhaul and modification	1,150
St. Johns County	County Government	772
Florida School for the Deaf and Blind	Educational Institution	620
V.A.W. of America, Inc.	Aluminum Extrusion	400
Tree of Life, Inc.	Health Food Distributor	300
Luhrs Corporation	Pleasure Crafts/Sport Fishing Boats	230
Parker Hannifan Corporation	Manufacturing	225
Florida Department of Military Affairs	Florida National Guard Headquarters	211
City of St. Augustine	Municipal Government	205
Flagler College	Four-year Liberal Arts College	200
Florida East Coast Railway	Interstate Railroad Freight & Express	150
Tensolite Company	Hi-tech Wire Insulation	100
Wise Foods (Division of Borden, Inc.)	Potato Chip Manufacturer	90
St. Augustine Record Inc.	Daily Newspaper	85

Source: St. Augustine and St. Johns County Chamber of Commerce, State of Florida 1989 Directory of Florida Industries and personal contact.

Tourism and Recreation

A combination of favorable climate and available recreational activities including public beaches, tennis courts, golf courses and cultural performances has made tourism a major industry in the County. Each year, more than one million people visit the County to tour its 300 year old fortress, utilize the recreation facilities and to enjoy the antiquity of the nation's oldest city.

Transportation Facilities

Air: Commercial airline service is available at the Jacksonville International Airport located approximately 60 miles north of St. Augustine. The Daytona Beach Regional Airport is approximately 55 miles south of St. Augustine. Charter flights and flight training are available at the St. Augustine Municipal Airport.

Land: Three major north/south highways, Interstate 95, U.S. 1 and State Route A1A, serve the County. Bus transportation is provided by Greyhound with 11 northbound and 11 southbound buses each day.

Rail: The County is served by the Florida East Coast Railway with freight service only. Amtrak and piggyback facilities are located in Jacksonville, 38 miles north of the County.

Waterways: The Port of St. Augustine provides access to the St. Augustine Inlet, the Intracoastal Waterway and the Atlantic Ocean. The nearest deep water Port is Mayport near Jacksonville, approximately 36 miles north of the County.

Health Care Facilities

Medical facilities are provided by Flagler Hospital, which has 115 beds, and the St. Augustine General Hospital, which has 115 beds. There are approximately 102 physicians in the area, including specialists in most fields. The County has six nursing homes; two of which are funded by the County and four of which are private establishments.

Education

The public school system is operated by the County under authority of the St. Johns County School Board of Public Instruction. There are nine elementary schools, three middle schools, one junior-senior high school, one high school, an exceptional child center (ungraded), two elementary parochial schools, a parochial high school, a tri-county

Vocational and Technical Center, and Flagler College, which is a four-year liberal arts constitution in which more than 1,000 students are enrolled. The State operates the Florida School for the Deaf and Blind in St. Augustine with primary school through senior high school levels.

Source: St. Augustine and St. Johns County Chamber of Commerce, 1988.

**ST. JOHNS COUNTY, FLORIDA
CIVILIAN LABOR FORCE
(unadjusted)**

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	<u>State Unemployment Rate</u>
1979	18,260	16,961	1,299	7.1%	6.0%
1980	21,272	19,662	1,609	7.6	5.9
1981	22,716	20,936	1,780	7.8	6.8
1982	23,924	21,709	2,215	9.3	8.2
1983	24,752	22,073	2,679	10.8	8.6
1984	29,212	26,953	2,259	7.7	6.3
1985	31,263	28,953	2,310	7.4	6.0
1986	35,097	32,815	2,282	6.5	5.7
1987	37,681	35,471	2,210	5.9	5.3
1988	38,781	36,761	2,020	5.2	5.0
1989	38,569	36,474	2,095	5.4	4.7

Note: Figures for 1989 are preliminary as of March, 1989

Source: Florida Department of Labor and Employment Security, Bureau of Research and Information.

**ST. JOHNS COUNTY, FLORIDA
TAXABLE ASSESSED PROPERTY VALUATIONS**

<u>Year</u>	<u>Non-Exempt Real Property Valuations</u>	<u>Non-Exempt Personal Valuations</u>	<u>Non-Exempt Utilities Railroad</u>	<u>Total Taxable Assessed Property Valuations</u>
1977	\$ 588,705,978	\$ 62,714,130	\$ 6,377,056	\$ 657,797,164
1978	628,833,959	65,572,400	7,534,157	701,940,516
1979	667,457,915	72,027,005	7,784,257	747,269,177
1980	732,710,802	89,720,340	9,631,143	832,062,285
1981	815,236,870	104,378,309	7,857,790	927,472,969
1982	1,124,581,258	120,428,374	10,138,271	1,255,147,903
1983	1,223,400,247	144,639,034	12,030,202	1,380,069,483
1984	1,390,251,339	164,456,858	7,626,145	1,562,334,342
1985	1,670,984,352	185,401,615	8,022,393	1,864,408,360
1986	1,962,247,284	206,521,804	1,072,961	2,169,842,049
1987	2,184,537,016	233,803,639	14,441,818	2,432,782,473
1988	2,462,124,391	244,414,748	15,577,014	2,722,116,153

Note: Florida East Coast Railway is involved in litigation with respect to railroad taxes in 1986.

Source: State of Florida, Department of Revenue, Florida Ad Valorem Valuations and Tax Data.

**ST. JOHNS COUNTY, FLORIDA
AD VALOREM TAX LEVIES AND COLLECTIONS**

<u>Year</u>	<u>Property Taxes Levied</u>	<u>Total Tax Collections(1)</u>	<u>% of Levy Collected(2)</u>	<u>Delinquent Tax Uncollected</u>
1980	\$12,923,730	\$12,708,385	98.33%	\$ 215,345
1981	16,539,045	16,208,819	98.00	330,226
1982	19,836,859	19,635,820	98.99	201,039
1983	23,677,638	23,320,383	98.49	357,255
1984	25,229,244	24,805,582	98.32	423,662
1985	31,295,519	31,042,190	99.19	253,329
1986	35,941,927	35,594,355	99.03	347,572
1987	40,160,327	39,785,685	99.07	374,642
1988(3)	46,143,338	43,844,842	95.02	2,298,496

Source: State of Florida, Department of Revenue, Florida Ad Valorem Valuations and Tax Data, 1980-1987, Tax Collector, St. Johns County, 1988.

- (1) **Aggregate amount of tax collections as of close-out of fiscal year ending September 30, which includes the aggregate amount of discounts actually taken by taxpayers as allowed by Florida law. A 4% discount is allowed if the taxes are paid in November with the discount declining by 1% each month thereafter. Total tax collections include current taxes paid, tax certificate proceeds, delinquent tax payments upon taxable personal property, and any prior period payments on County-held tax certificates.**
- (2) **Represents percentage of current gross collections (total collections plus discounts taken) to property taxes levied.**
- (3) **The process is not complete until the sale of tax certificates.**



Honorable Chairman and Members,
Board of Commissioners of St. Johns County
June 22, 1989
Page Eight

The Rate Study Report, previously cited, traced historic growth of the MWS water system in terms of number of service connections, at approximate annual intervals from December 20, 1981, through January 1989. Total retail connections increased from 645 to 1,173 in the nominal 4.1-year period (December 20, 1981, through January 31, 1986), a total increase of 82 percent, and a compounded annual growth rate of 15.8 percent. More recently, growth rates have been as shown in prior Table No. 1.

Funding for development of present system facilities has come from two principal sources:

- (1) As noted previously in this Paragraph 3, the initial program was financed by Community Facilities loan (serial bonds) and grant funds from FmHA, USDA. The outstanding bonds were sold to the private sector about two years ago. The principal amount outstanding is \$2,270,000; portions of proceeds of the planned Series 1989 issue sale will be used to refund the outstanding debt.
- (2) The Mainland system assesses and collects capacity-based unit connection fees from all new water system users. Collections are deposited directly to a dedicated capital improvements account to provide funding for system expansions and extensions. Developer contributions, in the form of pre-paid unit connection fees, and funds available from retained system earnings are also used for this purpose. All transmission system extensions from the initial system (described previously in this Paragraph 3) have been constructed using these funds. From its inception, the Mainland wastewater system will assess and collect unit connection fees, similar to the water system's historical practice, to provide funds for wastewater extensions and expansions.

4. Proposed System Improvements

4.1 Water System Improvements

The planned improvements program includes water supply improvements, water treatment plant construction, finished water storage reservoir and service pumping station, and finished water transmission mains. Following subparagraphs briefly describe the planned water system improvements.

a. Water Supply Improvements

Planned improvements include:

- Two (2) additional shallow supply wells in the existing Tillman Ridge well field, with turbines and electric motors, to yield 400 gallons per minute (gpm) each.

**ST. JOHNS COUNTY, FLORIDA
NET DEBT STATEMENT
August 1, 1989**

**(Adjusted to give effect to the issuance of the Series 1989 Bonds)
for St. Johns County and Anastasia Sanitary District**

<u>Direct Debt</u>	<u>General Obligation Bonds</u>	<u>Non-Self Supporting Revenue Bonds</u>	<u>Self Supporting Revenue Bonds</u>
St. Johns County, Florida Board of County Commissioners Certificates of Indebtedness (Courthouse Construction and Repair) Dated 7/1/66	\$ 165,000		
Limited Ad Valorem Tax Refunding Bonds, Series 1989	4,475,000		
General Obligation Bonds, Series 1989	8,190,000		
Refunding Revenue Bonds, Dated 10/15/86 (\$2,550,000 less \$144,000 in Reserve Account)		\$ 2,406,000	
Water and Sewer Refunding Revenue Bonds, Dated 8/15/86 (\$5,120,000 less \$477,825 in Reserve Account)			\$4,642,175
Anastasia Sanitary District, Water and Sewer Revenue Bonds, Series 1989*			5,405,000
St. Johns County Water and Sewer Revenue Bonds, Series 1989*			9,300,000
Water Revenue Bonds, Dated 6/15/81 (Being refunded by the County's Series 1989 Bonds)			2,267,000

*Preliminary, subject to change

CONTINUED

	<u>General Obligation Bonds</u>	<u>Non-Self Supporting Revenue Bonds</u>	<u>Self Supporting Revenue Bonds</u>
<u>Direct Debt Continued</u>			
Capital Improvement Revenue Bonds, Series 1987A (\$2,775,000 less \$200,619 in Reserve Account)		2,574,381	
Transportation Improvement Revenue Bonds, Series 1988		12,495,000	
Total Direct Debt	\$12,830,000	\$17,475,381	\$21,614,175
<u>Underlying Debt</u>			
City of St. Augustine, Florida Water and Sewer Revenue Refunding Bonds, Series 1986 (\$27,930,000 less \$2,929,234 in Reserve Account)			\$25,000,766
Cigarette Tax Bonds, Issue of 1961 (\$120,000), Issue of 1971 (\$185,000) (\$305,000 less \$156,013 in Reserve Account)		\$ 148,987	
Guaranteed Entitlement Revenue Bonds, Series 1989		2,200,000	
Public Service Tax Revenue Bonds, Series 1988		4,000,000	
St. Augustine Airport Authority District St. Augustine Airport Authority Bonds, Dated 2/1/65 (District is comprised of approximately 1/4 of the County's area)	\$ 275,000		

CONTINUED

	<u>General Obligation Bonds</u>	<u>Non-Self Supporting Revenue Bonds</u>	<u>Self Supporting Revenue Bonds</u>
<u>Underlying Debt Continued</u>			
City of Hastings, Florida Water and Sewer Bonds (\$196,000 less \$13,246 in Reserve Account)			\$ 182,754
St. Johns County Board of Public Instruction Certificates of Indebtedness Dated 6/1/67 (\$560,000 less \$103,435 in Reserve Account)		\$ 456,565	
Total Underlying Debt	<u>\$ 275,000</u>	<u>\$ 6,805,552</u>	<u>\$25,183,520</u>
Total Direct and Underlying Debt	\$13,105,000	\$24,280,933	\$46,797,695

DEBT RATIOS

Direct and Underlying General Obligation Debt	\$13,105,000
Per Capita	\$163.25
As a Percent of Taxable Assessed Valuation	.48%
As a Percent of Total Assessed Valuation	.38%
Direct and Underlying General Obligation and Non-Self Supporting Revenue Debt	\$37,385,933
Per Capita	\$465.71
As a Percent of Taxable Assessed Valuation	1.37%
As a Percent of Total Assessed Valuation	1.07%
1988 Estimated St. Johns County Population	80,278
1988 Taxable Assessed Valuation for St. Johns County	\$2,722,116,153
1988 Total Assessed Valuation for St. Johns County	\$3,483,940,622

Police and Fire Protection

St. Johns County is served by the Sheriff's Department, which has approximately 250 full and part-time employees including deputies, the detective division, communications, jail and administrative personnel. There are sixteen fire stations operating within the County, served by volunteers. The Fire Department operates a special rescue unit manned by trained emergency medical technicians.

Government

St. Johns County has a five-member Board of County Commissioners elected for staggered terms of four years. The Board of County Commissioners will be increased to seven members in 1990. The Chairman and Vice-Chairman are elected by the Board. The Board apportions and levies County taxes and controls the expenditure of all County funds, except for schools, which are controlled by the Board of Public Instruction. The budget year of the County runs from October 1 to the following September 30. Operating revenue is raised from ad valorem taxes and real and personal property taxes, with supplements from State and federal sources for county roads, welfare and health. The Board operates a county road system and has power to establish, build, maintain, repair, protect, and preserve these facilities. The Board may issue bonds for all lawful purposes. The Board correlates and is responsible for various types of elections in the County. Other elected officials serving county-wide are a five-member Board of Public Instruction, a Superintendent of Public Instruction, a Property Appraiser, a Tax Collector, a Supervisor of Elections, a Sheriff, and a Clerk of the Circuit Court who is also Ex-Officio Clerk of the Board of County Commissioners. The Board appoints a County Administrator who serves at the will of the Board.



ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMPONENT UNIT FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1988

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
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Price Waterhouse



December 16, 1988

Board of County Commissioners
St. Johns County, Florida

We have audited the accompanying component unit financial statements of the Board of County Commissioners of St. Johns County, Florida for the year ended September 30, 1988 as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Board officials, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the financial activities of the oversight unit. Financial activities of other component units that form the reporting entity are not included.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Board of County Commissioners of St. Johns County, Florida and the results of its operations and the changes in financial position for its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

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Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information for the proprietary fund types as listed in the table of contents is presented for purpose of additional analysis and is not a required part of the component unit financial statements of the Board of County Commissioners. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is stated fairly in all material respects in relation to the component unit financial statements.


Certified Public Accountants

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1988

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types Enterprise</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>General Fixed Assets</u>	<u>Long-Term Debt</u>	
<u>Assets</u>								
Cash	\$ (696,128)	\$ 842,432	\$ 18,847		\$ 47,921			\$ 213,072
Investments, at cost	2,512,839	5,655,934	695,117	\$14,907,953	2,297,643			26,069,486
Receivables (net of allowance for uncollectibles):								
Accounts	22,238				428,683			450,921
Special assessments	362			1,556				1,918
Due from other county funds	1,127,819	32,532			24,176			1,184,527
Due from other governments	287,969	361,913						649,882
Inventory, at cost					119,442			119,442
Restricted assets:								
Investment, at cost					2,419,061			2,419,061
Land					801,848	\$1,643,745		2,445,593
Buildings and improvements					398,507	15,631,057		16,029,564
Water and Sewer Systems					13,095,332	9,561,852		22,657,184
Furniture and equipment					1,181,445			1,181,445
Accumulated depreciation					(2,140,831)			(2,140,831)
Prepaid expenses					150,400			150,400
Construction in progress					414,835	3,310,840		3,725,675
Amount available in Debt Service Funds							\$ 713,963	713,963
Amount to be provided for retirement of general long-term debt							22,201,037	22,201,037
Amount to be provided for retirement of general long-term compensated absences payable							254,222	254,222
Total assets	\$3,255,099	\$6,892,811	\$713,964	\$14,909,509	\$19,238,462	\$30,147,494	\$23,169,222	\$98,326,561

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1988

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types Enterprise</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>		<u>Capital Projects</u>	<u>General Fixed Assets</u>	
<u>Liabilities and Fund Equity</u>							
Liabilities:							
Vouchers payable and accrued liabilities	\$ 776,503	\$ 643,113		\$ 262,959	\$ 276,166		\$ 1,958,741
Customer deposits	277,701	6,708			367,123		651,532
Due to individuals							
Due to other county funds	26,244	12			23,280		49,536
Due to other governmental units	135,666	15					135,681
Other liabilities	63,845						63,845
Revenue bonds payable					7,397,577	\$17,990,000	25,387,577
General obligation bonds payable						4,925,000	4,925,000
Lease purchase agreements							
General long-term compensated absences payable					45,877	254,222	300,099
Total liabilities	<u>1,279,959</u>	<u>649,848</u>		<u>262,959</u>	<u>8,110,023</u>	<u>23,169,222</u>	<u>33,472,011</u>
Fund equity:							
Investment in general fixed assets						\$30,147,494	\$30,147,494
Contributed capital (net of amortization)					6,818,889		6,818,889
Retained earnings: Unreserved					4,309,550		4,309,550
Fund balances:							
Reserved:							
Capital outlay				14,646,550			14,646,550
Retirement of long-term debt			\$713,964				713,964
Unreserved	1,975,140	6,242,963					8,218,103
Total fund equity	<u>1,975,140</u>	<u>6,242,963</u>	<u>713,964</u>	<u>14,646,550</u>	<u>11,128,439</u>	<u>30,147,494</u>	<u>64,854,550</u>
Total liabilities and fund equity	<u>\$3,255,099</u>	<u>\$6,892,811</u>	<u>\$713,964</u>	<u>\$14,909,509</u>	<u>\$19,238,462</u>	<u>\$30,147,494</u>	<u>\$23,169,222</u>
							<u>\$98,326,561</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Totals (Memorandum Only)</u>
Revenues:					
Taxes	\$13,108,992	\$ 6,155,681	\$1,029,750	\$ 34	\$20,294,457
Special assessments levied		516,259			516,259
Licenses and permits	803,967				803,967
Federal shared revenues	151				151
State revenues:					
Shared revenues	3,406,774	1,620,852	1,359,877		6,387,503
Grants	123,199	789,390		20,375	932,964
Local grants and shared costs	16,313	38,488			54,801
Charges for services	881,244	556,621			1,437,865
Fines and forfeitures	886,662				886,662
Interest income	388,508	335,543	169,995	925,570	1,819,616
Miscellaneous revenue	<u>198,738</u>	<u>37,041</u>	<u> </u>	<u>42,274</u>	<u>278,053</u>
Total revenues	<u>19,814,548</u>	<u>10,049,875</u>	<u>2,559,622</u>	<u>988,253</u>	<u>33,412,298</u>
Expenditures:					
Current:					
General government	3,713,429			8,388	3,721,817
Public safety	5,164,850	1,090,075		159,030	6,413,955
Physical environment	299,855			16,467	316,322
Transportation		3,115,189			3,115,189
Economic environment	37,214	406,580			443,794
Human services	721,383	61			721,444
Culture and recreation	913,724	273,136		51,356	1,238,216
Capital outlay	1,595,885	3,472,278		3,934,424	9,002,587
Debt service:					
Principal retirement			1,180,000		1,180,000
Interest and fiscal charges			<u>1,272,408</u>		<u>1,272,408</u>
Total expenditures	<u>12,446,340</u>	<u>8,357,319</u>	<u>2,452,408</u>	<u>4,169,665</u>	<u>27,425,732</u>
Excess (deficit) of revenues over expendi- tures	7,368,208	1,692,556	107,214	(3,181,412)	5,986,566
Other financing sources (uses):					
Operating transfers in	903,499	250,449	136,198	136,000	1,426,146
Operating transfers out	(8,421,776)	(106,674)		(136,198)	(8,664,648)
Bond proceeds and other uses	<u>(15,636)</u>	<u>(13,964)</u>	<u> </u>	<u>15,252,530</u>	<u>15,222,930</u>
Excess (deficit) of revenues and other sources over expendi- tures and other uses	(165,705)	1,822,367	243,412	12,070,920	13,970,994
Fund balance, beginning of year	<u>2,140,845</u>	<u>4,420,596</u>	<u>470,552</u>	<u>2,575,630</u>	<u>9,607,623</u>
Fund balance, end of year	<u>\$ 1,975,140</u>	<u>\$ 6,242,963</u>	<u>\$ 713,964</u>	<u>\$14,646,550</u>	<u>\$23,578,617</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$13,979,248	\$13,108,992	\$(870,256)	\$ 5,760,105	\$ 6,155,681	\$ 395,576
Special assessments levied				50,900	516,259	465,359
Licenses and permits	819,175	803,967	(15,208)			
Federal revenues:						
Shared revenues						
Grants		151	151			
Other						
State revenues:						
Shared revenues	2,998,729	3,406,774	408,045	1,740,000	1,620,852	(119,148)
Grants	172,940	123,199	(49,741)	300,016	789,390	489,374
Local grants and shared costs	2,160	16,313	14,153	29,347	38,488	9,141
Charges for services	757,767	881,244	123,477	468,967	556,621	87,654
Fines and forfeitures	844,343	886,662	42,319			
Interest income	281,000	388,508	107,508	204,600	335,543	130,943
Miscellaneous revenue	98,000	198,738	100,738	5,400	37,041	31,641
Total revenues	<u>19,953,362</u>	<u>19,814,548</u>	<u>(138,814)</u>	<u>8,559,335</u>	<u>10,049,875</u>	<u>1,490,540</u>
Expenditures:						
Current:						
General government	4,588,844	3,713,429	875,415			
Public safety	5,309,698	5,164,850	144,848	1,180,880	1,090,075	90,805
Physical environment	333,908	299,855	34,053			
Transportation				3,846,298	3,115,189	731,109
Economic environment	37,218	37,214	4		406,580	(406,580)
Human services	727,281	721,383	5,898	62	61	1
Culture and recreation	1,016,084	913,724	102,360	285,107	273,136	11,971
Capital outlay	1,744,379	1,595,885	148,494	6,296,483	3,472,278	2,824,205
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>13,757,412</u>	<u>12,446,340</u>	<u>1,311,072</u>	<u>11,608,830</u>	<u>8,357,319</u>	<u>3,251,511</u>
Excess (deficit) of revenues over expenditures	6,195,950	7,368,208	1,172,258	(3,049,495)	1,692,556	4,742,051
Other financing sources (uses):						
Operating transfers in	496,674	903,499	406,825	250,449	250,449	
Operating transfers (out)	(8,498,806)	(8,421,776)	77,030	(106,674)	(106,674)	
Other non-expenditures	(15,647)	(15,636)	11	(13,964)	(13,964)	
Excess (deficit) of revenues and other sources over expenditures and other uses	(1,821,829)	(165,705)	1,656,124	(2,919,684)	1,822,367	4,742,051
Fund balance, beginning of year	<u>2,140,845</u>	<u>2,140,845</u>		<u>4,420,596</u>	<u>4,420,596</u>	
Fund balance, end of year	<u>\$ 319,016</u>	<u>\$ 1,975,140</u>	<u>\$1,656,124</u>	<u>\$ 1,500,912</u>	<u>\$ 6,242,963</u>	<u>\$4,742,051</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Taxes	\$1,055,349	\$1,029,750	\$(25,599)	\$ 34	\$ 34	
Special assessments levied						
Licenses and permits						
Federal revenues:						
Shared revenues						
Grants						
Other						
State revenues:						
Shared revenues	1,359,877	1,359,877				
Grants				\$ 103,425	20,375	(83,050)
Local grants and shared costs						
Charges for services						
Fines and forfeiture						
Interest income	63,386	169,995	106,609	158,500	925,570	767,070
Miscellaneous revenue					42,274	42,274
	<u>2,478,612</u>	<u>2,559,622</u>	<u>81,010</u>	<u>261,925</u>	<u>988,253</u>	<u>726,328</u>
Total revenues						
Expenditures:						
Current:						
General government					8,388	(8,388)
Public safety					159,030	(159,030)
Physical environment					16,467	(16,467)
Transportation						
Economic environment						
Human services						
Culture and recreation					51,356	(51,356)
Capital outlay				16,851,624	3,934,424	12,917,200
Debt service:						
Principal retirement	1,185,000	1,180,000	5,000			
Interest and fiscal charges	<u>1,317,302</u>	<u>1,272,408</u>	<u>44,894</u>			
Total expenditures	<u>2,502,302</u>	<u>2,452,408</u>	<u>49,894</u>	<u>16,851,624</u>	<u>4,169,665</u>	<u>12,681,959</u>
Excess (deficit) of revenues over expenditures	(23,690)	107,214	130,904	(16,589,699)	(3,181,412)	13,408,287
Other financing sources (uses):						
Operating transfers in	136,198	136,198		136,000	136,000	
Operating transfers (out)				(136,198)	(136,198)	
Other non-expenditures					<u>15,252,530</u>	<u>15,252,530</u>
Excess (deficit) of revenues and other sources over expenditures and other uses	112,508	243,412	130,904	(16,589,897)	12,070,920	28,660,817
Fund balance, beginning of year	<u>470,552</u>	<u>470,552</u>		<u>2,575,630</u>	<u>2,575,630</u>	
Fund balance, end of year	<u>\$ 583,060</u>	<u>\$ 713,964</u>	<u>\$130,904</u>	<u>\$(14,014,267)</u>	<u>\$14,646,550</u>	<u>\$28,660,817</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	<u>Combined Totals (Memorandum Only)</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$20,794,702	\$20,294,457	\$ (500,245)
Special assessments levied	50,900	516,259	465,359
Licenses and permits	819,175	803,967	(15,208)
Federal revenues:			
Shared revenues			
Grants			
Other		151	151
State revenues:			
Shared revenues	6,098,606	6,387,503	288,897
Grants	576,381	932,964	356,583
Local grants and shared costs	31,507	54,801	23,294
Charges for services	1,226,734	1,437,865	211,131
Fines and forfeiture	844,343	886,662	42,319
Interest income	707,486	1,819,616	1,112,130
Miscellaneous revenue	<u>103,400</u>	<u>278,053</u>	<u>174,653</u>
Total revenues	<u>31,253,234</u>	<u>33,412,298</u>	<u>2,159,064</u>
Expenditures:			
Current:			
General government	4,588,844	3,721,817	867,027
Public safety	6,490,578	6,413,955	76,623
Physical environment	333,908	316,322	17,586
Transportation	3,846,298	3,115,189	731,109
Economic environment	37,218	443,794	(406,576)
Human services	727,343	721,444	5,899
Culture and recreation	1,301,191	1,238,216	62,975
Capital outlay	24,892,486	9,002,587	15,889,899
Debt service:			
Principal retirement	1,185,000	1,180,000	5,000
Interest and fiscal charges	<u>1,317,302</u>	<u>1,272,408</u>	<u>44,894</u>
Total expenditures	<u>44,720,168</u>	<u>27,425,732</u>	<u>17,294,436</u>
Excess (deficit) of revenues over expenditures	(13,466,934)	5,986,566	19,453,500
Other financing sources (uses):			
Operating transfers in	1,019,321	1,426,146	406,825
Operating transfers (out)	(8,741,678)	(8,664,648)	77,030
Other non-expenditures	<u>(29,611)</u>	<u>15,222,930</u>	<u>15,252,541</u>
Excess (deficit) of revenues and other sources over expenditures and other uses	(21,218,902)	13,970,994	35,189,896
Fund balance, beginning of year	<u>9,607,623</u>	<u>9,607,623</u>	_____
Fund balance, end of year	<u>(\$11,611,279)</u>	<u>\$23,578,617</u>	<u>\$35,189,896</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	<u>ENTERPRISE</u>
Operating revenues:	
Water sales	\$1,720,687
Sewage treatment charges	900,198
Service fees	<u>1,896,488</u>
Total operating revenues	<u>4,517,373</u>
Operating expenses:	
Contractual services	307,085
Salaries and employee benefits	1,283,855
Other operating expenses	709,404
Maintenance	453,317
Depreciation	<u>492,052</u>
Total operating expenses	<u>3,245,713</u>
Operating income	<u>1,271,660</u>
Non-operating revenues (expenses):	
Interest income	309,465
Interest expense	(510,815)
Other revenues	3,203
Other expenses	<u>(44,429)</u>
Total non-operating revenues (expenses)	<u>(242,576)</u>
Net income	1,029,084
Add depreciation on fixed assets acquired by grants externally restricted for capital acqui- sitions and construction that reduces contributed capital	<u>131,255</u>
Increase in retained earnings	1,160,339
Retained earnings, beginning of year	<u>3,149,211</u>
Retained earnings, end of year	<u>\$4,309,550</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	<u>ENTERPRISE</u>
Cash was provided by:	
Net income	\$1,029,084
Add (deduct) items not affecting cash:	
Depreciation	492,052
Amortization of bond discount	3,888
Increase in accounts receivable	(139,658)
Increase in inventory	(6,092)
Increase in accounts payable and accrued liabilities	175,977
Change in other current assets and liabilities	<u>1,848</u>
Cash provided by operations	1,557,099
Capital contributions	1,029,765
Increase in customer deposits	38,018
Increase in compensated absences payable	<u>22,974</u>
Total cash provided	<u>2,647,856</u>
Cash was used for:	
Net additions to fixed assets	1,868,689
Increase in restricted assets	294,728
Reduction of long-term debt	<u>121,000</u>
Total cash used	<u>2,284,417</u>
Net increase in cash and investments	363,439
Cash and investments, beginning of year	<u>1,982,125</u>
Cash and investments, end of year	<u>\$2,345,564</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Johns County, Florida (the County) is an instrument of the State of Florida established to carry on a centralized county government. The financial statements include organizations, activities and functions where elected officials of the County exercise oversight responsibility. Oversight responsibility includes final decision-making authority and accountability for fiscal matters, designation of management and the ability to influence operations.

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements.

Basis of Presentation - The financial statements presented represent the combined financial statements of the Board of County Commissioners (the Board), part of St. Johns County, Florida.

The public schools within St. Johns County are operated by the St. Johns County School Board, an independent entity, and are excluded from these financial statements as are the assets, liabilities and operations of other independent authorities and agencies.

Although the Anastasia Sanitary District is an independent authority, its financial statements are included because it is governed by the same persons who constitute the Board of County Commissioners. The assets and revenues are not available to the County and the County is not liable for any expenses or liabilities of Anastasia.

The Board records its financial transactions in numerous individual funds and two account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which is established to account for specific activities or functions. For reporting purposes, the various funds of a governmental entity are classified into three basic fund types (governmental, proprietary and fiduciary funds) and two account groups (general fixed assets and general long term debt).

All governmental funds and expendable trust funds (a fiduciary fund type) are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources."

Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Each fiduciary fund is classified for accounting measurement purposes as either a governmental fund or a proprietary fund.

The columns entitled "Totals (Memorandum Only)" are included for information purposes only and are not comparable to consolidated financial information. The basic reporting entities are fund types which utilize different bases of accounting. In addition, interfund type eliminations have not been made in arriving at the amounts included in these columns.

Purposes of Funds and Account Groups - The Board of County Commissioners uses the following funds and account groups:

Governmental Fund Types

- o The General Fund is used to account for the general operations of the Board which are not accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.
- o Special Revenue Funds are operating funds used to account for revenues which are restricted or designated as to use by outside sources.
- o Debt Service Funds are used to account for the payment of principal, interest and related costs of general long-term debt. Debt service revenues are primarily from property taxes or state-shared revenues.
- o Capital Project Funds are used to account for resources designated to construct or acquire general fixed assets and major improvements other than those financed by special assessments or enterprise funds.

Proprietary Fund Types

- o Enterprise Funds are used to account for water and sewer services that are financed and operated in a manner similar to profit-oriented business enterprises. The costs of providing these services to the general public are financed or recovered primarily through user charges.

Fiduciary Fund Types

- o Trust and Agency Funds are used to account for assets held by the Board as trustee or agent.

Account Groups

- o The General Fixed Asset Account Group is used to account for those fixed assets owned by the Board of County Commissioners except those accounted for in the Enterprise Funds.
- o The General Long-Term Debt Account Group is used to account for the outstanding principal balances of general long-term debt and for accrued compensated absences payable.

Basis of Accounting - The combined financial statements have been prepared in conformity with the accounting principles and reporting guidelines of the Governmental Accounting Standards Board.

The accounts of the governmental fund types are maintained on the modified accrual basis. Under the modified accrual basis expenditures are recorded at the time liabilities are incurred except accrued interest on general long-term debt which is recorded when due; revenues are recorded when they are both measurable and available.

The financial statements of the enterprise funds are prepared on the accrual basis.

Expenditures for the overall accounting and investment function are recorded in the General Fund, except where there is a contractual requirement to record such expenditures in another type fund or account group.

Budget - Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the Florida Statutes.

The budgeted revenues and expenditures in the accompanying financial statements reflect all amendments approved by the Board of County Commissioners.

Cash and Investments - The County's bank accounts are covered by federal depository insurance. Investments include cash in excess of operating requirements which is invested with the State of Florida Board of Administration, an investment pool controlled by a state agency. Funds can be transferred directly between the County's insured banking institution and the state investment fund. Investment income is recorded in the General Fund, except where there is a contractual requirement to record such revenues in another fund. Investments are stated at cost which approximates market value.

Inventories - Inventories included in the enterprise funds consist primarily of utility stores. The inventory is valued at the lower of first-in first-out cost or market.

Ad Valorem Property Taxes - The County assesses property taxes effective in November of each year. Taxpayers are given five months within which to pay the tax, while a discount commencing at 4% and declining by 1% each additional month is allowed if taxes are paid within this five month period. After that time, the Board sells tax certificates to collect unpaid taxes and any applicable penalties and interest. The County holds the certificates for up to two years, at which time it can apply for a tax deed to the property if taxes remain unpaid.

Interfund Transactions - During the course of normal operations, the County has various transactions between funds. Those transactions which are operating subsidies are recorded as transfers.

NOTE 2 - CASH AND INVESTMENTS

The County's cash and investments are as follows:

	<u>Carrying Amount</u>	<u>Fund</u>
Insured Deposits (FDIC)	\$ 710,173	Govern- mental Pool
Insured Deposits (FDIC)	78,700	Enterprise
Investment in state investment pool	23,521,405	Govern- mental Pool
Investment in state investment pool	4,212,652	Enterprise
Small business administration participation certificates (government insured)	46,379	General
Financing Corporation strip coupons (government insured)	204,059	General
U.S. Treasury Bills, held by banking institution	471,179	Enterprise
U.S. Treasury Note, held by banking institution	32,873	Enterprise
Less: outstanding checks and other reconciling items	<u>(2,994,862)</u>	
Total cash and investments	<u>\$26,282,558</u>	

NOTE 3 - FIXED ASSETS

General Fixed Assets (Governmental Funds) - General fixed assets are recorded at cost as capital outlay in the purchasing fund at the time of acquisition. Rights-of-way and infrastructure improvements, such as roads and bridges, are not carried as assets. No depreciation is provided on those assets capitalized in the General Fixed Asset Account Group.

The County capitalizes major expenditures for additions and improvements. Expenditures for maintenance and repairs are charged to operations. The general fixed assets used in the operations of the Board of County Commissioners, Clerk of the Circuit and County Courts, Property Appraiser, Supervisor of Elections and Tax Collector are accounted for by the Board as it holds legal title and is accountable for them under Florida law.

The following is a schedule of changes in fixed assets of the General Fixed Asset Account Group for the fiscal year ended September 30, 1988:

	<u>September 30, 1987</u>	<u>Additions</u>	<u>Dispositions</u>	<u>September 30, 1988</u>
Land	\$ 1,605,870	\$ 37,875		\$ 1,643,745
Buildings and improvements	14,578,378	1,181,703	\$ 129,024	15,631,057
Furniture and equipment	10,988,504	1,916,411	3,343,063	9,561,852
Equipment under lease-purchase agreement				
Construction in progress	<u>981,378</u>	<u>3,467,254</u>	<u>1,137,792</u>	<u>3,310,840</u>
	<u>\$28,154,130</u>	<u>\$6,603,243</u>	<u>\$4,609,879</u>	<u>\$30,147,494</u>

Fixed Assets (Enterprise Funds) - Acquisitions by the enterprise funds are capitalized at cost. Those acquired prior to 1972 are recorded at the 1971 appraised market values. Assets are depreciated using the straight-line method over the estimated lives of the assets, which range from 10 to 50 years. Major expenditures for additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations.

	September 30, 1987	Additions	Dispositions	September 30, 1988
Land	\$ 199,439	\$ 602,409		\$ 801,848
Buildings and improve- ments	303,868	94,639		398,507
Water and sewer system	13,015,033	80,299		13,095,332
Equipment	473,787	707,658		1,181,445
Construction in progress	<u>31,151</u>	<u>383,684</u>		<u>414,835</u>
Less: Ac- cumulated de- preciation	14,023,278 <u>(1,648,778)</u>	1,868,689 <u>(492,053)</u>		15,891,967 <u>(2,140,831)</u>
	<u>\$12,374,500</u>	<u>\$1,376,636</u>	<u>\$</u>	<u>\$13,751,136</u>

NOTE 4 - INTERFUND BALANCES

The summary of individual interfund balances at September 30, 1988 follows:

	Due from other county funds	Due to other county funds
<u>General Fund</u>		
Board of County Commissioners	<u>\$1,127,819</u>	<u>\$26,244</u>
<u>Special Revenue</u>		
Fire District	32,269	12
County Transportation	28	
Elkton Drainage District	67	
Vilano Street Lighting		
St. Augustine South Street-Lighting	<u>168</u>	
	<u>32,532</u>	<u>12</u>
<u>Enterprise</u>		
Anastasia Sanitary District	24,176	304
Mainland Water System		<u>22,976</u>
	<u>24,176</u>	<u>23,280</u>
Total	<u>\$1,184,527</u>	<u>\$49,536</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt transactions of the County for the year ended September 30, 1988 are summarized below:

	<u>General Government</u>	<u>Enterprise</u>	<u>Total</u>
Long-term debt payable at September 30, 1987	\$11,482,249	\$7,537,592	\$19,019,841
Issuance of long-term debt	17,180,000		17,180,000
Amortization of debt issuance discount		3,888	3,888
Sinking fund payments & maturities	(5,510,000)	(121,000)	(5,631,000)
Increase (decrease) in liability for compensated absences	<u>16,973</u>	<u>22,974</u>	<u>39,947</u>
Long-term debt payable at September 30, 1988	<u>\$23,169,222</u>	<u>\$7,443,454</u>	<u>\$30,612,676</u>

Long-term debt at September 30, 1987 is comprised of the following individual issues:

General Government:-
Revenue bonds:

\$12,495,000 1988 Transportation Improvement Revenue Bonds secured by local option gas tax due in annual installments of \$360,000 to \$1,140,000 through October 1, 2007; interest at 5.1% to 7.625% payable semi- annually	\$12,495,000
--	--------------

\$3,140,000 1987 Capital Improvement Revenue Bonds secured by state guaranteed entitlement revenues and parimutuel taxes, due in annual installments of \$195,000 to \$350,000 through July 1, 2000; interest at 5.0% to 7.875% payable semi-annually \$ 2,945,000

\$4,060,000 1986 Refunding Revenue Bonds secured by half-cent sales tax revenues, due in annual installment of \$740,000 to \$895,000 through October 1, 1991; interests at 4.25% to 5.50% payable semi-annually 2,550,000
17,990,000

General obligation bonds:

\$1,300,000 1966 General Bonds due in annual installments of \$65,000 to \$85,000 through July 1, 1991; interest at 4.4% to 5.5% payable semi-annually 240,000

\$468,000 1988 Limited Ad Valorem Tax Refunding Bonds due in annual installments of \$210,000 to \$470,000 through March 1, 2003; interest at 5% to 7.3% payable Semi-annually 4,685,000

General long-term compensated absences payable 4,925,000
254,222

Total General Government \$23,169,222

Enterprise:

Revenue bonds:

\$2,422,700 1981 Water Revenue Bonds secured by County water and sewer revenues, due in annual installments of \$26,000 to \$137,000 through September 1, 2020; interest at 5% payable annually \$2,267,000

<p>\$5,400,000 1986 Water and Sewer Refunding Revenue Bonds secured by County water and sewer revenues, due in annual installments of \$90,000 to \$460,000 through June 1, 2011; interest at 4.25% to 7.75% payable semi-annually (less unamortized discount of \$89,423)</p>	<p><u>5,130,577</u></p>
	<p>7,397,577</p>
<p>Enterprise long-term compensated absences payable</p>	<p><u>45,877</u></p>
<p>Total Enterprise</p>	<p><u><u>\$7,443,454</u></u></p>

The annual requirements to amortize all debt outstanding as of September 30, 1988, including interest payments of \$15,583,795 and \$8,230,417 for general government and enterprise fund debt, respectively, are as follows:

<u>Year ending, September 30</u>	<u>General Government</u>	<u>Enterprise</u>	<u>Total</u>
1989	3,128,305	621,662	3,749,967
1990	3,139,275	617,863	3,757,138
1991	3,144,295	623,812	3,768,107
1992	2,105,780	620,788	2,726,568
1993	2,105,945	625,187	2,731,132
1994-Thereafter	<u>24,875,195</u>	<u>12,608,105</u>	<u>37,483,300</u>
	<u>\$38,498,795</u>	<u>\$15,717,417</u>	<u>\$54,216,212</u>

The bond resolutions authorizing each of the above debt obligations specified certain restrictive covenants. The bond restrictions require establishment of separate funds to control the order in which pledged proceeds are utilized by the County. The pledged proceeds in excess of debt service requirements may be used for any lawful purpose at the discretion of the Board of County Commissioners.

In February, 1988 the County issued \$4,685,000 in General Obligation Bonds with an average interest rate of 6.3 percent to advance refund \$4,330,000 of outstanding 1983 Series bonds with an average interest rate of 7.7 percent. The net proceeds of \$4,547,000 (after payment of \$138,000 in underwriting fees,

insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1983 Series bonds. As a result, the 1983 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The County advance refunded the 1983 Series bonds to reduce its total debt service payments over the next 15 years by approximately \$153,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$105,000.

In prior years the County defeased certain other general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

NOTE 6 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Board provides benefits for substantially all of its employees through a defined contribution plan under the State of Florida retirement system. In a non-contributory defined contribution plan, benefits depend solely on amounts contributed to the plan by the Board plus investment earnings. Employees are eligible to participate from the date of employment. State legislation requires that the County contribute an amount equal to a percentage of the employee's gross compensation each month. The County's contributions for each employee are based on employment status (regular members - 13.38%, special risk members - 15.35%, and elected county officers - 17.43%). Members are vested after ten years continuous service and unvested County contributions for employees who leave employment before ten years of service are retained in the Florida Retirement System.

The Board's total payroll in fiscal year 1988 was \$6,963,457. The County's contributions were calculated using the gross compensation for the employees and County contributions of \$948,897 were recorded as expenditures or expenses during the current year.

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, could constitute liabilities of the applicable funds. Management does not anticipate any such disallowances.

Litigation

The Board is involved in various litigation arising in the normal course of governmental operations. The legal proceedings are not, in the opinion of the County Attorney, likely to have a material adverse impact on the Board's financial position.

SUPPLEMENTAL INFORMATION

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINING BALANCE SHEET
PROPRIETARY FUND TYPES
SEPTEMBER 30, 1988

	<u>Anastasia</u> <u>Sanitary</u> <u>District</u>	<u>Mainland</u> <u>Water</u> <u>System</u>	<u>Solid</u> <u>Waste</u> <u>Fund</u>	<u>Totals</u>
<u>Assets</u>				
Cash	\$ 46,492	\$ 679	\$ 750	\$ 47,921
Investments, at cost	787,587	1,388,672	121,384	2,297,643
Accounts receivable (net of allowance for uncollectibles)	228,480	65,229	134,974	428,683
Due from other funds	24,176			24,176
Inventory, at cost	119,442			119,442
Other assets	150,400			150,400
Restricted assets:				
Investments, at cost	2,128,311	282,160	8,590	2,419,061
Land	163,909	35,530	602,409	801,848
Buildings and improvements	249,234	54,634	94,639	398,507
Water and sewer systems	8,471,264	4,624,068		13,095,332
Furniture and equipment	493,109	63,958	624,378	1,181,445
Accumulated depreciation	(1,189,436)	(866,116)	(85,279)	(2,140,831)
Construction in progress	<u>105,091</u>	<u>309,744</u>		<u>414,835</u>
Total assets	<u>\$11,778,059</u>	<u>\$5,958,558</u>	<u>\$1,501,845</u>	<u>\$19,238,462</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 162,089	\$ 56,705	\$ 57,372	\$ 276,166
Due to other funds	304	22,976		23,280
Customer deposits	299,901	58,632	8,590	367,123
Revenue bonds payable	5,130,577	2,267,000		7,397,577
Compensated absences	<u>25,310</u>		<u>20,567</u>	<u>45,877</u>
Total liabilities	<u>5,618,181</u>	<u>2,405,313</u>	<u>86,529</u>	<u>8,110,023</u>
Fund equity:				
Contributed capital (net of amortization)	4,027,060	2,146,031	645,798	6,818,889
Retained earnings:				
Reserved for bond debt service				
Unreserved	<u>2,132,818</u>	<u>1,407,214</u>	<u>769,518</u>	<u>4,309,550</u>
Total fund equity	<u>6,159,878</u>	<u>3,553,245</u>	<u>1,415,316</u>	<u>11,128,439</u>
Total liabilities and fund equity	<u>\$11,778,059</u>	<u>\$5,958,558</u>	<u>\$1,501,845</u>	<u>\$19,238,462</u>

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
SEPTEMBER 30, 1988

	<u>Anastasia</u> <u>Sanitary</u> <u>District</u>	<u>Mainland</u> <u>Water</u> <u>System</u>	<u>Solid</u> <u>Waste</u> <u>Fund</u>	<u>Eliminations</u>	<u>Totals</u>
Operating revenues:					
Water sales	\$1,387,598	\$ 742,066		\$(408,977)	\$1,720,687
Sewage treatment charges	900,198				900,198
Service fees	<u>51,277</u>	<u>29,950</u>	<u>\$1,815,261</u>		<u>1,896,488</u>
Total operating revenues	<u>2,339,073</u>	<u>772,016</u>	<u>1,815,261</u>	<u>(408,977)</u>	<u>4,517,373</u>
Operating expenses:					
Contractual services	504,475	157,924	194,826	(550,140)	307,085
Salaries and benefits	634,355		508,337	141,163	1,283,855
Operating expenses	493,593	152,756	63,055		709,404
Maintenance	198,384	43,868	211,065		453,317
Depreciation	<u>255,629</u>	<u>151,144</u>	<u>85,279</u>		<u>492,052</u>
Total operating expenses	<u>2,086,436</u>	<u>505,692</u>	<u>1,062,562</u>	<u>(408,977)</u>	<u>3,245,713</u>
Operating income	<u>252,637</u>	<u>266,324</u>	<u>752,699</u>		<u>1,271,660</u>
Nonoperating revenues (expenses):					
Interest income	181,547	111,228	16,690		309,465
Interest expense	(395,915)	(114,900)			(510,815)
Other revenues	2,652	422	129		3,203
Other expenses	<u>(40,337)</u>	<u>(4,092)</u>			<u>(44,429)</u>
Total nonoperating revenues (expenses)	<u>(252,053)</u>	<u>(7,342)</u>	<u>16,819</u>		<u>(242,576)</u>
Net profit (loss)	584	258,982	769,518		1,029,084
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital	<u>86,606</u>	<u>44,649</u>			<u>131,255</u>
Increase (decrease) in retained earnings	87,190	303,631	769,518		1,160,339
Retained earnings, beginning of year	<u>2,045,628</u>	<u>1,103,583</u>			<u>3,149,211</u>
Retained earnings, end of year	<u>\$2,132,818</u>	<u>\$1,407,214</u>	<u>\$ 769,518</u>	<u>\$</u>	<u>\$4,309,550</u>

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	<u>Anastasia</u> <u>Sanitary</u> <u>District</u>	<u>Mainland</u> <u>Water</u> <u>System</u>	<u>Solid</u> <u>Waste</u> <u>Fund</u>	<u>Totals</u>
Cash was provided by:				
Net income	\$ 584	\$ 258,982	\$ 769,518	\$1,029,084
Add (deduct) items not affecting cash:				
Depreciation	255,629	151,144	85,279	492,052
Amortization of bond discount	3,888			3,888
Increase in accounts payable and accrued liabilities	74,112	44,493	57,372	175,977
(Increase) decrease in accounts receivable	(6,214)	1,530	(134,974)	(139,658)
Change in other current assets and liabilities	5,865	(4,017)		1,848
Increase in inventory	<u>(6,092)</u>			<u>(6,092)</u>
Cash provided by operations	327,772	452,132	777,195	1,557,099
Capital contributions	104,254	279,713	645,798	1,029,765
Increase in customer deposits	20,795	8,633	8,590	38,018
Increase in compensated absences payable	<u>2,407</u>		<u>20,567</u>	<u>22,974</u>
Total cash provided	<u>455,228</u>	<u>740,478</u>	<u>1,452,150</u>	<u>2,647,856</u>
Cash was used for:				
Net additions to fixed assets	238,345	308,918	1,321,426	1,868,689
Decrease in, restricted assets	167,728	118,410	8,590	294,728
Reduction in long-debt	<u>90,000</u>	<u>31,000</u>		<u>121,000</u>
Total cash used	496,073	458,328	1,330,016	2,284,417
Net change in cash and investments	(40,845)	282,150	122,134	363,439
Cash and investments, beginning of year	<u>874,924</u>	<u>1,107,201</u>		<u>1,982,125</u>
Cash and investments, end of year	<u>\$834,079</u>	<u>\$1,389,351</u>	<u>\$ 122,134</u>	<u>\$2,345,564</u>

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APPENDIX D

RESOLUTION NO. 89-84*

RESOLUTION PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND ERECTION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE WATER DISTRIBUTION FACILITIES OF ST. JOHNS COUNTY, AND OF NEW SEWAGE COLLECTION AND TREATMENT FACILITIES TO BE OPERATED BY THE COUNTY IN COMBINATION WITH SUCH WATER FACILITIES AS A SINGLE WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE BY THE COUNTY OF NOT EXCEEDING \$10,000,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS, SERIES 1989A AND SERIES 1989B, TO FINANCE THE COST THEREOF AND THE COST OF REFUNDING THE COUNTY'S OUTSTANDING WATER REVENUE BONDS; PROVIDING FOR THE REFUNDING OF SAID OUTSTANDING BONDS; PLEDGING TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID SERIES 1989 BONDS CERTAIN PLEDGED FUNDS INCLUDING THE NET REVENUES OF SAID SYSTEM AND CERTAIN LAWFULLY AVAILABLE CONNECTION CHARGES, ALL MONEYS ON DEPOSIT IN AND INVESTMENTS HELD FOR THE CREDIT OF CERTAIN FUNDS CREATED HEREUNDER AND THE EARNINGS ON SUCH INVESTMENTS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID SERIES 1989 BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS WITH THE HOLDERS OF SAID SERIES 1989 BONDS; REPEALING THE COUNTY'S RESOLUTION NO. 88-241 AND RESOLUTION NO. 88-253; AND PROVIDING AN EFFECTIVE DATE.

* Note: Prior to the issuance of the Series 1989 Bonds, Resolution No. 89-84 will be amended by the County to provide, among other things, for the issuance of a single series, rather than two series, of bonds to be entitled "Water and Sewer Revenue Bonds, Series 1989."

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BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF
ST. JOHNS COUNTY, FLORIDA:

ARTICLE I

GENERAL

SECTION 1.01. **Definitions.** When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

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

"Act" shall mean Chapter 125, Part I, Florida Statutes, as amended, Chapter 159, Part I, Florida Statutes, as amended, and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 5.02 hereof on a parity with the Series 1988 Bonds.

"Additional Project" shall mean the acquisition, construction, erection, renovation or reconstruction of capital improvements and additions to the System and shall include all property rights, appurtenances, easements, rights of way, franchises and equipment relating thereto and deemed necessary or convenient for the acquisition, construction, erection, renovation, reconstruction, or the operation thereof, which shall be financed in whole or in part with the proceeds of Additional Bonds.

"Amortization Installment" shall mean a mandatory redemption amount designated as such by Supplemental Resolution and established with respect to any Term Bonds.

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"Annual Audit" shall mean the annual audit prepared pursuant to the requirements of Section 5.10 hereof.

"Annual Budget" shall mean the annual budget prepared pursuant to the requirements of Section 5.06 hereof.

"Authorized Depository" shall mean the State Board of Administration of Florida or a bank or trust company in the State which is eligible under the laws of the State to receive funds of the Issuer.

"Authorized Investments" shall mean any of the following which shall be authorized from time to time by applicable laws of the State for deposit or purchase by the Issuer for the investment of its funds:

(1) Direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and stripped and zero-coupon obligations) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(2) Bonds, debentures or notes or other evidences of indebtedness payable in cash issued by any one or a combination of any of the following Federal agencies whose obligations represent full faith and credit of the United States of America: Export Import Bank of the United States, Federal Financing Bank, Farmers Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Authority and Government National Mortgage Association.

(3) Certificates of deposit properly secured at all times by collateral security described in either or both of paragraphs (1) and (2) of this definition and issued by commercial banks, savings and loan associations or mutual savings banks chartered by the State or the United States of America, and bank trust receipts issued by commercial banks or trust companies chartered by the State or the United States of America upon any securities described in paragraph (1) of this definition.

(4) The following investments fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation: (A) certificates of deposit, (B) savings accounts, (C) deposit accounts, or (D) depository receipts of a bank, savings and loan association or mutual savings bank.

(5) Commercial paper rated in one of the two highest rating categories by at least two nationally recognized rating agencies or commercial paper backed by a letter of credit or line

of credit rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Corporation.

(6) Written repurchase agreements with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or with any broker-dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by collateral described in (1) above or obligations of any agency or instrumentality of the United States of America, and provided further that (A) such collateral is held by a bank or trust company chosen by the Issuer which has no interest in the repurchase agreement during the term of such repurchase agreement, (B) such collateral is not subject to liens or claims of third parties, (C) such collateral has a market value (determined at least once every 30 days) at least equal to the amount invested in the repurchase agreement, (D) the entity holding the collateral has a perfected first security interest in the collateral for the benefit of the Bondholders, (E) the agreement shall be for a term not longer than 270 days and (F) the failure to maintain such collateral at the level required in (C) above will require the entity holding the collateral to liquidate the collateral.

(7) Money market funds rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation.

(8) Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, as amended, or any similar common trust fund which is established pursuant to State law as a legal depository of public moneys.

(9) Obligations of state or local government municipal bond issuers that are rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Corporation.

(10) Such other obligations as shall be permitted to be legal investments of the Issuer by the laws of the State.

Rating categories when referred to herein shall be without regard to gradations within such categories, such as "plus" or "minus."

"Authorized Issuer Officer" for the performance on the behalf of the Issuer of any act of the Issuer or the execution of

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any instrument on behalf of the Issuer shall mean any person authorized by resolution of the Issuer or appointed by certificate of the Chairman to perform such act or sign such document.

"Bond Amortization Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

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

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds.

"Bond Service Requirement" for any Bond Year, as applied to the Bonds of any Series, shall mean (1) as of the date of delivery of such Series of Bonds, the sum of the Debt Service Requirement on such Series of Bonds and all other payments required by this Resolution to be paid in such Bond Year with respect to such Series of Bonds, and (2) as of any particular date of calculation thereafter with respect to such Series of Bonds, the sum of (a) the portion of the Debt Service Requirement and all other payments required by this Resolution that have been paid in such Bond Year plus (b) the portion of the Debt Service Requirement and all other payments required by this Resolution that have yet to be paid in such Bond Year. For purposes of this definition, "all other payments required by this Resolution" shall mean, with respect to any Series of Bonds, the pro rata deposits to the Reserve Account and the Renewal and Replacement Fund in such Bond Year, and redemption premiums, if any, payable in such Bond Year.

"Bond Year" pertaining to any Series shall mean the period commencing on June 2 of each year and continuing through the next succeeding June 1. Each Bond Year shall be designated with the number of the calendar year in which such Bond Year ends.

"Bondholder" or "Holder" or "holder" shall mean any Person who shall be the registered owner of any Outstanding Bond or Bonds according to the registration books of the Issuer.

"Bonds" shall mean the Series 1989 Bonds, together with any Additional Bonds and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 5.04 hereof.

"Capital Appreciation Bonds" shall mean those Bonds so designated by Supplemental Resolution, which may be either Serial Bonds or Term Bonds and which shall bear interest payable at maturity or redemption. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or prior to redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Chairman" shall mean the Chairman of the Governing Body or such other person as may be duly authorized by the Issuer to act on his or her behalf.

"Clerk" shall mean the Clerk of the Circuit Court for St. Johns County and ex officio Clerk of the Governing Body or such other person as may be duly authorized by the Clerk to act on his or her behalf.

"Code" shall mean the United States Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations thereunder, whether proposed, temporary or final, promulgated by the Department of the Treasury, Internal Revenue Service, and all other promulgations of said service pertaining thereto.

"Connection Charges" shall mean all non-refundable (except at the option of the Issuer) "water unit connection fees," "sewer unit connection fees," impact fees, capital expansion fees, utility improvement fees or other similar fees and charges, separately imposed from time to time by the Issuer upon new customers of the System as a nonuser capacity charge for a proportionate share of the cost of the acquisition or construction of Expansion Facilities, which are imposed by the Issuer for the purpose of allocating to each such customer a proportionate share of the cost of the additional system capacity made necessary by the inclusion or expected inclusion of System services to such new customers, but only to the extent that any such fee or charge has been lawfully levied and collected by the Issuer and may under applicable law be used for the acquisition or construction of the Expansion Facilities or for Connection Charges Debt Service Components, and any income from the investment of moneys on deposit in the Connection Charges Fund or any other moneys transferred to the Connection Charges Fund pursuant to the provisions of this Resolution.

"Connection Charges Debt Service Component" for any Bond Year, as applied to the Bonds of any Series, shall mean the component of the Debt Service Requirement for such Series of Bonds, initially set forth in the Project Certificate and thereafter, from time to time as necessary, as determined by the Issuer, which

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shall be determined by multiplying the Bond Service Requirement for such Series of Bonds by the Expansion Percentage.

"Connection Charges Fund" shall mean the St. Johns County Water and Sewer System Connection Charges Fund established pursuant to Section 4.05 hereof.

"Construction Fund" shall mean the Construction Fund established pursuant to Section 4.04 hereof.

"Consulting Engineers" shall mean the firm of engineers licensed as professional engineers in the State and retained by the Issuer to perform the duties of the Consulting Engineers under the provisions of this Resolution.

"Cost" when used in connection with a Project, shall mean (1) the Issuer's cost of physical construction; (2) costs of acquisition by or for the Issuer of such Project; (3) costs of land and interests therein and the cost of the Issuer incidental to such acquisition; (4) the cost of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the Project during the construction period of such Project and for a reasonable period thereafter; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses incidental to the issuance of the Bonds including bond insurance premium, rating agency fees and the fees and expenses of any auditors, Paying Agent, Registrar, Credit Bank or depository; (8) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the Issuer (other than the Bonds) incurred for such Project; (9) costs of machinery or equipment required by the Issuer for the commencement of operation of such Project; and (10) any other costs properly attributable to the issuance of the Bonds, and such construction or acquisition, as determined by generally accepted accounting principles and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"Costs of Issuance Account" shall mean the St. Johns County Water and Sewer Revenue Bonds Costs of Issuance Account established pursuant to Section 2.03(C) hereof.

"Coupon Bonds" shall mean any Bonds the interest payable on which shall be represented by bearer coupons attached thereto, and the interest on which Bonds shall be payable only upon the presentation and surrender of such coupons to the Paying Agent as they severally fall due.

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having no Amortization Installments the amortization of such Term Bonds shall be deemed to correspond to the applicable terms of such Credit Facility.

(3) The aggregate amount required to pay the Accreted Value due on any Capital Appreciation Bonds maturing in such Bond Year.

"Expansion Facilities" shall mean improvements, extensions and additions to the System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the System, whether actual or anticipated, created by new users connecting to the System.

"Expansion Percentage" as applied to each Series of Bonds, shall mean a fraction having a numerator equal to that portion of the total original principal amount of all Bonds of such Series that are attributable to Expansion Facilities, if any, as shall be determined by the Qualified Independent Consultant and set forth in the Project Certificate relating to such Series, and a denominator equal to the total original principal amount of all Bonds of such Series. However, if amounts on deposit in the Stabilization Account are, pursuant to Section 4.06(A) hereof, withdrawn therefrom and applied to the purchase or redemption of Bonds of such Series prior to the maturity date of such Bonds, then the numerator of the foregoing fraction shall be reduced by the amounts so withdrawn and the denominator shall be reduced by the total principal amount of the Bonds of such Series so purchased or redeemed. For purposes of the preceding sentence, Term Bonds redeemed from amounts on deposit in the Bond Amortization Account shall not be considered to have been redeemed prior to their maturity date.

"Federal Securities" shall mean direct obligations of the United States of America and obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. Federal Securities shall include any certificates or any other evidences of an ownership interest in the aforementioned obligations or in specified portions thereof (which may consist of specified portions of the interest thereon).

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law.

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"Credit Bank" shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or another credit or liquidity enhancement facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"Credit Facility" shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Current Account" shall mean the separate account in the Connection Charges Fund established pursuant to Section 4.05 hereof.

"Debt Service Fund" shall mean the St. Johns County Water and Sewer Revenue Bonds Debt Service Fund established pursuant to Section 4.05 hereof.

"Debt Service Requirement" for any Bond Year shall mean the sum of:

(1) The aggregate amount required to pay the interest becoming due on the Bonds, other than Capital Appreciation Bonds, during such Bond Year, except to the extent that such interest shall have been provided by payments into the Interest Account out of Bond proceeds or other sources for a specified period of time. For purposes of this definition, the interest due on any Variable Rate Bonds shall be assumed to be the greater of (a) 110% of the daily average interest rate on such Variable Rate Bonds during the 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 actual rate of interest borne by such Variable Rate Bonds on the date of calculation.

(2) The aggregate amount required to pay the principal becoming due on the Bonds, other than Capital Appreciation Bonds, for such Bond Year. For purposes of this definition: (a) the stated maturity date of any Term Bonds shall be disregarded and the principal of such Term Bonds shall be deemed to be due in the Bond Years and in the amounts of the Amortization Installments applicable to such Term Bonds; and (b) the principal amount of any single maturity of Term Bonds for which the Issuer shall have established no Amortization Installments shall be deemed to be due in the Bond Years and in such amounts as shall provide for the amortization of such principal amount over a term equal to the number of years such Term Bonds shall be outstanding to such maturity and in equal annual installments of combined principal and interest; provided, however, that if the Issuer has employed a Credit Facility in connection with any such Term Bonds

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"Governing Body" shall mean the Board of County Commissioners of the Issuer or its successor in function.

"Gross Revenues" shall mean all income and moneys received by the Issuer from the Rates, and all earnings and income derived from the investment of moneys under the provisions of this Resolution which are transferred to the Revenue Fund or the Interest Account as herein provided, but excluding Connection Charges.

"Initial Project" shall mean the acquisition, construction and erection of additions, extensions and improvements to the water distribution facilities of the Issuer, and of new sewage collection and treatment facilities to be operated in combination with such water facilities as a single water and sewer system, as more particularly described in and in accordance with certain plans on file or to be on file with the Issuer, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements as shall be designated and approved by resolution of the Governing Body in accordance with the Act.

"Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two most secure grades by either Moody's Investors Service or Standard and Poor's Corporation, and with respect to any Series of Bonds, the Insurer which shall have insured or guaranteed payment of the principal of or interest on such Bonds.

"Interest Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

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

"Issuer" shall mean St. Johns County, Florida.

"Maximum Debt Service Requirement" shall mean, as of any particular date of calculation, the greatest annual Debt Service Requirement for the Bonds for the then current or any future Bond Year.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest,

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which shall be set forth in the Supplemental Resolution delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any time bear in the future in accordance with the terms of such Supplemental Resolution.

"Moody's Investors Service" shall mean Moody's Investors Service, the nationally recognized securities rating firm, and any successor or successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer and approved by the Insurer and/or the Credit Bank, as applicable.

"Net Revenues" shall mean Gross Revenues less Operating Expenses.

"Operation and Maintenance Fund" shall mean the Operation and Maintenance Fund created pursuant to Section 4.05 hereof.

"Operating Expenses" shall mean the Issuer's expenses for operation, maintenance, repairs and replacements with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, insurance and surety bond premiums, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), the fees of any rebate compliance service or of Bond Counsel relating to compliance with the provisions of Section 148 of the Code, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, all to the extent properly attributable to the System, in accordance with generally accepted accounting principles employed in respect of activities such as those involved in the operation of public water and sewer facilities similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under this Resolution, but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of the Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges.

"Outstanding" shall mean all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other Bonds have been issued under an agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds

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"Principal Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

"Project" shall mean the Initial Project and any Additional Project.

"Project Certificate" shall mean that certificate of the Qualified Independent Consultant filed with the Issuer at or prior to the delivery of any Series setting forth the estimated total cost of the Project, the estimated cost of the Expansion Facilities portion of the Project or the Additional Project which shall be financed with the proceeds of such Series, the Expansion Percentage and the Connection Charges Debt Service Component.

"Qualified Independent Consultant" shall mean one or more qualified and recognized independent consultants, having favorable repute, skill and experience with respect to the acts and duties required of a qualified independent consultant to be provided to the Issuer, as shall from time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants. The Qualified Independent Consultant may also be the Consulting Engineers.

"Rates" shall mean the fees and charges which shall be made and collected by the Issuer for the use of the services or facilities of the System. Rates shall be deemed to exclude all Connection Charges.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 4.05 hereof.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or Supplemental Resolution.

"Refunded Bonds" shall mean the Issuer's outstanding Water Revenue Bond dated June 15, 1981.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to resolution of the Governing Body and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to resolution of the Governing Body.

"Renewal and Replacement Fund" shall mean the Renewal and Replacement Fund established pursuant to Section 4.05 hereof.

"Renewal and Replacement Fund Requirement" shall mean, as of any date of calculation, an amount of money equal to five percent (5%) of the Gross Revenues received by the Issuer in the

deemed to have been paid pursuant to Section 8.01 hereof, and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to resolution of the Governing Body and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to resolution of the Governing Body.

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

"Pledged Funds" shall mean the Net Revenues, any Connection Charges on deposit in the Current Account and, until applied in accordance with the provisions of this Resolution, the proceeds of the Bonds and all moneys, including investments thereof, in the Revenue Fund and the Debt Service Fund. Pledged Funds shall not include Net Revenues on deposit in the Rebate Fund or Connection Charges on deposit in the Stabilization Account.

"Prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (a) not callable prior to maturity or (b) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, and as to which the obligor has reserved no right to call such bonds prior to such redemption date, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or Federal Securities, secured in the manner set forth in Section 8.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities deposited in such fund with any cash on deposit in such fund, are sufficient, as verified by an independent certified public accountant, to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in such irrevocable instructions, and (4) which are rated in the highest rating category of Standard & Poor's Corporation and of Moody's Investors Service.

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immediately preceding Fiscal Year or such other greater or lesser sum as shall be recommended to the Issuer by the Qualified Independent Consultant and approved by the Governing Body as a sum appropriate for the Renewal and Replacement Fund considering the purposes thereof as prescribed by this Resolution, the past performance and existing condition of the System and the probable future system usage requirements of the Issuer, in keeping with sound management practices.

"Reserve Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(2)(d).

"Reserve Account Letter of Credit" shall mean a Credit Facility (other than a Reserve Account Insurance Policy) issued by any bank or national banking association, insurance company or other financial institution and then on deposit in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(2)(d) hereof.

"Reserve Account Requirement" shall mean, as of any date of calculation, an amount of money equal to the lesser of (1) the Maximum Debt Service Requirement, (2) 125% of the average annual Debt Service Requirement, or (3) 10% of the initial proceeds of all Bonds. In computing the Reserve Account Requirement, the interest rate on Variable Rate Bonds shall be assumed to be the greater of (a) 110% of the daily average interest rate on such Variable Rate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period of time that such Bonds shall have been outstanding, or (b) the actual rate of interest borne by the Variable Rate Bonds on such date of calculation.

"Resolution" and "this Resolution" shall mean this instrument, as the same may from time to time be amended, modified or supplemented by any and all Supplemental Resolutions.

"Revenue Fund" shall mean the Revenue Fund established pursuant to Section 4.05 hereof.

"Securities" shall mean Federal Securities and Prerefunded Obligations.

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

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"Series" shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 hereof or in a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"Series 1989 Bonds" shall mean the Issuer's Water and Sewer Revenue Bonds, Series 1989A and Series 1989B, authorized pursuant to Section 2.02 hereof.

"Series 1989A Bonds" shall mean the Issuer's Water and Sewer Revenue Bonds, Series 1989A, authorized pursuant to Section 2.02 hereof for the purpose of financing the cost of refunding the Refunded Bonds.

"Series 1989B Bonds" shall mean the Issuer's Water and Sewer Revenue Bonds, Series 1989B, authorized pursuant to Section 2.02 hereof for the purpose of financing the Cost of the Initial Project.

"Stabilization Account" shall mean the separate account in the Connection Charges Fund established pursuant to Section 4.05 hereof.

"Standard and Poor's Corporation" shall mean Standard and Poor's Corporation, the nationally recognized securities rating firm, and any successor and successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer and approved by the Insurer and/or the Credit Bank, as applicable.

"State" shall mean the State of Florida.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of Section 5.01 hereof and any Variable Rate Bonds which become Subordinate Indebtedness in accordance with Section 5.02(F) hereof.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution, adopted and becoming effective prior to the issuance of the Series 1989 Bonds or in accordance with the terms of Sections 4.03, 7.01, 7.02 and 7.03 hereof.

"System" shall mean the complete water facilities now owned, operated and maintained by the Issuer, the Initial Project, every Additional Project and any and all other water and sewer facilities hereafter acquired and operated by the Issuer which

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or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

SECTION 1.04. Findings. It is hereby ascertained, determined and declared as follows:

(A) The Issuer deems it necessary, desirable and in the best interests of the Issuer that the Initial Project be acquired and constructed and that the Refunded Bonds be refunded, all in the manner hereinafter provided.

(B) The Cost of the Initial Project shall be financed with the proceeds of the Series 1989B Bonds, and the cost of such refunding shall be financed with the proceeds of the Series 1989A Bonds.

(C) The Issuer deems it necessary, desirable and in the best interest of the Issuer that the Pledged Funds be pledged to the payment of the principal of and interest on the Bonds. No part of the Pledged Funds has been pledged or encumbered in any manner, except that certain of the Pledged Funds have been pledged as security for the Refunded Bonds; and such pledge in favor of the Refunded Bonds shall be extinguished simultaneously with the issuance of the Series 1989 Bonds.

(D) The Issuer has been advised by its consulting engineers and it is hereby found and determined that the estimated Cost of the Initial Project is \$9,225,000, the estimated annual Gross Revenues of the System is \$1,984,400, and the estimated annual Operating Expenses and principal and interest on the Bonds is \$1,772,202. The Issuer currently has \$780,000 to apply toward the Cost of the Project. The net cost of refunding the Refunded Bonds, to be paid with the proceeds of the Series 1989A Bonds, is estimated to be \$1,835,000. The revenues to be derived annually from the Rates will be sufficient to pay, as the same shall become due and payable, the principal of and interest on the Bonds and Operating Expenses.

(E) No Bondholder shall ever be entitled to compel the payment of the principal of and interest on the Bonds or any other payments provided for in this Resolution from any funds or revenues of the Issuer other than the sources herein provided in accordance with the terms hereof; nor will any Bondholder or any Credit Bank or any Insurer have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay the principal of or interest on the Bonds or to make any other payments provided for in this Resolution, and the Bonds shall not constitute a lien upon the System or any other property of the Issuer or situated within its territorial limits, except the Pledged Funds.

(F) The Issuer presently levies and collects from each new customer of the System, with respect to additions to the System, at the time such customer requests utilities services,

shall be expressly declared by resolution of the Governing Body to be part of the System, which System shall also include any and all improvements, extensions and additions to the foregoing which shall be hereafter constructed or acquired, whether the same shall be financed from the proceeds of Bonds or from any other funds or sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith.

"Taxable Bond" shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income taxation purposes or that such interest is subject to federal income taxation.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution and which are subject to mandatory redemption by Amortization Installments.

"Variable Rate Bonds" shall mean Bonds issued with a variable, adjustable, convertible or other interest rate which at the date of issue is not fixed as one or more stated percentages for the entire term of such Bonds.

The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.02. Authority for Resolution. This Resolution is adopted pursuant to the provisions of the Act.

SECTION 1.03. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and shall be a part of the contract of the Issuer with any Credit Bank and any Insurer. The pledge made in this Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and for the benefit, protection and security of any Credit Bank and any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority

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Connection Charges in order to defray the costs of Expansion Facilities. The Issuer deems it necessary, desirable and in the best interest of the Issuer that the Connection Charges be pledged for the payment of the principal of and interest on the Bonds to the extent herein provided.

(G) The Issuer has heretofore, by the adoption of Resolution No. 88-241 and Resolution No. 88-253, authorized the issuance of two issues of bonds to finance the acquisition and construction of the same facilities constituting the Initial Project, with the intent that such bonds be sold and delivered to the United States of America, U.S. Department of Agriculture, Farmers Home Administration. It is in the best interest of the finances and economy of the Issuer that the Initial Project be financed instead in the manner herein provided and, accordingly, it is appropriate that the Issuer repeal said Resolution No. 88-241 and said Resolution No. 88-253.

SECTION 1.05. Initial Project Authorized. The acquisition and construction of the Initial Project in the manner herein provided is hereby authorized.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. Authorization of Bonds. The Issuer hereby authorizes the issuance of Bonds of the Issuer to be designated as "St. Johns County, Florida, Water and Sewer Revenue Bonds," which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as may hereafter be provided by Supplemental Resolution or as limited by the Act or by other applicable law.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution or Supplemental Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be payable in lawful money of the United States of America and shall be issued for such purpose or purposes and bear interest at such rate or rates not exceeding the maximum rate permitted by law as shall be determined by this Resolution or by Supplemental Resolution. From and after any maturity date of any of the Bonds (deposit of moneys and/or Securities for the payment of the principal and interest on such Bonds having been

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made by the Issuer with the Paying Agents), notwithstanding that any of such Bonds shall not have been surrendered for cancellation, no further interest shall accrue upon the principal or upon the interest which shall have accrued and shall then be due on such date, and such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the Holders shall have no rights in respect of such Bonds except to receive payment of such principal and unpaid interest accrued to the maturity date.

The Bonds shall be issued in such denomination or denominations and such form, whether coupon or registered; shall be dated such date or dates; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature on June 1 or December 1 in such years and amounts; and the proceeds shall be used in such manner all as determined by this Resolution or by Supplemental Resolution. The Issuer may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by this Resolution or by Supplemental Resolution.

SECTION 2.02. Authorization and Description of Series 1989 Bonds. A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized to be issued by the Issuer in an aggregate principal amount not to exceed \$2,000,000 for the principal purposes of financing a part of the cost of refunding the Refunded Bonds, funding a portion of the Reserve Account and paying a part of the costs of issuance incurred with respect to such Series. Such Series shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1989A."

A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized to be issued by the Issuer in an aggregate principal amount not to exceed \$10,000,000 for the principal purposes of acquiring and constructing the Initial Project, funding a portion of the Reserve Account and paying a part of the costs of issuance incurred with respect to such Series. Such Series shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1989B."

The Series 1989 Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1989 Bonds to the purchaser or purchasers thereof or such other date as may be set forth by Supplemental Resolution of the Issuer; shall be

issued as fully registered Bonds; and shall be numbered consecutively from one upward in order of maturity preceded by the letter "R;" shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law (calculated on the basis of a 360-day year of twelve 30-day months), payable in such manner and on June 1 and December 1 in each year; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds and Capital Appreciation Bonds, maturing in such amounts and on June 1 or December 1 in such years not exceeding forty (40) years from their date; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption provisions; all as the Issuer shall hereafter provide by Supplemental Resolution.

The principal of or Redemption Price, if applicable, of the Series 1989 Bonds are payable upon presentation and surrender of the Series 1989 Bonds at the office of the Paying Agent. Interest payable on any Series 1989 Bond on any Interest Date will (except for the final payment of interest which will be paid only upon presentation and surrender of such Series 1989 Bond at the office of the Paying Agent) be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, unless otherwise provided by Supplemental Resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any Series 1989 Bond is not punctually paid or duly provided for by the Issuer on such Interest Date, such defaulted interest will be paid to the Holder in whose name such Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten (10) days preceding such special record date. All payments of principal or of Redemption Price, if applicable, and interest on the Series 1989 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 2.03. Application of Series 1989 Bond Proceeds. Except as otherwise provided by Supplemental Resolution, the proceeds derived from the sale of the Series 1989 Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Series 1989 Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(A) Accrued and capitalized interest shall be deposited in the Interest Account.

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(B) An amount shall be deposited in the Reserve Account which, together with any moneys and securities on deposit therein and any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit obtained in accordance with Section 4.06(A)(2)(d) hereof, shall equal the Reserve Account Requirement.

(C) The Issuer covenants and agrees to establish a separate account with an Authorized Depository to be known as the "St. Johns County Water and Sewer Revenue Bonds Costs of Issuance Account," which shall be used only for payment of the costs and expenses described in this subsection. A sum sufficient to pay all costs and expenses in connection with the preparation, issuance and sale of the Series 1989 Bonds, including fees of financial advisors, engineering and other consulting fees, legal fees, bond insurance premiums, printing fees, rating agency fees and all other similar costs shall be deposited to the credit of the Costs of Issuance Account, and all such costs and expenses shall be promptly paid by the Issuer to the persons respectively entitled to receive the same. When all moneys on deposit to the credit of the Costs of Issuance Account shall have been disbursed by the Issuer for the payment of such costs and expenses, the Costs of Issuance Account shall be closed; provided, however, that if any balance shall remain in the Costs of Issuance Account six months after issuance of the Series 1989 Bonds, such moneys shall be transferred by the Issuer to the Construction Fund and the Costs of Issuance Account shall be closed. After the Costs of Issuance Account shall be closed, the Issuer may pay from the Construction Fund any unpaid issuance expenses.

(D) The remaining proceeds of the Series 1989A Bonds which, together with the moneys held by the Issuer for the payment of the principal of and interest on the Refunded Bonds and a reserve therefor and interest earnings thereon, shall be sufficient to pay in full the principal of the Refunded Bonds, interest to accrue thereon to the date of maturity or redemption and any premium payable upon redemption shall be paid by the Issuer to the owners and holders of the Refunded Bonds or deposited with a bank or trust company and held for the benefit of such owners and holders pursuant to an escrow deposit agreement to be executed by the issuer in favor of such bank or trust company and hereafter provided for by Supplemental Resolution.

(E) The balance of the Series 1989B Bond proceeds shall be deposited in the Construction Fund.

SECTION 2.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Chairman and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall

cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

SECTION 2.05. Authentication. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.10 hereof.

SECTION 2.06. Temporary Bonds. Until the definitive Bonds of any Series are prepared, the Issuer may execute, in the same manner as is provided in Section 2.04, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Issuer by resolution of the Governing Body, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at its own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Registrar.

SECTION 2.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, or be destroyed,

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stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of such Holder's ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered or otherwise substituted shall be cancelled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued hereunder and shall be entitled to the same benefits and security as the Bond so lost, stolen or destroyed.

SECTION 2.08. Interchangeability, Negotiability and Transfer. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Issuer shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

Each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by such Holder's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or such Holder's duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or

The Issuer may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor by resolution of the Governing Body.

SECTION 2.09. Coupon Bonds. The Issuer, at its discretion, may by Supplemental Resolution authorize the issuance of Coupon Bonds, registrable as to principal only or as to both principal and interest. Such Supplemental Resolution shall provide for the negotiability, transfer, interchangeability, denominations and form of such Bonds and coupons appertaining thereto. Coupon Bonds (other than Taxable Bonds) shall only be issued if an opinion of Bond Counsel is received to the effect that issuance of such Coupon Bonds will not adversely affect the exclusion of the interest payable on such Bonds from gross income for federal income tax purposes.

SECTION 2.10. Form of Bonds. Except as otherwise provided pursuant to Section 2.09 hereof and except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution, the Bonds shall be in substantially the following form with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or the Clerk prior to the issuance thereof (which necessity and/or desirability and approval shall be evidenced conclusively by the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

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Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, shall forthwith (a) following the fifteenth day of the calendar month next preceding an interest payment date for such Series, (b) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series, and (c) at any other time as reasonably requested by the Paying Agent of such Series, certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check or draft to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute and the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Chairman and the Clerk for purposes of exchanging, replacing or transferring Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or transfers shall be cancelled by the Registrar. For every such exchange or transfer of Bonds, the Issuer or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The Issuer and the Registrar shall not be obligated to make any such exchange or transfer of any Bonds which shall have been selected for redemption or of Bonds of any Series during the fifteen (15) days next preceding an Interest Date on the Bonds of such Series (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Bonds, during the fifteen (15) days next preceding the date of selection of Bonds to be redeemed.

No. R-_____ \$ _____
 UNITED STATES OF AMERICA
 STATE OF FLORIDA
 COUNTY OF ST. JOHNS
 WATER AND SEWER REVENUE BOND, SERIES 19__

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
_____ %	_____, _____	_____, _____	_____

Registered Holder:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that St. Johns County, a political subdivision created and existing under and by virtue of the laws of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the sources of payment hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, the Principal Amount identified above on the Maturity Date identified above and interest (calculated on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the Date of Original Issue identified above or from the most recent interest payment date to which interest has been paid, at the Interest Rate per annum identified above on June 1 and December 1 of each year commencing _____, until such Principal Amount shall have been paid or provided for, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

Such Principal Amount and interest and the premium, if any, on this bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this bond, are payable, upon presentation and surrender hereof, at the principal office of _____, as paying agent, or such other paying agent as the Issuer shall hereafter duly appoint (the "Paying Agent"). Payment of each installment of interest shall be made to the person in whose name this bond shall be registered on the registration books of the Issuer maintained by _____, as registrar, or such other registrar as the Issuer shall hereafter duly appoint (the "Registrar"), at the close of business on the date which shall be the fifteenth

day (whether or not a business day) of the calendar month next preceding each interest payment date and shall (except for the final payment of interest which shall be paid only upon presentation and surrender of this bond at the office of the Paying Agent) be paid by a check or draft of the Paying Agent mailed to such Registered Holder at the address appearing on such registration books or, at the option of the Paying Agent, and at the request and expense of such Registered Holder, by bank wire transfer for the account of such Holder. In the event interest payable on this bond is not punctually paid or duly provided for by the Issuer on such interest payment date, payment of each installment of such defaulted interest shall be made to the person in whose name this bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Registered Holder, not less than ten (10) days preceding such special record date.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN THIS PLACE.

This bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Registrar.

IN WITNESS WHEREOF, St. Johns County, Florida, has issued this bond and has caused the same to be executed by the manual or facsimile signature of the Chairman of its Board of County Commissioners and attested and countersigned by the manual or facsimile signature of the Clerk of said Board and its official seal or a facsimile thereof to be affixed or reproduced hereon, all as of the ___ day of ___, 19__.

ST. JOHNS COUNTY, FLORIDA

(SEAL)

By _____
Chairman of the Board of
County Commissioners

ATTESTED AND COUNTERSIGNED:

Clerk of the Board of
County Commissioners

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upon the System or any other property of the Issuer, except the Pledged Funds, and shall be payable solely from the Pledged Funds in accordance with the terms of the Resolution.

In and by the Resolution, the Issuer has covenanted and agreed with the Registered Holder that it will fix, establish, maintain and collect fees and charges for the use of the services and facilities of the System and revise the same from time to time, whenever necessary, which will always provide in each fiscal year Net Revenues which, together with Connection Charges actually deposited during such fiscal year in the Current Account created pursuant to the Resolution, at least equal 125% of the debt service requirement for such fiscal year and 100% of any amounts required by the Resolution to be deposited in such fiscal year to the Reserve Account and the Renewal and Replacement Fund created pursuant to the Resolution.

Neither the members of the Board of County Commissioners of the Issuer nor any person executing this bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

(INSERT REDEMPTION PROVISIONS)

Notice of redemption, unless waived, is to be given by the Registrar by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered holders of the Bonds to be redeemed at such holders' addresses shown on the registration books maintained by the Registrar or at such other addresses as shall be furnished in writing by such registered holders to the Registrar; provided, however, that no defect in any such notice to any registered holder of Bonds to be redeemed nor failure to give such notice to any such registered holder nor failure of any such registered holder to receive such notice shall in any manner defeat the effectiveness of a call for redemption as to all other registered holders of Bonds to be redeemed. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

This bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the office of the Registrar by the Registered Holder hereof in person or by such Holder's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or such Holder's attorney duly authorized in writing, and thereupon a new bond or bonds in

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CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds of the issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

Registrar

By: _____
Authorized Officer

(Provisions on Reverse Side of Bond)

This bond is one of an authorized issue of bonds of the Issuer in the aggregate principal amount of \$_____ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, denomination and number, issued to finance _____, in and for the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 125, Part I, Florida Statutes, as amended, Chapter 159, Part I, Florida Statutes, as amended, and other applicable provisions of law (the "Act"), and a resolution duly adopted by the Board of County Commissioners of the Issuer on _____, 19__, as amended and supplemented (the "Resolution"), and is subject to all the terms and conditions of the Resolution.

The principal of and interest on this bond are payable solely from and secured by a prior lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) of the public water and sewer system of the Issuer (the "System," as defined in the Resolution), (2) certain Connection Charges (defined in the Resolution) to the extent provided in the Resolution and (3) until applied in accordance with the provisions of the Resolution, the proceeds of the Bonds, all moneys, including investments thereof, in certain of the funds and accounts established pursuant to the Resolution and the earnings on such investments, all in the manner and to the extent described in the Resolution (collectively, the "Pledged Funds"). It is expressly agreed by the Registered Holder of this bond that the full faith and credit of the Issuer, is not pledged to the payment of the principal of or premium, if any, or interest on this bond and that the Registered Holder shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer to the payment of such principal, premium, if any, and interest. This bond and the obligation evidenced hereby shall not constitute a lien

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same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, prescribed in the Resolution. Each of the Bonds is issuable in fully registered form in the denomination of \$5,000 or any integral multiple thereof not exceeding the aggregate principal amount of the Bonds having the same maturity. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this bond as the absolute owner hereof for all purposes, whether or not this bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer and the Registrar shall not be obligated: (i) to make any exchange or transfer of Bonds during the fifteen (15) days next preceding an interest payment date or, in the case of any proposed redemption of Bonds, during the fifteen (15) days next preceding the date of selection of Bonds to be redeemed; or (ii) after the selection of Bonds for redemption, to make any exchange or transfer of Bonds so selected.

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

LEGAL OPINION

[Insert appropriate approving opinion of bond counsel.]

The above is a true copy of the opinion rendered by Foley & Lardner, Jacksonville, Florida, in connection with the issuance of, and dated as of the original delivery of, the Bonds of the issue of which this bond is one. An executed copy of that opinion is on file in my office.

Clerk

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The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____
under Uniform Transfer to Minors Act of _____
(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

Insert Social Security or Other
Identifying Number of Assignee

(Name and Address of Assignee)

the within bond and does hereby irrevocably constitute and appoint _____, as attorneys to register the transfer of the said bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

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ARTICLE III REDEMPTION OF BONDS

SECTION 3.01. Privilege of Redemption. The terms of this Article III shall apply to redemption of Bonds other than Capital Appreciation Bonds or Variable Rate Bonds. The terms and provisions relating to redemption of Capital Appreciation Bonds and Variable Rate Bonds shall be provided by Supplemental Resolution.

SECTION 3.02. Selection of Bonds to be Redeemed. The Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The Issuer shall, at least sixty (60) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than forty-five (45) days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of \$5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Issuer and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 3.03. Notice of Redemption. Unless waived by any Holder of Bonds to be redeemed, notice of any redemption made pursuant to this section shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given pursuant to this section to any Holder of Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Holders of Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state:

- (1) the redemption date,
- (2) the Redemption Price,
- (3) if less than all outstanding Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed,
- (4) that on the redemption date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) that such Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price plus accrued interest at the office of the Paying Agent.

Prior to any redemption date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of and accrued interest on all the Bonds or portions of Bonds which are to be redeemed on that date.

In addition to the foregoing notice, further notice shall be given by the Issuer as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (a) the CUSIP numbers of all Bonds being redeemed; (b) the date of issue of the Bonds as originally issued; (c) the rate of interest borne by each Bond being redeemed; (d) the maturity date of each Bond being redeemed; and (e) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by registered or certified mail or overnight delivery service to any Insurer which shall have insured, or any Credit Bank which shall have provided a credit facility for, any of the Bonds being redeemed and to all registered securities depositories then in the business of holding substantial amounts of obligations of types similar to the type of which the Bonds consist (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, Pacific Securities Depository Trust Company of San Francisco, California,

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and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(3) Each such further notice shall be published one time in the Bond Buyer of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the Holders of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of obligations similar to the Bonds, such publication to be made at least 30 days prior to the date fixed for redemption.

SECTION 3.04. Redemption of Portions of Bonds. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of the same interest rate and maturity, and of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

SECTION 3.05. Payment of Redeemed Bonds. Official notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. Each check or other transfer of funds issued by the Registrar and/or Paying Agent for the purpose of the payment of the Redemption Price of Bonds being redeemed shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be cancelled by the Registrar and shall not be reissued.

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Supplemental Resolution, and there may be paid into the Construction Fund, at the option of the Issuer, any moneys received for or in connection with a Project by the Issuer from any other source.

The Issuer shall establish within the Construction Fund a separate account for the Initial Project and each Additional Project, the Cost of which is to be paid in whole or in part out of the Construction Fund.

The proceeds of insurance maintained pursuant to this Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund.

The Issuer covenants that the acquisition and construction of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the Construction Fund to pay the Cost of a Project upon the filing with the Clerk of documents and/or certificates signed by an Authorized Issuer Officer stating with respect to each disbursement or payment to be made: (1) the item number of the payment, (2) the name and address of the Person to whom payment is due, (3) the amount to be paid, (4) the Construction Fund account from which payment is to be made, (5) the purpose, by general classification, for which payment is to be made, and (6) that (A) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the account of the Construction Fund from which payment is to be made and has not been the basis of any previous disbursement or payment, or (B) each obligation, item of cost or expense mentioned therein has been paid by the Issuer, is a reimbursement of a part of the Cost of a Project, is a proper charge against the account of the Construction Fund from which payment is to be made, has not been theretofore reimbursed to the Issuer or otherwise been the basis of any previous disbursement or payment and the Issuer is entitled to reimbursement thereof. The Clerk shall retain all such documents and/or certificates of the Authorized Issuer Officers for seven (7) years from the dates of such documents and/or certificates. The Clerk shall make available the documents and/or certificates at all reasonable times for inspection by any Holder of any of the Bonds or the agent or representative of any Holder of any of the Bonds.

The date of completion of a Project shall be determined by the Authorized Issuer Officer who shall certify such fact in writing to the Governing Body. Promptly after the date of the completion of a Project, and after paying or making provisions for the payment of all unpaid items of the Cost of such Project, the Issuer shall deposit in the following order of priority any

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ARTICLE IV

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 4.01. Bonds not to be Indebtedness of Issuer. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds in accordance with the terms of this Resolution. No Holder of any Bond or any Credit Bank or any Insurer shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay such Bond or be entitled to payment of such Bond from any moneys of the Issuer except the Pledged Funds, in the manner provided herein.

SECTION 4.02. Security for Bonds. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds. The Pledged Funds shall be subject to the lien of this pledge immediately upon the issuance and delivery of the Series 1989 Bonds, without any physical delivery by the Issuer of the Pledged Funds or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind against the Issuer, in tort, contract or otherwise. The Issuer does hereby irrevocably pledge the Pledged Funds in the manner provided in this Resolution to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds.

SECTION 4.03. Additional Security. Anything herein to the contrary notwithstanding, however, the Issuer may cause any Series of Bonds to be payable from and secured by a Credit Facility or an insurance policy of an Insurer not applicable to any one or more other Series of Bonds, as shall be provided by Supplemental Resolution, in addition to the security of the Pledged Funds provided herein.

SECTION 4.04. Construction Fund. The Issuer covenants and agrees to establish a separate fund with an Authorized Depository to be known as the "St. Johns County Water and Sewer System Construction Fund," which shall be used only for payment of the Costs of Projects. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be held in trust by the Issuer and shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of this Resolution or

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balance of moneys remaining in the Construction Fund in (1) another account of the Construction Fund for which the Authorized Issuer Officer has stated that there are insufficient moneys present to pay the Cost of the related Project, (2) the Reserve Account, to the extent of a deficiency therein, (3) the Debt Service Fund, and (4) such other fund or account of the Issuer, including those established hereunder, as shall be determined by the Governing Body, provided the Issuer has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for federal income tax purposes.

SECTION 4.05. Funds and Accounts. The Issuer covenants and agrees to establish with one or more Authorized Depositories separate funds to be known as the "St. Johns County Water and Sewer System Revenue Fund," the "St. Johns County Water and Sewer System Connection Charges Fund," the "St. Johns County Water and Sewer System Operation and Maintenance Fund," the "St. Johns County Water and Sewer Revenue Bonds Debt Service Fund," the "St. Johns County Water and Sewer Revenue Bonds Debt Service Fund," and the "St. Johns County Water and Sewer Revenue Bonds Rebate Fund." The Issuer shall maintain in the Debt Service Fund four accounts: the "Interest Account," the "Principal Account," the "Bond Amortization Account," and the "Reserve Account." Moneys in the Debt Service Fund, until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders and for the further security of the Holders. The Issuer shall maintain in the Connection Charges Fund two accounts: the "Current Account" and the "Stabilization Account."

The Issuer shall at any time and from time to time appoint one or more Authorized Depositories to hold, for the benefit of the Issuer and/or the Bondholders, any one or more of the funds and accounts established hereby. Such depository or depositories shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees.

SECTION 4.06. Flow of Funds.

(A) Gross Revenues and Connection Charges. The Issuer shall deposit the Connection Charges into the Current Account, promptly upon the receipt thereof, until an amount equal to the Connection Charges Debt Service Components for the then current Bond Year shall have been deposited into the Current Account in such Bond Year. After an amount equal to such Connection Charges Debt Service Components shall have been deposited into the Current

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Account in such Bond Year, the Issuer shall deposit additional Connection Charges received in such Bond Year into the Stabilization Account.

On or before the last day of each month, commencing with the month in which delivery of the Series 1989 Bonds shall be made to the purchasers thereof, all or any portion of the moneys in the Current Account may, at the option of the Issuer, be deposited or credited to the Debt Service Fund in the manner described in part (2) hereof; provided, however, that such moneys shall be deposited or credited to the Debt Service Fund in the manner described in part (2) hereof in the event that moneys in the Revenue Fund are insufficient or unavailable to make all of the deposits into the Debt Service Fund required by part (2) hereof. The balance of any moneys remaining in the Current Account after such deposits, if any, shall be transferred to the Stabilization Account.

Moneys in the Stabilization Account may, to the extent such moneys are lawfully available for such purpose, be applied only (i) to the Current Account in an amount which shall not exceed the Connection Charges Debt Service Components for the then current Bond Year, less amounts previously transferred from the Current Account to the Debt Service Fund during such Bond Year, (ii) to the purchase or redemption of Bonds or (iii) to the Issuer, from time to time, for the acquisition and construction of Expansion Facilities.

Notwithstanding anything to the contrary contained in this Resolution, the aggregate amount of Connection Charges applied and allocated to the aggregate Debt Service Requirements for the Bonds shall never exceed the aggregate Connection Charges Debt Service Components for the Bonds.

The Issuer shall deposit all Gross Revenues into the Revenue Fund, promptly upon the receipt thereof. On or before the last day of each month, commencing with the month in which delivery of the Bonds shall be made to the purchasers thereof, the moneys in the Revenue Fund shall be deposited or credited in the following manner and in the following order of priority:

(1) Operation and Maintenance Fund. The Issuer shall deposit into or credit to the Operation and Maintenance Fund such sum as shall be necessary to cause the moneys in the Operation and Maintenance Fund to be sufficient to pay Operating Expenses for the next succeeding month according to the Annual Budget; provided, however, that subject always to the provisions of Section 5.06 hereof, the Issuer shall transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there shall be a deficiency

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pay the principal of the Bonds other than Term Bonds as and when the same shall mature, and for no other purpose.

(c) Bond Amortization Account. Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account. Commencing in the month which is one year prior to the due date of each Amortization Installment, the Issuer shall deposit into or credit to the Bond Amortization Account the sum which, together with the balance in said account held for the credit of such Amortization Installment and all Outstanding Term Bonds due and unpaid and not theretofore allocated to supplement any previous monthly deposit, will be sufficient to pay (i) one-twelfth (1/12) of such Amortization Installment and (ii) the full balance of any continuing deficiencies in prior deposits to the Bond Amortization Account for such Amortization Installment and the principal amount of all such Outstanding Term Bonds due and unpaid. Term Capital Appreciation Bonds (including their respective interest components) shall be payable entirely from moneys in the Bond Amortization Account on the respective due dates of the Amortization Installments applicable thereto, and deposits or credits to the Bond Amortization Account to provide funds for such purpose shall commence in the month which is one year prior to each such Amortization Installment due date. Moneys in the Bond Amortization Account shall be applied by the Issuer to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose.

Amounts accumulated in the Bond Amortization Account with respect to any Amortization Installment may be applied by the Issuer, on or prior to the sixtieth (60th) day preceding the due date of such Amortization Installment (i) to the purchase of Term Bonds of the Series and maturity for which such Amortization Installment was established, at a price not greater than the Redemption Price at which such Term Bonds may be redeemed on the first date thereafter on which such Term Bonds shall be subject to redemption, or (ii) to the redemption at the applicable Redemption Price of such Term Bonds. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Bond Amortization Account until such Amortization Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the sixtieth (60th) day preceding the due date of any such Amortization Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 5.03 hereof, Term Bonds of the Series and maturity for which such Amortization Installment was established (except in the case of Term Bonds maturing on an Amortization Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Amortization Installment. The Issuer shall pay out of the

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in the moneys in the Operation and Maintenance Fund for such purpose. Moneys in the Operation and Maintenance Fund shall be paid out from time to time by the Issuer to pay reasonable and necessary Operating Expenses as and when the same shall be incurred.

(2) Debt Service Fund. Next, the Issuer shall deposit into or credit to the Debt Service Fund, from moneys in the Revenue Fund and/or the Current Account, such sums as shall be required for all of the deposits, transfers and payments described in this part (2). The moneys on deposit in the Debt Service Fund shall be applied by the Issuer in the manner provided herein solely for the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds and for the purchase of, and reinstatement of the maximum limits of, any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, and shall not be available for any other purpose. The moneys transferred from the Revenue Fund and from the Current Account to the Debt Service Fund shall be deposited or credited in the following manner and in the following order of priority:

(a) Interest Account. The Issuer shall deposit into or credit to the Interest Account the sum which, together with the surplus moneys in the Interest Account not theretofore allocated to supplement any previous monthly deposit to the credit of the Interest Account, will be sufficient to pay one-sixth (1/6) of all interest coming due on the Bonds on the next Interest Date, plus the full balance of any continuing deficiencies in prior deposits to the Interest Account. Moneys in the Interest Account shall be applied by the Issuer to pay interest on the Bonds as and when the same become due, whether by redemption or otherwise, and for no other purpose. The Issuer shall adjust the amount of the deposit into the Interest Account not later than the month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date.

(b) Principal Account. Next, the Issuer shall deposit into or credit to the Principal Account the sum which, together with the surplus moneys in the Principal Account not theretofore allocated to supplement any previous monthly deposit to the credit of the Principal Account, will be sufficient to pay (i) the principal amount of all Outstanding Bonds other than Term Bonds due and unpaid and (ii) one-twelfth (1/12) of the principal amount of the Bonds other than Term Bonds which shall thereafter mature during the then current Bond Year. Serial Capital Appreciation Bonds (including their respective interest components) shall be payable entirely from moneys in the Principal Account on their respective maturity dates, and deposits or credits to the Principal Account to provide funds for such purpose shall commence in the month which is one year prior to each such maturity date. Moneys in the Principal Account shall be applied by the Issuer to

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Bond Amortization Account and the Interest Account to the respective Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from the Revenue Fund.

(d) Reserve Account. Next, the Issuer shall deposit into or credit to the Reserve Account such sum, if any, as will be necessary to immediately restore the funds on deposit therein to an amount equal to the Reserve Account Requirement including the reinstatement of any Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit therein or the cash replacement thereof. On or prior to each Interest Date and each maturity or redemption date for the payment of any principal of the Bonds, moneys in the Reserve Account shall be applied by the Issuer to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Bond Amortization Account shall be insufficient for such purpose. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement, such surplus moneys shall be deposited by the Issuer into the Interest Account.

Upon the issuance of any Series of Bonds, under the terms, limitations and conditions as herein provided, the Issuer shall provide for the funding of the Reserve Account in an amount equal to the Reserve Account Requirement. Such required amount may be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments from the Revenue Fund, on a parity with the payments required by the first sentence of this subpart (d), to the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed the greater of (a) sixty (60) months, or (b) the number of months for which interest on such Series of Bonds has been capitalized, as determined by Supplemental Resolution.

Whenever moneys on deposit in the Reserve Account, together with the other available amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds (including principal and interest thereon) in accordance with their terms, the funds on deposit in the Reserve Account shall be applied to the payment of Bonds.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Issuer may, at its sole option and discretion, cause to be deposited a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit in an amount equal to the difference between the Reserve Account

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Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent for such Series (upon the giving of notice as required thereunder) on any interest payment or redemption date on which a deficiency exists which cannot be cured by funds in any other fund or account held pursuant to this Resolution and available for such purpose. The issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be either (a) an insurer (i) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories) by either Standard & Poor's Corporation or Moody's Investors Service, or (ii) who holds one of the two highest policyholder ratings accorded insurers by A. M. Best & Company, or any comparable service, or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which have, or whose obligation to pay is guaranteed by a commercial bank, insurance company or other financial institution which has, been assigned a rating by either Moody's Investors Service or Standard & Poor's Corporation in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories).

If fifteen (15) days prior to an Interest Date, a principal maturity date or a mandatory redemption date, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on Bonds on such date, the Issuer shall immediately notify (a) the issuer of the applicable Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit, and (b) the Insurer, if any, of the amount of such deficiency and the date on which such payment is due, and shall take all action to cause such issuer or Insurer to provide moneys which, together with the sum then on deposit in the Reserve Account, are sufficient to pay all amounts due on such interest payment or redemption date.

If a disbursement is made from a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit provided pursuant to this Section 4.06(A)(2)(d), the Issuer shall reinstate the maximum limits of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit immediately following such disbursement as soon as moneys are available in the Reserve Account in accordance with the provisions of the first paragraph of this Section 4.06(A)(2)(d), by depositing funds in the amount of the disbursement made under such instrument, with the Issuer thereof, together with interest thereon to the date of reimbursement at the rate set forth in such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, but in no case greater

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and/or such Reserve Account Letter of Credit, shall be equal to the Reserve Account Requirement.

If any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Account pursuant to the first sentence of this Section 4.06(A)(2)(d), during a period not to exceed sixty (60) months when it shall make consecutive equal monthly payments in order that the amount on deposit in such account at the end of such period shall be equal to the Reserve Account Requirement; provided, the Issuer may at its sole option and discretion, with the prior written consent of the Insurer, if any, obtain a new Reserve Account Letter of Credit or a new Reserve Account Insurance Policy in lieu of making the payments required by this paragraph.

(3) Renewal and Replacement Fund. Next, whenever the balance on deposit in the Renewal and Replacement Fund shall be less than the Renewal and Replacement Fund Requirement, the Issuer shall deposit into or credit to the Renewal and Replacement Fund the balance of all moneys remaining in the Revenue Fund to the extent necessary to cause the moneys in the Renewal and Replacement Fund to equal the Renewal and Replacement Fund Requirement. If at anytime the balance on deposit in the Renewal and Replacement Fund shall exceed the Renewal and Replacement Fund Requirement, such excess shall be withdrawn by the Issuer from the Renewal and Replacement Fund and deposited into the Revenue Fund. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer to the payment of the cost of extensions, improvements and additions to, or renewals and replacements of the capital assets of, the System, or extraordinary repairs of the System; provided, however, that whenever moneys in the Debt Service Fund shall be insufficient to pay all or any part of the principal of, Redemption Price or interest on any of the Bonds, moneys in the Renewal and Replacement Fund shall first be used to supplement the Debt Service Fund to the extent necessary to prevent a default on the Bonds.

(4) Subordinated Indebtedness. Next, the Issuer shall apply available moneys in the Revenue Fund to the payment of the debt service for any Subordinated Indebtedness.

(5) Rebate Fund. Next, the Issuer may, at its option, deposit into or credit to the Rebate Fund the amount described in Section 4.07(A) hereof.

(6) Excess Revenues. Finally, the Issuer may withdraw the balance of all moneys remaining on deposit to the credit of the Revenue Fund and apply the same to any lawful county purpose.

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than the maximum rate of interest permitted by law. In addition, and in the same manner, the Issuer shall reimburse the issuer of the Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit for all reasonable expenses incurred by such issuer in connection with the draw on such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy by executing and delivering to such issuer a promissory note therefor, provided, however, any such note (i) shall not be a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of the Issuer, and (ii) shall be payable solely from moneys available in the Reserve Account in accordance with the provisions of the first paragraph of this Section 4.06(A)(2)(d).

To the extent the Issuer causes to be deposited into the Reserve Account, a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit for a term of years shorter than the life of the Series of Bonds so insured or secured, then the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall provide, among other things, that the issuer thereof shall provide the Issuer with notice as of each anniversary of the date of the issuance of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the intention of the issuer thereof to either (i) extend the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit beyond the expiration dates thereof, or (ii) terminate the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit on the initial expiration dates thereof or such other future date as the Issuer thereof shall have established. If the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit notifies the Issuer pursuant to clause (ii) of the immediately preceding sentence or if the Issuer terminates the Reserve Account Letter of Credit and/or Reserve Account Insurance Policy, then the Issuer shall deposit into the Reserve Account pursuant to the first sentence of this Section 4.06(A)(2)(d), during the first full calendar month following the date on which such notice of intent to terminate is received by the Issuer and in each succeeding month, such sums as shall be sufficient to pay each month an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, of the portion of the Reserve Account Requirement covered by the Reserve Account Letter of Credit and/or the Reserve Account Insurance Policy on the date such notice was received, until the sum on deposit in the Reserve Account, and no later than the expiration of such Reserve Account Insurance Policy

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(B) Discretionary Purchase or Redemption. The Issuer, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(C) Deposit with Paying Agent. At least one (1) business day prior to the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the Issuer shall withdraw from the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

(D) Reimbursement of Credit Bank. In the case of Bonds secured by a Credit Facility, amounts on deposit in any funds or accounts established for such Bonds may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of or Redemption Price, if applicable, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the Holders thereof for payment.

SECTION 4.07. Rebate Fund. Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States Treasury (except to the extent the same may be transferred to the Revenue Fund) and the bondholders shall have no right to have the same applied for debt service on the Bonds. The Issuer agrees to undertake all actions required of it in its arbitrage certificate, dated the date of issuance of the Bonds, relating to the Bonds, including, but not limited to:

(A) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Fund;

(B) depositing from moneys in the Revenue Fund or from other moneys of the Issuer derived from sources other than ad valorem taxation and legally available for such purpose the amount determined in clause (A) above into the Rebate Fund;

(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Fund and any other legally available moneys of the Issuer derived from sources other than ad valorem taxation such amounts as shall be required by the Code to be rebated to the United States Treasury; and

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(D) keeping such records of the determinations made pursuant to this Section 4.07 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds of the Series of which such accounts were created.

The provisions of the above-described arbitrage certificate may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

Foley & Lardner, Jacksonville, Florida, is hereby appointed to serve as rebate administrator hereunder with respect to every Series of the Bonds until the Issuer shall by resolution appoint as successor rebate administrator any other Bond Counsel or any certified public accountant, bank or trust company, or other agent of the Issuer who shall be qualified to assure compliance by the Issuer with the requirements of this section. The rebate administrator is hereby authorized to hire counsel, accountants, and other experts which the rebate administrator may, in its sole discretion, determine advisable for the purpose of obtaining the required calculations of the rebate amounts and determinations as to the due dates for the rebate thereof and other matters necessary for compliance with Section 148(f) of the Code as the same relates to the Bonds. The rebate administrator will not be liable for any loss occasioned by its reliance upon the instructions of such experts or upon the Issuer's certification of the amounts earned on nonpurpose investments, as such term is defined in Section 148(b)(2) of the Code, in which gross proceeds of the Bonds shall be invested. The duties and responsibilities of the rebate administrator may be performed by more than one Person.

SECTION 4.08. Investments. The Construction Fund, the Revenue Fund, the Connection Charges Fund, the Debt Service Fund and the Renewal and Replacement Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Construction Fund, the Revenue Fund, the Connection Charges Fund, the Operation and Maintenance Fund, the Rebate Fund, the Renewal and Replacement Fund and the Debt Service Fund, other than the Reserve Account, may be invested and reinvested in Authorized Investments maturing not later than the date on which the moneys therein will be needed. Moneys on deposit in the Reserve Account may be invested or reinvested in Authorized Investments which shall mature no later than five (5) years from the date of acquisition thereof.

Any and all income received by the Issuer from the investment of moneys in the Construction Fund, in the Rebate Fund,

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Additional Bonds and that are payable in whole or in part out of the Pledged Funds and which may be secured by a pledge of the Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by this Resolution. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued pursuant to Section 5.02 hereof.

SECTION 5.02. Issuance of Additional Bonds. No Additional Bonds, payable from the Pledged Funds on a parity with the Bonds then Outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Issuer may issue one or more Series of Additional Bonds for any one or more of the following purposes: financing the Cost of an Additional Project, or the completion thereof or of the Initial Project, or refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of the Issuer.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) The Issuer shall certify that it is current in all deposits into the various funds and accounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution and has complied with the covenants and agreements of this Resolution.

(B) There shall have been obtained and filed with the Issuer a certificate of an independent certified public accountant: (1) stating that he has examined the books and records of the Issuer relating to the collection and receipt of the Gross Revenues and the Connection Charges; (2) stating the amount of Net Revenues and the Connection Charges actually deposited into the Current Account during the immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of such Additional Bonds; (3) stating that such Net Revenues, adjusted as provided in Section 5.02(E) hereof, equal at least 1.10 times the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued; (4) stating that such Net Revenues and such Connection Charges, adjusted as provided in Section 5.02(E) hereof, equal at least 1.20 times the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued; and (5) stating that no Event of Default was disclosed in the report of the most recent Annual Audit, or if such Event of Default was so disclosed, that it shall have been cured.

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in the Interest Account, the Principal Account and the Bond Amortization Account in the Debt Service Fund, in the Revenue Fund, in the Current Account and in the Stabilization Account, in the Operation and Maintenance Fund, in the Renewal and Replacement Fund and in the Reserve Account in the Debt Service Fund (to the extent the amount therein is less than the Reserve Account Requirement), shall be retained in such respective fund or account unless otherwise required by applicable law.

Any and all income received by the Issuer from the investment of moneys in the Reserve Account in the Debt Service Fund (to the extent the amount therein is greater than the Reserve Account Requirement) shall be deposited in the Interest Account.

All investments shall be valued at cost. Nothing contained in this Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

SECTION 4.09. Separate Accounts. The moneys required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various funds and accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

ARTICLE V

SUBORDINATED INDEBTEDNESS ADDITIONAL BONDS, AND COVENANTS OF ISSUER

SECTION 5.01. Subordinated Indebtedness. The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Funds or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness that are not

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(C) In computing Maximum Debt Service Requirement for purposes of this Section 5.02, the interest rate on outstanding Variable Rate Bonds, and on additional parity Variable Rate Bonds then proposed to be issued, shall be deemed to be the Maximum Interest Rate applicable thereto.

(D) For the purposes of this Section 5.02, the phrase "immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of such Additional Bonds" shall be sometimes referred to as "twelve consecutive months."

(E) The Net Revenues and the Connection Charges deposited into the Current Account may be adjusted by the independent certified public accountant, at the option of the Issuer, as follows:

(1) If the Issuer, prior to the issuance of the proposed Additional Bonds but not prior to the beginning of such twelve consecutive months, shall have increased the Rates, and/or shall have begun to derive revenues from newly acquired facilities of the System, the Net Revenues for the twelve consecutive months shall be adjusted to show the Net Revenues which would have been derived in such twelve consecutive months if such increased Rates had been in effect, and/or such new facilities had produced revenues, during all of such twelve consecutive months.

(2) In the event the Issuer shall have completed additions, extensions or improvements to the System prior to the issuance of the proposed Additional Bonds but not prior to the beginning of such twelve consecutive months and/or shall be constructing or acquiring additions, extensions or improvements to the System to be financed wholly or in part from the proceeds of such Additional Bonds or from any other source, from which Project or Projects the Issuer expects to derive revenues within three (3) years after issuance of such Additional Bonds, such Net Revenues may be adjusted by adding thereto the net revenues estimated by the Consulting Engineers to be derived during the first twelve (12) months of operation of such Project after completion of the construction or acquisition thereof.

(3) If the Issuer, in connection with the issuance of Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the Issuer agrees to furnish services in connection with any water and/or sewer system, then the Net Revenues of the System during the twelve (12) consecutive months shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said services by the Issuer, after deducting

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therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services.

(4) In the event the Issuer shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues and such Connection Charges may be adjusted by adding thereto the Net Revenues and the Connection Charges (in an amount not exceeding the Connection Charges Debt Service Component for the proposed Additional Bonds for the first Bond Year commencing after completion of the construction or acquisition of said additions, extensions and improvements) estimated by the Consulting Engineers to be derived during the first twelve (12) months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the proposed users of the facilities to be financed by Additional Bonds together with other funds on hand or lawfully obtained for such purpose.

(F) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution; provided, however, any Supplemental Resolution authorizing the issuance of Additional Bonds may provide that any of the covenants herein contained will not be applicable to such Additional Bonds, provided that such provision shall not, in the opinion of Bond Counsel, adversely affect the rights of any Bonds which shall then be outstanding. Except as provided in Sections 4.02 and 4.06 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other; provided, however, that the Issuer shall include a provision in any Supplemental Resolution authorizing the issuance of Variable Rate Bonds pursuant to this Section 5.02 that in the event the principal thereof is accelerated due to such Bonds being held by the issuer of a Credit Facility, the lien of such Bonds on the Pledged Funds shall be subordinate in all respects to the pledge of the Pledged Funds created by this Resolution.

(G) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of this Section 5.02 shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in the aggregate amount of principal of and interest on the Outstanding Bonds becoming due in the current Fiscal Year and all subsequent Fiscal Years. The conditions of Section 5.02(B) hereof shall apply to Additional Bonds issued to refund Subordinated

Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

(H) In the event that the total amount of the Bonds herein authorized to be issued are not issued simultaneously, such Bonds which are subsequently issued shall be subject to the conditions of Section 5.02(B) hereof.

(I) In addition to all of the other requirements specified in this Section 5.02, the Issuer must comply with any applicable provisions of any financing documents relating to outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Additional Bonds.

SECTION 5.03. Bond Anticipation Notes. The Issuer may issue notes in anticipation of the issuance of Bonds which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by resolution of the Issuer.

SECTION 5.04. Accession of Subordinated Indebtedness to Parity Status with Bonds. The Issuer may provide for the accession of Subordinated Indebtedness to the status of complete parity with the Bonds, if (A) the Issuer shall meet all the requirements imposed upon the issuance of Additional Bonds by Section 5.02 hereof, assuming, for purposes of said requirements, that such Subordinated Indebtedness shall be Additional Bonds, and (B) the Issuer shall provide for the funding of the Reserve Account, upon such accession, in an amount equal to the increase in the amount of the Reserve Account Requirement occasioned by such accession in accordance with Section 4.06(A)(2)(d) hereof. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Resolution.

SECTION 5.05. Operation and Maintenance. The Issuer will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The Issuer will obtain and renew to the full extent required by applicable law all permits for acquisition, construction and operation of the System.

SECTION 5.06. Annual Budget. The Issuer shall annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. No expenditure for Operating Expenses shall be made in any Fiscal Year in excess of the amount provided therefor in the Annual Budget, (A) without

a written finding and recommendation by an Authorized Issuer Officer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, and (B) until the governing Body shall have approved such finding and recommendation by resolution.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such Fiscal Year, if it be approved by the Consulting Engineers, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year shall be adopted; and if the preliminary budget shall not have been approved by the Consulting Engineers, the Annual Budget for the preceding Fiscal Year shall be deemed to continue in effect.

The Issuer may at any time adopt an amended Annual Budget for the then current Fiscal Year, but no such amended Annual Budget shall supersede any prior budget until it shall be approved by the Consulting Engineers as being, in their opinion, reasonable and necessary.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for Operating Expenses to any Holder who shall file an address with the Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to such Holder and shall make available all such Annual Budgets and resolutions authorizing increased expenditures for Operating Expenses at all reasonable times to any Holder or to anyone acting for or on behalf of any Holder. The Issuer shall be permitted to make a reasonable charge for furnishing to any Holder such Annual Budgets and resolutions.

SECTION 5.07. Rates and Connection Charges. The Issuer shall fix, establish, maintain and collect such Rates, and revise the same effective at the beginning of each Fiscal Year, in the manner provided in this Section 5.07, to the extent necessary, as will always provide Net Revenues in each Fiscal Year, (A) which, if connection Charges are currently being imposed and clause (B) hereof shall be satisfied, are adequate at all times to pay in each Fiscal Year at least one hundred ten percent (110%) of the current annual Debt Service Requirement becoming due in such Fiscal Year on each Series of Outstanding Bonds and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the subaccounts of the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and (B) which, together with Connection Charges actually deposited in the Current Account, are adequate to pay at least one hundred twenty percent (120%) of the current annual Debt Service Requirement becoming due in such Fiscal Year on each

Series of Outstanding Bonds. Such Rates shall not be so reduced that the same will be insufficient to provide Net Revenues in each Fiscal Year fully adequate for the purposes provided therefor by this Resolution. Provided, however, anything herein to the contrary notwithstanding, no provision hereof shall be construed to obligate the Issuer to impose or, once imposed, continue Connection Charges; but at anytime and while Connection Charges shall be in effect and imposed by the Issuer, the same shall be pledged hereunder to the extent provided herein.

The Issuer covenants and agrees that prior to the beginning of each Fiscal Year, whenever the Rates which shall be projected by the Annual Budget proposed for such Fiscal Year shall be insufficient for the coverages required by the first paragraph of this section, the Issuer shall revise the Rates by adopting a schedule thereof by resolution or ordinance in the manner provided by applicable Florida law.

The Issuer further covenants and agrees that after receipt by the Issuer of each Annual Audit, if the Net Revenues shall be shown by such Annual Audit to have been insufficient in the Fiscal Year audited for the coverages required by the first paragraph of this section, the Issuer shall, prior to the commencement of the next succeeding Fiscal Year, revise the Rates by adopting a schedule thereof by resolution or ordinance in the manner provided by applicable Florida law, with respect to which revised Rates schedule the Issuer shall have obtained a certificate in writing from an independent firm of certified public accountants of suitable qualifications and experience that (1) had such revised schedule been in effect during such immediately preceding Fiscal Year the coverages required by this section would have been met or exceeded, and (2) had the same been in effect since the beginning of the then current Fiscal Year, (a) based upon the current Annual Budget said coverages would be met or exceeded for such current Fiscal Year and (b) estimated Gross Revenues for such current Fiscal Year as reflected in the current Annual Budget would exceed the actual Gross Revenues received in such immediately preceding Fiscal Year as reflected in such Annual Audit by at least the amount that the estimated Operating Expenses for such current Fiscal Year as reflected in the current Annual Budget shall exceed the actual Operating Expenses during such immediately preceding Fiscal Year as reflected in such Annual Audit. If and whenever the Issuer shall be required to increase the Rates by reason of the provisions of this paragraph, the Issuer shall cause the Consulting Engineers to review its Rates, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the means, including further Rate increases, by which the Issuer may best assure Net Revenues in the next succeeding Fiscal Year sufficient for compliance with all of the terms of this Resolution. The Issuer shall implement such recommendations by making any recommended revisions in the Rates in the aforesaid manner, effective at the

beginning of the next succeeding Fiscal Year or as soon thereafter as shall be possible, and by taking any other recommended action as soon thereafter as shall be practicable.

The Issuer shall proceed diligently to perform legally and effectively all steps required in the collection of the Connection Charges. Upon the due date of any such Connection Charges, the Issuer shall diligently proceed to collect the same and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law.

SECTION 5.08. Books and Records. The Issuer will keep books, records and accounts of the receipt of the Pledged Funds in accordance with generally accepted accounting principles, and any Credit Bank, Insurer, or Holder of any Bonds Outstanding or the duly authorized representatives thereof shall have the right at all reasonable times to inspect all books, records and accounts of the Issuer relating thereto.

The Issuer covenants that within one hundred eighty (180) days of the close of each Fiscal Year it will cause to be prepared and filed with the Clerk and mailed to all Credit Banks, Insurers and Holders who shall have filed their names and addresses with the Clerk for such purpose a statement setting forth in respect of the preceding Fiscal Year: (A) the amount of the Pledged Funds received in the preceding Fiscal Year; (B) the total amounts deposited to the credit of each fund and account created under the provisions of this Resolution; (C) the principal amount of all Bonds issued, paid, purchased or redeemed; and (D) the amounts on deposit at the end of such Fiscal Year to the credit of each such fund or account.

SECTION 5.09. Annual Audit. The Issuer shall, immediately after the close of each Fiscal Year, cause the financial statements of the Issuer to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Such Annual Audits shall contain, but not be limited to, a balance sheet, an income statement, a statement of changes in financial position, a statement of change in retained earnings, a statement of insurance coverage, and any other statements as required by law or accounting convention, and a certificate by such accountants disclosing any material default on the part of the Issuer of any covenant or agreement herein. Each Annual Audit shall be in conformity with generally accepted accounting principles. A copy of each Annual Audit shall regularly be furnished to any Credit Bank, to any Insurer and to any Holder who shall have furnished an address to the Clerk and requested in writing that the same be furnished to such Holder. The Issuer shall be permitted to make a reasonable charge for furnishing to any Holder such Annual Audit.

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The transfer of the System as a whole from the control of the Governing Body to some other board or authority which may hereafter be created for such purpose and which constitutes a governmental entity, interest on obligations issued by which is excluded from gross income of the holders thereof for federal income tax purposes under Section 103 of the Code, shall not be deemed prohibited by this Section 5.10 and such successor board or authority shall fall within the definition of "Issuer" in Section 1.01 hereof.

Notwithstanding the foregoing provisions of this Section 5.10, the Issuer shall have the authority to sell for fair and reasonable consideration any land comprising a part of the System which is no longer necessary or useful in the operation of the System and the proceeds derived from the sale of such land shall be deposited into the Revenue Fund.

The Issuer may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such contract, license, easement or right does not, in the opinion of the Consulting Engineers, as evidenced by a certificate to that effect filed with the Issuer, impede or restrict the operation by the Issuer of the System, but any payments to the Issuer under or in connection with any such contract, license, easement or right in respect of the System or any part thereof shall constitute Gross Revenues.

SECTION 5.11. Insurances. So long as the Net Revenues are pledged hereunder, the Issuer will carry, with a reputable insurance carrier or carriers, such insurance as is ordinarily carried by private or public corporations owning and operating water and sewer facilities similar to the System, including public liability insurance, in such amounts as the Issuer shall determine to be sufficient. The property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, furniture, fixtures and equipment of the System.

The Issuer may establish certain minimum levels of insurance for which the Issuer may self-insure. Such minimum levels of insurance shall be in amounts as recommended in writing by an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend insurance coverage for Persons engaged in operations similar to the System.

SECTION 5.12. No Impairment. The pledging of the Pledged Funds in the manner provided herein shall not be subject to repeal, modification or impairment by any subsequent ordinance,

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SECTION 5.10. Mortgage, Sale or Closing of Facilities. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of any facilities of the System except as provided in this section, until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 8.01 hereof.

The Issuer shall have and hereby reserves the right to close any facility of the System or part thereof and/or sell, lease or otherwise dispose of any site, facilities or property comprising a part of the System in the manner provided in this Section 5.10, if in the judgment of the Issuer such closing or disposition will not adversely affect the security for the Bondholders and any one of the following conditions exist: (A) such site, facilities or property is not necessary for the operation of the System, (B) such site, facilities or property is not useful in the operation of the System, (C) such site, facilities or property is not profitable in the operation of the System, or (D) in the case of a lease of such site, facilities or property, such lease will be advantageous to the System.

Prior to the Issuer's closing, sale, lease or other disposition of any facility of the System or part thereof, an Authorized Issuer Officer shall first make a finding in writing and the Consulting Engineers shall first make an engineering finding in writing determining that one or more of the conditions for the closing, sale, lease or other disposition of property provided for in the second paragraph of this Section 5.10 have been met, and the Governing Body shall, by resolution, duly adopt, approve and concur in such finding. Prior to any such sale, lease or other disposition of said property: (1) if the value thereof at original cost is not in excess of one-half (1/2) of one percent (1%) of the value of the gross plant of the System at original cost, an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for the closing, sale, lease or disposition of property provided for in the second paragraph of this Section 5.10 have been met; or (2) if the value of said property at original cost shall be in excess of one-half (1/2) of one percent (1%) of the value of the gross plant of the System at original cost, an Authorized Issuer Officer shall first make a finding in writing and the Consulting Engineers shall first make an engineering finding in writing determining that one or more of the conditions for the closing, sale, lease or other disposition of property provided for in the second paragraph of this Section 5.10 have been met, and the Governing Body shall, by resolution, duly adopt, approve and concur in such findings.

The proceeds from any such sale, lease or other disposition shall be deposited into the Revenue Fund.

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resolution or other proceedings of the Governing Body. This provision shall not, however, be deemed to prohibit the reduction or elimination of the Rates in the manner provided in Section 5.07 hereof.

SECTION 5.13. Special Covenants Relating to Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(A) The Issuer shall annually submit to the Issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, records of withdrawals on such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, as the case may be, received by the Paying Agent and remaining unpaid, the respective dates of such withdrawals, the interest accrued on such withdrawals and the aggregate amount of interest due by the Issuer to the issuer of such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, as the case may be.

(B) The Issuer hereby acknowledges that the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall be deemed a third-party beneficiary of this Resolution for the purpose of enforcing the terms, conditions and obligations of the Resolution which benefit the issuer of such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, as the case may be.

SECTION 5.14. Covenants with Credit Banks and Insurers. The Issuer may make such covenants as it may in its sole discretion, determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Issuer, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution.

SECTION 5.15. Federal Income Tax Covenants; Taxable Bonds.

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

(B) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will knowingly make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause

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such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and neither the Issuer nor any such other Person shall knowingly do any act or fail to do any act which would cause the interest on such Series of Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes.

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

(D) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income tax purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become includable in the gross income of the Holder thereof for federal income tax purposes. The covenants set forth in subsections (A), (B) and (C) of this Section 5.15 shall not apply to any Taxable Bonds.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default. The following events shall each constitute an "Event of Default" hereunder:

(A) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due.

(B) There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted.

have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any such direction which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

SECTION 6.04. Remedies Cumulative. No remedy herein conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 6.05. Waiver of Default. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 6.02 of this Resolution to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 6.06. Application of Moneys After Default. If an Event of Default shall happen and shall not have been remedied, the Issuer or a court-appointed trustee or receiver shall apply all Pledged Funds as follows and in the following order:

(A) To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, Registrar and Paying Agent hereunder; and

(B) To the payment of the amounts required for reasonable and necessary Operation Expenses, and for the reasonable renewals, repairs and replacements of the System necessary to prevent loss of Gross Revenues, as certified by the Consulting Engineers; and

(C) To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Issuer to be performed, and such default shall continue for a period of thirty (30) days after written notice of such default shall have been received from any Insurer or the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding or any Credit Bank. Notwithstanding the foregoing, the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes curative action and diligently pursues such action until the default has been corrected.

SECTION 6.02. Remedies. Any Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the laws of the State, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof. This paragraph shall not be deemed to be a waiver by the Issuer of its venue rights.

The Holder or Holders of Bonds in an aggregate principal amount of not less than twenty-five percent (25%) of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to this Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the Clerk. Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and the trust instrument under which the trustee shall have agreed to serve shall be filed with the Issuer and the trustee and notice of appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trustee hereunder, no further trustees may be appointed; however, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

SECTION 6.03. Directions to Trustee as to Remedial Proceedings. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring, or any Credit Bank providing a Credit Facility for, any then Outstanding Bonds)

amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 8.01 of this Resolution), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of this Resolution.

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

SECTION 6.07. Control by Insurer or Credit Bank. Upon the occurrence and continuance of an Event of Default, each Insurer or Credit Bank, if such Insurer or Credit Bank shall have honored all of its commitments under its Bond Insurance Policy or its Credit Facility, as the case may be, shall be entitled to direct and control the enforcement of all rights and remedies with respect to the Bonds it shall insure or for which such Credit Facility is provided.

ARTICLE VII

SUPPLEMENTAL RESOLUTIONS

SECTION 7.01. Supplemental Resolution Without Bondholders' Consent. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Issuer in this Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.

(E) To specify and determine at any time prior to the first delivery of any Series of Bonds the matters and things referred to in Sections 7.01, 7.02 or 7.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination.

(F) To authorize Additional Projects or to change or modify the description of the Initial Project or any Additional Project.

(G) To specify and determine matters necessary or desirable for the issuance of Capital Appreciation Bonds or Variable Rate Bonds.

(H) To authorize Additional Bonds or Subordinated Indebtedness.

(I) To make any other change that, in the opinion of Bond Counsel, would not materially adversely affect the security for the Bonds. In making such determination, Bond Counsel shall not take into consideration any Bond Insurance Policy.

Except Supplemental Resolutions described in subsections (E), (F) and (H) of this Section 7.01 and Supplemental Resolutions adopted for the purpose of authorizing Additional Bonds in compliance with all applicable provisions hereof, no Supplemental Resolution adopted pursuant to this Article VII shall become effective unless approved by every Insurer; and the Issuer covenants and agrees to furnish to each Insurer an executed original transcript of the Issuer's proceedings with respect to the adoption of each Supplemental Resolution.

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shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 7.02.

Whenever the Issuer shall deliver to the Clerk an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 7.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

SECTION 7.03. Amendment with Consent of Insurer and/or Credit Bank Only. If all of a Series of Bonds Outstanding hereunder are insured or secured as to payment of principal and interest by an Insurer or Insurers and/or by a Credit Facility provided by a Credit Bank or Credit Banks, and the Insurer or Insurers and/or the Credit Bank or Credit Banks, as applicable, are not in default, and such Bonds, at the time of the hereinafter described amendment, shall be rated by the rating agencies which shall have rated the Bonds at the time such Bonds were insured or such Credit Facility was provided no lower than the ratings assigned thereto by such rating agencies on the date such Bonds were insured or such Credit Facility was provided, the Issuer may enact one or more Supplemental Resolutions amending all or any part of Articles I, IV, V, VI and VIII hereof with the written consent of said Insurer or Insurers and/or said Credit Bank or Credit Banks, as applicable, and the acknowledgment by said Insurer or Insurers and/or said Credit Bank or Credit Banks that its Bond Insurance Policy or its Credit Facility, as the case may

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SECTION 7.02. Supplemental Resolution With Bondholders' Insurer's and Credit Bank's Consent. Subject only to the terms and provisions contained in this Section 7.02 and Section 7.01 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the adoption of such Supplemental Resolution or Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 7.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 7.02 shall also require the written consent of the Insurer of, or any Credit Bank providing a Credit Facility for, any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds which adversely affects the rights granted by the Bonds or this Resolution in favor of any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders, the Insurer or the Credit Bank of the adoption of any Supplemental Resolution as authorized in Section 7.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 7.02, the Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books and to all Insurers of, and Credit Banks providing a Credit Facility for, Bonds Outstanding. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 7.02 to be mailed and any such failure

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be, will remain in full force and effect. The consent of the Holders of any Bonds shall not be necessary. The foregoing right of amendment, however, does not apply to any amendment to Section 5.15 hereof with respect to the exclusion, if applicable, of interest on said Bonds from the gross income of the Holders thereof for federal income tax purposes nor may any such amendment deprive the Holders of any Bond of right to payment of the Bonds from, and their lien on, the Pledged Funds and any additional security pledged hereunder. Upon filing with the Clerk of evidence of such consent of the Insurer or Insurers and/or the Credit Bank or Credit Banks as aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 7.02 hereof.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Defeasance. If the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of the Pledged Funds and any additional security pledged hereunder, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 8.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient, to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Neither the Securities nor any moneys so deposited with such bank or trust

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company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption thereof; provided, however, the Issuer may substitute new Securities and moneys for the deposited Securities and moneys if the new Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on such Bonds, and any trust agreement governing the deposit of such Securities and moneys may provide for the investment of moneys unclaimed by Bondholders and for the payment to the Issuer of such unclaimed moneys and the investment earnings thereon.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Securities and moneys, if any, in accordance with this Section 8.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to satisfy this Section 8.01, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 8.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 8.01 of moneys or Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 8.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to

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Bonds, shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof.

SECTION 8.05 No Third Party Beneficiaries. Except such other Persons as may be expressly described herein or in the Bonds, nothing in this Resolution, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person other than the Issuer and the Holders any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Bonds, all provision hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer and the Persons who shall from time to time be the Holders.

SECTION 8.06. Sale of Bonds. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law.

SECTION 8.07. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 8.08. Repeal of Inconsistent Resolutions. Resolution No. 88-241 and Resolution No. 88-253 of the Issuer are hereby repealed. All other resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 8.09. Table of Contents and Headings not Part Hereof. The Table of Contents preceding the body of this Resolution and the headings preceding the several articles and sections hereof shall be solely for convenience of reference and shall not constitute a part of this Resolution or affect its meaning, construction or effect.

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impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds or any portion thereof shall be paid by an Insurer or Insurers or a Credit Bank or Credit Banks and such Insurer or Credit Bank shall not have been reimbursed by the Issuer, such Bonds or any portion thereof shall remain Outstanding, shall not be defeased and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and any additional security pledged hereunder and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and such Insurer or Insurers or such Credit Bank or Credit Banks shall be subrogated to the rights of such Bondholders.

SECTION 8.02. Capital Appreciation Bonds. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 8.03 General Authority. The members of the Governing Body and the Issuer's officers, attorneys and other agents and employees are hereby authorized to do all acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel or the initial purchasers of the Bonds to effectuate the sale of the Bonds to said initial purchasers.

SECTION 8.04 No Personal Liability. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Bonds, or in any certificate or other instrument to be executed on behalf of the Issuer in connection with the issuance of the Bonds, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any member of the Governing Body, officer, employee or agent of the Issuer in his or her individual capacity, and none of the foregoing persons nor any officer of the Issuer executing the Bonds or any certificate or other instrument to be executed in connection with the issuance of the

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SECTION 8.10. Effective Date. This Resolution shall become effective immediately upon its passage.

PASSED, APPROVED AND ADOPTED this 25th day of April, 1989.

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA

By /s/ Harry Waldron
Its Chairman

(OFFICIAL SEAL)

ATTEST: Carl "Bud" Markel, Clerk

/s/ Carl "Bud" Markel
Clerk

I, Carl "Bud" Markel, Clerk of the Board of County Commissioners of St. Johns County, Florida, hereby certify that the foregoing is a true and correct copy of Resolution No. 89-84 of said Board passed and adopted on April 25, 1989.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said Board this 25th day of April, 1989.

/s/ Carl "Bud" Markel
Clerk

(OFFICIAL SEAL)

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APPENDIX E
PROPOSED FORM OF
OPINION OF BOND COUNSEL

August __, 1989

The Honorable Chairman and Members
of the Board of County Commis-
sioners of St. Johns County, Florida
St. Augustine, Florida

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of County Commissioners (the "Board") of St. Johns County, Florida (the "Issuer"), and other proofs submitted relative to the authorization, issuance and sale of and the security for the following described bonds (the "Bonds"):

§
ST. JOHNS COUNTY, FLORIDA
WATER AND SEWER REVENUE BONDS
SERIES 1989
Dated as of August 1, 1989

The Bonds are issued pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 125, Part I, Florida Statutes, as amended, Chapter 159, Part I, Florida Statutes, as amended, and a resolution duly adopted by the Board on April 25, 1989, as amended and supplemented (the "Resolution"), to finance the cost of refunding the Issuer's outstanding Water Revenue Bonds dated June 15, 1981, and the acquisition, construction and erection of additions, extensions and improvements to the water distribution facilities of the Issuer and of new sewage collection and treatment facilities to be operated by the Issuer in combination with such water facilities as a single water and sewer system. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

The Honorable Chairman and Members
of the Board of County Commis-
sioners of St. Johns County, Florida
August __, 1989

The principal of, premium, if any, and interest on the Bonds are payable solely from and secured by prior lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) of the public water and sewer system of the Issuer (the "System," as defined in the Resolution), (2) certain Connection Charges (as defined in the Resolution) to the extent provided in the Resolution and (3) until applied in accordance with the provisions of the Resolution, the proceeds of the Bonds, all moneys, including investments thereof, in certain of the funds and accounts established pursuant to the Resolution and all the earnings on such investments, all in the manner and to the extent described in the Resolution (collectively, the "Pledged Funds").

The Bonds and the interest thereon do not constitute a general indebtedness of the Issuer or a pledge of its faith and credit, but are payable solely from the Pledged Funds in the manner provided in the Resolution. No owner of any of the Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay the Bonds or interest thereon or be entitled to payment of the Bonds or interest thereon from any moneys of the Issuer except the Pledged Funds.

The Issuer has reserved the right to issue additional parity bonds to be payable from and secured by the Pledged Funds equally and ratably with the Bonds, upon the terms and conditions prescribed in the Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing political subdivision of the State of Florida with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.

The Honorable Chairman and Members
of the Board of County Commis-
sioners of St. Johns County, Florida
August __, 1989

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer enforceable in accordance with their terms.

4. The Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined by Chapter 220, Florida Statutes, as amended.

5. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers; provided, however, that interest on the Bonds is included in calculating "adjusted net book income" ("adjusted current earnings" for taxable years beginning after 1989) for purposes of calculating the alternative minimum tax imposed on corporations. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution

The Honorable Chairman and Members
of the Board of County Commis-
sioners of St. Johns County, Florida
August __, 1989

may be subject to bankruptcy, insolvency, reorganization, mora-
torium and other similar laws affecting creditors' rights hereto-
fore or hereinafter enacted to the extent constitutionally appli-
cable and that their enforcement may also be subject to the exer-
cise of judicial discretion in appropriate cases.

Respectfully submitted,

FOLEY & LARDNER

Financial Guaranty Insurance
 Company
 175 Water Street
 New York, New York 10038-4972
 (212) 607-3000
 (800) 352-0001



Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number:
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to Citibank, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment that is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

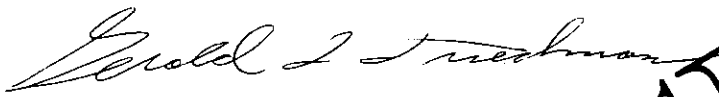
As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a

SM: Service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation

Municipal Bond New Issue Insurance Policy

Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



President



Executive Vice President

Effective Date:

Authorized Representative

SUBSCRIBED

Citibank, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.



Authorized Officer

Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number:

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Executive Vice President

Effective Date:

Authorized Representative

STIPEND

Acknowledged as of the Effective Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Agent

\$10,430,000
ST. JOHNS COUNTY, FLORIDA
WATER AND SEWER REVENUE BONDS
SERIES 1989
BOND PURCHASE AGREEMENT

This BOND PURCHASE AGREEMENT dated August 9, 1989 is entered into by and between ST. JOHNS COUNTY, FLORIDA (the "Issuer" or the "County") and WILLIAM R. HOUGH & CO. and SMITH BARNEY, HARRIS UPHAM & CO. INCORPORATED (collectively, the "Underwriter").

1. Purchase, Sale and Closing.

On the terms and conditions set forth herein and in the Official Statement, hereinafter defined, the Underwriter will purchase from the Issuer and the Issuer will sell to the Underwriter \$10,430,000 aggregate principal amount of the St. Johns County, Water and Sewer Revenue Bonds, Series 1989 (the "Bonds"), as are more fully described in Exhibit A attached hereto. The Issuer is obligated to sell and the Underwriter is obligated to purchase all (but not less than all) of the Bonds at an aggregate purchase price of \$10,309,533.50, less original issue discount in the amount of \$1,194,883.10, plus accrued interest on the Bonds through the date of closing for a net purchase price of \$9,151,911.20. Payment shall be made to the Issuer at closing by wire transfer or otherwise in immediately available federal funds. The Underwriter, contemporaneous with the execution of this Bond Purchase Agreement, has delivered to the Issuer a corporate good faith check in the amount of \$93,000. Said check will be held uncashed by the Issuer and redelivered to the Underwriter at Closing, hereinafter defined. In the event that the Issuer fails to deliver the Bonds at Closing, or in the event the Issuer is unable to satisfy its obligations to the Underwriter pursuant to this Bond Purchase Agreement or in the event the obligations of the Underwriter are terminated pursuant to this Bond Purchase Agreement, then the good faith check shall be returned to the

EXHIBIT B

Underwriter. In the event the Underwriter fails (other than for a reason permitted hereunder) to purchase, accept delivery of and pay for the Bonds at Closing as herein provided, the good faith check shall be retained as full liquidated damages for such failure and for any defaults hereunder by the Underwriter.

At 10:00 a.m., Eastern Standard Time, on August 24, 1989, or at such other time or on such earlier or later date as the parties hereto mutually agree upon (herein called the "Closing"), the Issuer will deliver or cause to be delivered to the Underwriter the Bonds in definitive form, duly executed, together with the other documents hereinafter mentioned. The Underwriter will accept such delivery and pay said purchase price of the Bonds and accrued interest in the manner set forth above. The Bonds will be delivered as registered bonds in the denominations of \$5,000 or integral multiples thereof and registered in such names as the Underwriter may request three business days prior to the date of Closing. The Underwriter may offer the Bonds to other dealers or underwriters at a price lower than the public offering prices. Subsequent to the initial offering, the Underwriter reserves the right to change the initial offering price or yield as it deems necessary in connection with the marketing of the Bonds.

2. Action Taken to Date.

(a) The Issuer will issue the Bonds pursuant to Chapter 125, Part I, Florida Statutes, as amended and the County's Ordinance 86-89 (the "Act"), and pursuant to and secured under Resolution 89-84, adopted by the Issuer on April 25, 1989, as amended and supplemented, (collectively, the "Resolution").

(b) The Preliminary Official Statement, dated as of August 2, 1989, has been executed by the Issuer and the Official Statement ~~(a substantially complete copy of which is attached to the County's award Resolution as Exhibit A)~~ will be executed by the Issuer and the Issuer hereby authorizes the use by the Underwriters of (a) the Resolution; (b) the Preliminary Official Statement and Official Statement (collectively referred to as

the "Official Statement"); and (c) any other documents related to the transactions contemplated in the Official Statement in connection with the public offering, sale and distribution of the Bonds. As used herein, "Preliminary Official Statement", and "Official Statement" shall refer to said Preliminary and Official Statement, respectively, relating to the Bonds, including the pertinent portions of the cover page, and the reverse thereof.

(c) The respective counsel referred to in this Bond Purchase Agreement.

Bond Counsel: Foley & Lardner

Counsel to the Issuer: James G. Sisco, Esquire

Counsel to the Underwriter: Roberts, Baggett, LaFace & Richard, P.A.

3. Representations of the Issuer.

The Issuer will sell the Bonds to the Underwriter and the Underwriter will make a public offering thereof in reliance upon the representations and covenants herein set forth. The Issuer hereby makes the following representations to the Underwriter:

(a) The Bonds will be payable from and secured by a lien and a pledge of the Pledged Funds.

(b) The proceeds of the Bonds will be utilized to finance the cost of refunding the County's Water Revenue Bonds, Series 1981, acquire, construct and erect additions, extensions and improvements to the water distribution facilities of the County, to establish new sewage collection and treatment facilities to be operated in combination with the water facilities, to fund the Reserve Account and to pay the costs of issuance incurred with respect to the Bonds.

(c) The Issuer is a political subdivision of the State of Florida duly organized and validly existing under the Constitution and laws of the State of Florida.

(d) The Issuer has taken all actions required of it by Bond Counsel and/or Counsel to the Issuer to comply with all provisions of the Act and the Constitution of the State of

Florida, and has full power and authority to issue the Bonds for the purposes described above, to pay the costs of issuing the Bonds and to enact the Resolution and upon obtaining certain permits has full power and authority to carry out and consummate all other transactions contemplated by the Resolution and this Bond Purchase Agreement, and the Issuer has taken all actions and obtained all approvals required therefor by the Act as such required actions and approvals have been communicated to the Issuer by Bond Counsel and/or Counsel to the Issuer.

(e) The Resolution has been duly adopted and the Issuer has duly authorized the execution and delivery of this Bond Purchase Agreement and the issuance of the Bonds, and has taken all necessary or appropriate action to carry out the same (except for application of various state securities or blue sky laws, as to which no representation is made).

(f) There is no litigation or proceeding pending or, to the knowledge of the Issuer, threatened against the Issuer, challenging the validity of the Act as it relates to this Issuer or to the Bonds, the Resolution, or this Bond Purchase Agreement or seeking to enjoin the performance of the Issuer's obligations thereunder or hereunder.

(g) The adoption of the Resolution, the execution and delivery of this Bond Purchase Agreement and the Bonds, and compliance with the provisions of the Resolution and of each of such instruments, will not conflict with or constitute a breach of, or default under, any commitment, agreement or other instrument to which the Issuer is a party or by which it is bound, or under any provisions of the Constitution of the State of Florida or under any existing law, rule, regulation, ordinance, judgment, order or decree to which the Issuer (or the Board of County Commissioners of the Issuer or any of its officers in their respective capacities as such) is subject.

(h) To the best of the knowledge of the Issuer, the Official Statement is true and accurate in all material respects as of the date hereof and it does not contain an untrue

statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing as of the date hereof, not misleading (except with respect to information contained in the Official Statement supplied by Financial Guaranty Insurance Company and information under the heading "Tax Matters" as to which the Issuer makes no representation or warranty).

(i) If between the date of this Bond Purchase Agreement and the time of Closing the Issuer discovers any fact or becomes aware of the occurrence of an event which would cause the Official Statement to contain an untrue statement or to omit to state a material fact required to be stated therein, in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer shall notify the Underwriter and if, in the opinion of the Underwriter, the event requires an amendment or supplement to the Official Statement, the Issuer will amend or supplement such Official Statement in a form and in a manner acceptable to the Underwriter.

(j) Since December 31, 1975, the County has never been in default as to principal or interest with respect to any obligation it has issued or guaranteed.

4. Underwriter's Representations.

(a) Upon the release of the Bonds, the Underwriter proposes to offer the Bonds for sale upon the terms and conditions set forth in the Official Statement.

(b) In conformance with Chapter 218, Section 38 and Chapter 218, Section 385 of the Florida Statutes, as amended, the Underwriter hereby delivers the Disclosure Statement attached as Exhibit B hereto.

5. Covenants of the Issuer.

The Issuer will cooperate in qualifying the Bonds for (i) DTC deposit and (ii) offer and sale under the Blue Sky or other securities law of states designated by the Underwriter; except that the Issuer shall not be required in connection therewith or as a condition thereof to execute a general consent to service of process or to qualify to do

business as a foreign corporation or as a dealer or broker in any state and provided, in each instance, that the Issuer's out-of-pocket costs are paid out of the proceeds of the sale of the Bonds or are otherwise provided for by the Underwriter.

6. Conditions of Underwriter's Obligation.

The Underwriter's obligation to purchase the Bonds is subject to fulfillment of the following conditions:

(a) The representations and covenants of the Issuer shall be true as of the date of the Closing and those representations contained in Paragraph 3 hereof shall be confirmed by certificates of the Issuer, dated as of the Closing.

(b) The Issuer shall not have defaulted in the performance of any of its covenants hereunder.

(c) At or prior to the Closing, the Underwriter shall have received:

(i) evidence of bond insurance in form and substance satisfactory to the Underwriter;

(ii) an unqualified final opinion of Bond Counsel dated the date of the Closing substantially in the form set forth in the Official Statement with a letter to the Underwriter dated the date of the closing to the effect that said final approving opinion may be relied upon by the Underwriter;

(iii) an unqualified opinion of Bond Counsel addressed to the Issuer and the Underwriter and dated the date of Closing to the effect that (a) the information set forth in the Official Statement under the headings "Introduction", "Description of the Series 1989 Bonds", "Security for the Series 1989 Bonds", "Refunding Plan", "Tax Matters" and "Legal Matters" insofar as such information purports to be the descriptions or summaries of the Resolution, the Bonds, the Act or the constitutional laws of the State of Florida, and such other matters as are contained therein are correct as to matters of law and, to the extent indicated therein, are accurate and fair statements or summaries of the

matters set forth or the documents referred to therein; (b) the County has Irrevocably pledged the Pledged Funds for the payment of the principal of, redemption price, if any, and interest on the Bonds; (c) the Official Statement has been duly authorized, executed and delivered by the Issuer and the Issuer has consented to the use thereof by the Underwriter; (d) no registration of any security under the Securities Act of 1933, as amended, or qualification of any indenture under the Trust Indenture Act of 1939, as amended is required in connection with the offer, issue and sale of the Bonds; (e) the Refunded Bonds have been defeased and no longer have a lien on the Pledged Funds; and (f) the Bonds conform to form and tenor with the terms and provisions thereof summarized in the Official Statement;

(iv) the opinion of Counsel to the Underwriter regarding compliance with applicable disclosure laws and dated the date of the Closing in form acceptable to the Underwriter;

(v) an executed copy of the Official Statement;

(vi) an unqualified opinion of Counsel for the Issuer, addressed to the Underwriter and to Bond Counsel, and dated the date of the Closing, to the effect that, (a) the Issuer is duly organized and validly existing and except as set forth in subparagraph (f) below has full legal right, power and authority to perform its obligations under the Resolution and to authorize, execute, deliver and perform its obligations under this Bond Purchase Agreement; (b) the Issuer has duly adopted the Resolution and has duly authorized, executed and delivered this Bond Purchase Agreement and, assuming due authorization, execution and delivery of this Bond Purchase Agreement by all other parties, such Instrument constitutes a legal, binding and valid obligation of the Issuer, enforceable in accordance with its terms; provided, however, the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and subject, as to enforceability thereof, to the

exercise of judicial discretion in accordance with the general principles of equity; (c) with respect to the information in the Official Statement set forth under the headings "Introduction", "Description of the Series 1989 Bonds", "Security for the Series 1989 Bonds", "The Refunding Plan", "Historical and Projected Revenues, Expenses and Debt Service Coverage", "Interim Operating Results", "The Capital Improvement Program and the Project", "The Water and Sewer System", "Permits for the Project", "Proposed Additional Bond Financings", "Litigation", "Miscellaneous" and "Authorization of and Certification of Official Statement" and the information in Appendix B of the Official Statement and based upon participation in the preparation of the Official Statement, such Counsel of the Issuer has no reason to believe that said sections of the Official Statement contain an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; (d) the Official Statement has been duly authorized, executed and delivered by the Issuer and the Issuer has consented to the use thereof by the Underwriter; (e) to the best of his knowledge after a review of all relevant records of the County and after other relevant inquiry and due diligence, the adoption of the Resolution and the authorization, execution and delivery of this Bond Purchase Agreement and the Bonds, and compliance with provisions hereof and thereof, will not conflict with, or constitute a breach of or default under any law, administrative regulation, consent decree, resolution or any other agreement or other instrument to which the Issuer is subject; (f) except for certain permits necessary to construct or operate the System which have not yet been obtained, all approvals, consents, authorizations, and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder, and under the Resolution have been obtained and are in full force and effect; (g) the Issuer is lawfully empowered to

pledge the Pledged Funds of the Issuer, which are pledged to the payment of the Bonds in the manner described in the Resolution and in the Official Statement; (h) except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best of his knowledge, threatened against the Issuer affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds, the execution or performance under the Bond Purchase Agreement or the pledge of the Pledged Funds by the Issuer; or contesting or affecting the legal existence of the Issuer or the validity or the enforceability of the Act in any respect relating to authorization for the issuance of the Bonds or this Bond Purchase Agreement to which the County has been made a party or has been put on notice; or contesting the exclusion of interest on the Bonds from gross income for federal income tax purposes, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto; or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Resolution or the execution and delivery by the Issuer of this Bond Purchase Agreement; for the purposes of this opinion Counsel to the Issuer has assumed that the interest on the Bonds is excluded from gross income for federal income tax purposes and that neither the Bonds, the Bond Purchase Agreement, the Resolution, or any other matter or documents need to be registered or qualified under the Securities Act of 1933, as amended, the Florida Securities Act, Chapter 517, Florida Statutes, as amended, the Trust Indenture Act of 1939, as amended, the laws of Florida or the securities or blue sky laws of any jurisdiction;"

(vii) an unqualified opinion of counsel for the Insurer, dated the date of Closing, addressed to the Underwriter and the Issuer, in form and substance satisfactory to the Underwriter, to the effect that (a) the Insurer is duly qualified to do business in the State of Florida; (b) the Insurer has full corporate power and authority to execute and

deliver the insurance policy for the Bonds (the "Policy"), and the Policy has been duly authorized, executed and delivered by the Insurer and constitutes a legal, valid, and binding obligation of the Insurer and enforceable in accordance with its terms, provided, however, the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and subject, as to enforceability thereof, to the exercise of judicial discretion in accordance with general principles of equity and (c) the statements contained in the Official Statement under the heading "Municipal Bond Insurance", insofar as such statement constitutes summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements purport to describe the Insurer, fairly and accurately describe the Insurer;

(viii) a non-arbitrage certificate of the Issuer in respect to the Bonds in substance and form satisfactory to the Bond Counsel and Counsel to the Underwriter supporting the conclusion that the Bonds are not and will not become "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986, as amended;

(ix) a letter from Standard & Poor's Corporation to the effect that the Bonds have been assigned a rating no less favorable than "AAA", and from Moody's Investors Service to the effect that the Bonds have been assigned a rating no less favorable than "Aaa", and that the ratings are in effect as of the date of Closing;

(x) a certificate, dated the date of Closing, signed by the Chairman of the Board of County Commissioners of the Issuer in form and substance satisfactory to the Underwriter to the effect that, to the best of his knowledge; (a) no litigation is pending, or threatened to restrain or enjoin the issuance or delivery of any of the Bonds or the application of funds pledged under the Resolution or in any way contesting or affecting the Issuer's authority for the issuance of the Bonds, or the validity of the Bonds, the Resolution or this Bond Purchase Agreement or the transactions contemplated hereby or

thereby or in any way contesting the existence or powers of the Issuer or the title of any of the members or officers thereof to their respective offices; and (b) no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect for the purpose for which it is to be used;

(xi) a comfort letter in form and content satisfactory to the Underwriter and the County dated the date of Closing from the auditors for the County acknowledging the accuracy of the audit of the County, provided that the auditors shall not be required to furnish such comfort letter unless the Underwriter shall in a timely manner first request such comfort letter by execution and delivery to such auditors of a letter in the form attached hereto as Exhibit C. Notwithstanding the foregoing, the County, at the request of the Underwriter, will provide a comfort letter in such form as approved by the County's Financial Director;

(xii) a consent letter authorizing the use in the Official Statement of the County's annual financial report dated September 30, 1988;

(xiii) a comfort letter in form and content satisfactory to the Underwriter and the County dated the date of Closing from the Consulting Engineers for the County acknowledging the accuracy of their engineer's report to the County and a consent letter authorizing its use in the Official Statement;

(xiv) an opinion letter to the Underwriter from the Consulting Engineers stating that permits necessary to construct or operate the System have been obtained or, if not yet obtained, that the Consulting Engineers have no reason to believe that such permits can not be obtained in a timely fashion;

(xv) verification by a nationally recognized firm of certified public accountants acceptable to the Underwriter as to the accuracy of (1) the escrow

calculations with respect to the Refunded Bonds, and (ii) the mathematical computation supporting the conclusion that the Bonds are not "arbitrage bonds" under the Internal Revenue Code of 1986, as amended; and

(xvi) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of Closing, of the representations and covenants of the Issuer contained herein and of the statements and information contained in the Official Statement and to evidence the due performance and satisfaction by the Issuer on or prior to the date of Closing of all the agreements then to be performed and conditions then to be satisfied by it;

7. Events Permitting the Underwriter to Terminate.

The Underwriter may terminate its obligations to purchase the Bonds at any time before the Closing if any of the following occurs:

(a) Any legislative, executive or regulatory action or any court decision which, in the reasonable judgment of the Underwriter, casts sufficient doubt on the legality or the exclusion from gross income of interest on obligations such as the Bonds so as to materially impair the marketability or materially reduce the market price of such obligations.

(b) Any action by the Securities and Exchange Commission or a court of competent jurisdiction which would require registration of the Bonds, under the Securities Act of 1933, as amended, or qualification of the Resolution under the Trust Indenture Act of 1939, as amended in connection with the public offering of the Bonds.

(c) Any restriction on trading in securities, or any banking moratorium, or the inception or escalation of any war or major military hostilities, in each case after the date hereof, which in the reasonable judgment of the Underwriter is so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or

the delivery of the Bonds on the terms and in the manner contemplated in the Official Statement.

(d) Any event or condition which, in the reasonable judgment of the Underwriter, renders untrue or incorrect, in any material respect as of the time to which the same purports to relate, the information contained in the Official Statement, or which requires that information not reflected in such Official Statement should be reflected therein in order to make the statements and information contained therein not misleading in any material respect as of such time and the Official Statement can not be adequately amended or supplemented.

8. Notices and Other Actions.

All notices, demands and formal actions hereunder will be in writing, mailed, telegraphed, or delivered to:

The Issuer:

St. Johns County
County Administration Building
Route 10, Box 85
County Road 16A
St. Augustine, Florida 32085
Attention: Dan Castle
County Administrator

The Underwriter:

William R. Hough & Co.
1440 First Union Building
Jacksonville, Florida 32202
Attention: Mitchell N. Owens
Senior Vice-President

9. Expenses.

The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expense incident to the performance of the obligations of the Issuer hereunder including, but not limited to (a) the cost of preparation, printing and delivery of the Resolution; (b) the cost of preparation and printing of the Bonds; (c) the fees and disbursements of Bond Counsel; (d) the fees and disbursements of the Issuer's financial advisors; (e) the fees for

the bond ratings; (f) the fees and expenses, if any, of the Registrar, the Escrow Agent, the Paying Agent and of their respective counsel; (g) the cost of preparing, printing and delivering a reasonable number of Preliminary Official Statements and Official Statements and any supplements or amendments thereto; (h) the cost of the comfort and consent letter from the County's auditors; (i) the cost of a verification report; (j) the cost of the municipal bond insurance; and (k) the cost of federal funds.

The Underwriter shall pay: (a) the cost of preparing, printing and delivery of this Bond Purchase Agreement; (b) the cost of any "blue sky" opinions and any related filing fees; (c) all advertising expenses; and (d) all other expenses incurred by the Underwriter in connection with the Public Offering of the Bonds, including the fees and disbursements of Counsel retained by them.

In the event that either party shall have paid obligations of the other as set forth in this Section 9, adjustments shall be paid at the time of Closing.

Miscellaneous:

This Bond Purchase Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. The Bond Purchase Agreement will inure to the benefit of and be binding upon the parties and their successors, and will not confer any rights upon any other person.

The Chairman and the Clerk may agree with the Underwriter to modifications or amendments to this agreement so long as the modifications or amendments do not materially alter the substance of this Bond Purchase Agreement.

ST. JOHNS COUNTY, FLORIDA, by its
Board of County Commissioners

(seal)

By: *Harry Walker*
Its Chairman

Attest: *Paul "Bud" Marshall*
Clerk

WILLIAM R. HOUGH & CO. for the
Underwriter

By: *A. Jack Perkins*
Its First Vice President

William R. Hough & Co.

MATURITY SCHEDULE

\$10,430,000
St. Johns County, Florida
Water and Sewer Revenue Bonds
Series 1989

Period Ending June 1,	Principal	Amortization Installments	Interest Rate	Interest	Total Debt Service
1990	\$ 50,000		5.80%	\$486,010.42	\$536,010.42
1991	70,000		5.90	580,312.50	650,312.50
1992	335,000		6.00	576,182.50	911,182.50
1993	355,000		6.00	556,082.50	911,082.50
1994	375,000		6.10	534,782.50	909,782.50
1995	395,000		6.20	511,907.50	906,907.50
1996	420,000		6.30	487,417.50	907,417.50
1997	450,000		6.40	460,957.50	910,957.50
1998	475,000		6.50	432,157.50	907,157.50
1999	510,000		6.55	401,282.50	911,282.50
2000	540,000		6.60	367,877.50	907,877.50
2001	575,000		6.65	332,237.50	907,237.50
2002		\$615,000	5.00	294,000.00	909,000.00
2003		645,000	5.00	263,250.00	908,250.00
2004		680,000	5.00	231,000.00	911,000.00
2005		715,000	5.00	197,000.00	912,000.00
2006		750,000	5.00	161,250.00	911,250.00
2007		785,000	5.00	123,750.00	908,750.00
2008		825,000	5.00	84,500.00	909,500.00
2009		865,000	5.00	43,250.00	908,250.00

or on any June 1 or December 1 thereafter,
or as a whole on June 1, 1997

REDEMPTION PROVISIONS

by lot, or

The Series 1989 Serial Bonds maturing on June 1, 1990 through June 1, 1997 shall not be redeemable prior to their stated dates of maturity. The Series 1989 Serial Bonds maturing on or after June 1, 1998 are redeemable, at the option of the County, in part, in such other manner as the Registrar shall deem fair and appropriate, within a maturity if less than an entire maturity is to be redeemed, on June 1, 1997, or at any time thereafter, at the following redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

<u>Redemption Period</u> <u>(both dates inclusive)</u>	<u>Redemption Price</u>
June 1, 1997 to May 31, 1998	102 %
June 1, 1998 to May 31, 1999	101 1/2
June 1, 1999 to May 31, 2000	101
June 1, 2000 to May 31, 2001	100 1/2
June 1, 2001 and thereafter	100

The Series 1989 Bonds maturing on June 1, 2009 will be subject to mandatory redemption prior to maturity by such method as the Registrar may deem fair and appropriate, on June 1, 2002 and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amounts</u>
2002	\$615,000
2003	645,000
2004	680,000
2005	715,000
2006	750,000
2007	785,000
2008	825,000
2009 (final maturity)	865,000

The Series 1989 Bonds maturing on June 1, 2009 are subject to optional redemption in part, by lot, or in such other manner as the Registrar shall deem fair and appropriate, within the maturity if less than the entire maturity is to be redeemed, on June 1, 1997, or on any June 1 or December 1 thereafter, or as a whole on June 1, 1997 or at any time thereafter at par.

William R. Hough & Co.

1440 FIRST UNION BUILDING
 JACKSONVILLE FLORIDA 32202
 904 - 355-6691

EDWARD R. WULBERN
 SENIOR VICE PRESIDENT
 RESIDENT MANAGER

S. JACK LARKINS
 FIRST VICE PRESIDENT

MITCHELL N. OWENS
 SENIOR VICE PRESIDENT

INMAN P. CRUTCHFIELD JR.
 VICE PRESIDENT

August 8, 1989

Chairman and Members of the Board
 of County Commissioners
 St. Johns County, Florida

Re: \$10,430,000 St. Johns County, Florida Water and Sewer Revenue Bonds, Series
 1989

Dear Ladies and Gentlemen:

Pursuant to Florida Statutes, Section 218.385(4), the following information
 is provided.

1. The estimated amount of expenses which the managing underwriters
 expect to incur with respect to the captioned obligations (the "Bonds") is as
 follows:

Clearance.....\$.30 per \$1,000
 Other Expenses.....\$2.05 per \$1,000

2. There are no finders, as defined in Section 218.386, Florida
 Statutes, who have been employed by the managing underwriters in connection with
 the issuance of the Bonds.

3. The amount of underwriting spread expected to be realized with
 respect to the Bonds is \$11.55 per \$1,000 which includes \$.75 per \$1,000 risk
 and \$6.95 per \$1,000 takedown.

4. The management fee expected to be charged by the managing
 underwriters is \$1.50 per \$1,000.

5. The underwriters are William R. Hough & Co., 1440 First Union
 Building, Jacksonville, Florida 32202 and Smith Barney, Harris Upham & Co.
 Incorporated, 625 North Flagler Drive, 8th Floor, West Palm Beach, Florida 33411.

Sincerely,

WILLIAM R. HOUGH & CO.

S. Jack Larkins
 First Vice President

SJL:dad

William R. Hough & Co.

1440 FIRST UNION BUILDING
 JACKSONVILLE, FLORIDA 32202
 904 - 355-6691

August 9, 1989

EDWARD R. WULBERN
 SENIOR VICE PRESIDENT
 RESIDENT MANAGER

S. JACK LARKINS
 FIRST VICE PRESIDENT

MITCHELL N. OWENS
 SENIOR VICE PRESIDENT
 INMAN P. CRUTCHFIELD JR.
 VICE PRESIDENT

Price Waterhouse
 2500 Independent Square
 Jacksonville, Florida 32202

Re: \$10,430,000 St. Johns County, Florida, Water and Sewer Revenue Bonds,
 Series 1989

Gentlemen:

Reference is made to the Preliminary Official Statement dated August 2, 1989 and the Official Statement dated August 9, 1989 (collectively, the "Official Statement") relating to the offering by St. Johns County, Florida (the "County") of the above referenced bonds (the "Bonds"), which includes the component unit financial statements for the Board of County Commissioners of St. Johns County, Florida for the fiscal year ended September 30, 1988. The Bonds are to be purchased by William R. Hough & Co. and Smith Barney, Harris Upham & Co., Incorporated (the "Underwriters") pursuant to a bond purchase agreement between the County and the Underwriters dated August 9, 1989.

The Underwriters have requested a comfort letter from Price Waterhouse with respect to certain information contained in the Official Statement. This information has been requested in connection with the general due diligence requirements imposed upon the Underwriters in marketing securities such as the Bonds.

Very truly yours,

WILLIAM R. HOUGH & CO.
 for the Underwriters

S. Jack Larkins
 First Vice President

SJL:dad

Financial Guaranty Insurance
Company
175 Water Street
New York, New York 10038
212) 607-3000
800) 352-0001



EXHIBIT C

Commitment For Municipal Bond Insurance

Issuer: St. Johns County, Florida

Date of Commitment:
July 31, 1989

Expiration Date:
September 14, 1989*

Bonds

Insured: Not to Exceed
\$10,000,000 in aggregate principal
amount of Water and Sewer Revenue
Bonds, Series 1989A and Series
1989B

Premium and Rating Agency Fee:
.55% of total debt service on
the Bonds Insured plus \$5,500**

FINANCIAL GUARANTY INSURANCE COMPANY
("Financial Guaranty")

A Stock Insurance Company

hereby commits to issue a Municipal Bond New Issue Insurance Policy (the "Policy"), in the form attached hereto as Exhibit A, relating to the above-described debt obligations (the "Bonds"), subject to the terms and conditions contained herein or added hereto.

To keep this Commitment in effect after the expiration date set forth above, a request for renewal must be submitted to Financial Guaranty prior to such expiration date. Financial Guaranty reserves the right to refuse wholly or in part to grant a renewal.

THE MUNICIPAL BOND NEW ISSUE INSURANCE POLICY SHALL BE ISSUED IF THE FOLLOWING CONDITIONS ARE SATISFIED:

1. The documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.

* Subject to written acceptance of this Commitment being furnished to Financial Guaranty by the earlier of the sale date of the Bonds and August 7, 1989.

** No adjustment to the debt service calculation shall be made for accrued interest on the Bonds. The premium and rating agency fee are payable to Financial Guaranty.

2. No event shall occur which would permit any purchaser of the Bonds, otherwise required, not to be required to purchase the Bonds on the date scheduled for the issuance and delivery thereof.
3. There shall be no material change in or affecting the Bonds (including, without limitation, the security for the Bonds) or the financing documents or the official statement (or any similar disclosure documents) to be executed and delivered in connection with the issuance and sale of the Bonds from the descriptions or forms thereof approved by Financial Guaranty.
4. The Bonds shall contain no reference to Financial Guaranty, the Policy or the municipal bond insurance evidenced thereby except as may be approved by Financial Guaranty.
5. Financial Guaranty shall be provided with:
 - (a) Executed copies of all financing documents, the official statement (or any similar disclosure document), and all Bond documentation evidencing the Issuer's ability and intent to comply with the Internal Revenue Code of 1986 (if in the opinion of bond counsel (described below) on-going compliance would be necessary to maintain the exemption from federal income taxation of interest on the Bonds), which shall be in form and substance acceptable to Financial Guaranty, and the various legal opinions delivered in connection with the issuance and sale of the Bonds, including, without limitation, the unqualified approving opinion of bond counsel rendered by a law firm acceptable to Financial Guaranty, which opinion shall include a statement to the effect that the interest on the Bonds is exempt from federal income taxation under the Internal Revenue Code of 1986 except for any alternative minimum tax which may be imposed upon interest on the Bonds. Final drafts of such documents shall be provided to Financial Guaranty at least five (5) business days prior to the issuance of the Policy unless Financial Guaranty shall approve a shorter period.
 - (b) A letter from bond counsel addressed to Financial Guaranty to the effect that Financial Guaranty may rely on the approving opinion of bond counsel as if such opinion were addressed to Financial Guaranty.

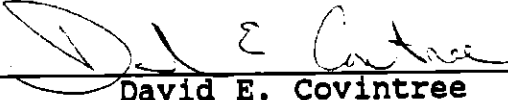
- (c) Evidence of wire transfer in federal funds in an amount equal to the insurance premium plus the rating agency fee at the time of the issuance and delivery of the Bonds, unless alternative arrangements for the payment of such amount acceptable to Financial Guaranty have been made prior to the delivery date of the Bonds.

ADDITIONAL CONDITIONS

- 6. The following comments shall be reflected in the document authorizing the issuance of the Bonds (the "Resolution"):
 - (a) Financial Guaranty Insurance Company shall be deemed the Insurer of the Series 1989A and Series 1989B Bonds, and defined as a New York stock insurance company, or any successor thereto.
 - (b) For the purpose of calculating the amount of the Reserve Account Requirement, Variable Rate Bonds shall be assumed to bear interest at a fixed rate equal to 9.2% per annum.
 - (c) Any credit instrument provided in lieu of a cash deposit in the Reserve Account shall conform to the requirements set forth in Exhibit D hereto.
 - (d) The second sentence of Section 4.06 (A)(2) shall be clarified to provide for the application of funds in the Debt Service Fund to the cash replenishment of the Reserve Account, as appropriate.
 - (e) Financial Guaranty shall be provided with the Annual Budget pursuant to Section 5.06, the Annual Audit pursuant to Section 5.09 and in addition Financial Guaranty shall be provided with the following information:
 - (i) Official statement, if any, prepared in connection with the issuance of additional debt, whether or not it is on a parity with the insured issue within 30 days of the bond sale;
 - (ii) Notice of any draw upon or deficiency due to market fluctuation in the Debt Service Reserve Fund;
 - (iii) Notice of the redemption, other than mandatory sinking fund redemption, of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

- (iv) The number of system users as of the end of the fiscal year;
 - (v) Notification of the withdrawal of any major system users (defined as a user comprising 4% or more of system sales measured in terms of revenue dollars) since the last reporting date;
 - (vi) Since the last reporting date any significant plant retirements or expansions planned or undertaken; and
 - (vii) Such additional information as Financial Guaranty may reasonably request from time to time.
- (f) Article II shall provide that upon the occurrence of an event of default which would require the Bond Insurer to make payments under the Bond Insurance Policy, the Bond Insurer and its designated agent shall be provided with access to the registration books of the Issuer.
- (g) Article III shall provide that redemption of bonds, other than mandatory sinking fund redemption and other than pursuant to the application of refunding bond proceeds, shall be made only from and to the extent of funds on deposit with the Trustee and available for such purpose on the date the notice for redemption is mailed.
- (h) Section 6.01 describing "Events of Default" shall specify that defaults in the payment of principal, redemption price, sinking fund installments, or interest on the Bonds are defaults by the Issuer.
- (i) For the purposes of Article VI Financial Guaranty shall be deemed the sole Holder of Bonds insured by Financial Guaranty.
- (j) The prior written consent of the Financial Guaranty shall be required for any waiver of an Event of Default.
- (k) The Bond Insurer's consent shall be required for any supplemental resolution adopted pursuant to Section 7.01(I). The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any supplemental resolutions, regardless of whether consent of the Bond Insurer was required for such execution.

- (l) Section 8.01 shall provide that only cash or direct non-callable obligations of the United States of America shall be used to accomplish defeasance of the Bonds unless the Bond Insurer otherwise approves. In the event of an advance refunding, there shall be provided a verification report of an independent nationally recognized certified public accountant. A sentence shall be included in the Defeasance Section to read as follows: Amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid pursuant to this Section and shall continue to be due and owing hereunder until paid by the Issuer in accordance with this Resolution.
 - (m) The notice address for the Bond Insurer shall be included: Financial Guaranty Insurance Company, 175 Water Street, New York, New York 10038, Attention: President.
 - (n) Section 5.02 shall be revised to provide that Net Revenues and Connection Charges adjustments shall be limited to the Net Revenues related to existing development in respect of additions, extensions, or improvements to be financed with the additional bonds where revenues are anticipated within three years of bond issuance. In addition, adjustments for rate increases adopted shall be limited to existing residences and businesses.
- 7. The Bonds shall bear a Statement of Insurance in the form attached hereto as Exhibit B. BOND PROOFS SHALL BE APPROVED BY FINANCIAL GUARANTY PRIOR TO PRINTING.
 - 8. The official statement shall (a) be satisfactory in form to Financial Guaranty and (b) shall contain the language attached hereto as Exhibit C and such other references to Financial Guaranty as we shall supply or approve.
 - 9. Promptly after the closing of the Bonds, Financial Guaranty shall receive three completed sets of executed documents (one original and two photocopies), copies of which we will deliver to each agency rating the Bonds.



David E. Covintree
First Vice President
Deputy Director of Risk Management

To keep this commitment in effect to the Expiration Date set forth on the first page, Financial Guaranty must receive by the Issuer by the earlier of the sale date of the Bonds and August 7, 1989 a duplicate of this Commitment executed by an appropriate officer of St. Johns County, Florida.

The undersigned agrees that if the Bonds are insured by a policy of municipal bond insurance, such insurance shall be provided by Financial Guaranty in accordance with the terms of this Commitment.

Accepted as of _____, 1989 by St. Johns County,
Florida.

BY: _____

TITLE: _____

Financial Guaranty Insurance
Company
175 Water Street
New York, New York 10038-4972
(212) 607-3000
(800) 352-0001



EXHIBIT A

Municipal Bond New Issue Insurance Policy

Issuer:

Policy Number:

Control Number:

Bonds:

Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to Citibank, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a

Financial Guaranty Insurance
Company
175 Water Street
New York, New York 10038-4972
(212) 607-3000
(800) 352-0001



Municipal Bond New Issue Insurance Policy

Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Executive Vice President

Effective Date:

Authorized Representative

STIPULATED

Citibank, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance
Company
175 Water Street
New York, New York 10038-4972
(212) 607-3000
(800) 352-0001



Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number:

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

STOP

President

Executive Vice President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Agent

SM: Service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation

ENDORSEMENT

To Financial Guaranty Insurance Company Insurance Policy
Policy Number:
Control Number:

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association (Florida Insurance Code, Sec. 631.50 et seq.)

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE, OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Executive Vice President

Effective Date: , 1989

Authorized Representative

Acknowledged as of the Effective
Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Officer

(To be printed on the Bonds)

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1989A and Series 1989B (collectively, the "Bonds"), such policy being on file at the principal office of the Registrar and Paying Agent, as paying agent (the "Paying Agent"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholders that portion of the principal of and interest on the Bonds which is then due for payment and which the issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, the stated maturity date thereof, or the date on which the same shall have been duly called for mandatory sinking fund redemption, but not any earlier date on which the payment of principal of the Bonds is due by reason of acceleration, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Paying Agent to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Paying Agent, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with Citibank, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

(Disclosure Language For Official Statement)

Bond Insurance

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the County. Financial Guaranty will make such payments to Citibank, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the County. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a wholly-owned subsidiary of General Electric Capital Corporation ("GECC"). Neither the Corporation nor GECC is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of March 31, 1989, the total

capital and surplus of Financial Guaranty was approximately \$398,200,000. Copies of Financial Guaranty's financial statements, prepared on the basis of statutory accounting principles, and the Corporation's financial statements, prepared on the basis of generally accepted accounting principles, may be obtained by writing to Financial Guaranty at 175 Water Street, New York, New York 10038, Attention: Communications Department. Financial Guaranty's telephone number is (212) 607-3000.

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The Issuer may meet the Reserve Account Requirement by the deposit of a surety bond, insurance policy or letter of credit as set forth below. The following requirements shall be fulfilled to the satisfaction of Financial Guaranty (including incorporation of relevant conditions in the Resolution in the event the Reserve Account Requirement is fulfilled by a deposit of a credit instrument (other than a credit instrument issued by Financial Guaranty) in lieu of cash:

1. A surety bond or insurance policy issued to the Paying Agent and Bond Registrar, as agent of the bondholders, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Bonds (a "municipal bond insurer") may be deposited in the Reserve Account to meet the Reserve Account requirement if the claims paying ability of the issuer thereof shall be rated "AAA" or "Aaa" by S&P or Moody's respectively.
2. A surety bond or insurance policy issued to the Paying Agent and Bond Registrar, as agent of the bondholders, by an entity other than a municipal bond insurer, may be deposited in the Reserve Account to meet the Reserve Account requirement if the form and substance of such instrument and the issuer thereof shall be approved by Financial Guaranty.
3. An unconditional irrevocable letter of credit issued to the Paying Agent and Bond Registrar, as agent of the bondholders, by a bank may be deposited in the Reserve Account to meet the Reserve Account requirement if the issuer thereof is rated at least "AA" by S&P. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years and shall be subject to an "evergreening" feature so as to provide the issuer of the bonds with at least 30 months notice of termination. The issuer of the letter of credit shall be required to notify the Issuer and the Paying Agent and Bond Registrar, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Reserve Account together with any other qualifying credit instruments, to equal the Reserve Account Requirement on all Outstanding Bonds, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the Reserve Account credit instrument is replaced by a Reserve Account credit instrument meeting the requirements in any of 1-3 above. The letter of credit shall permit a draw in full prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The bond documentation shall, in turn, direct the Paying Agent and Bond Registrar to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Account is fully funded in its required amount.

4. The use of any Reserve Account credit instrument pursuant to this Paragraph shall be subject to receipt of an opinion of counsel acceptable to Financial Guaranty in form and substance satisfactory to Financial Guaranty as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to Financial Guaranty. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to Financial Guaranty in form and substance satisfactory to Financial Guaranty to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the bonds (or any other account party under the letter of credit).
5. The obligation to reimburse the issuer of a Reserve Account credit instrument for any fees or expenses or claims or draws upon such Reserve Account credit

instrument shall be subordinate to the payment of debt service on the bonds. The right of the issuer of a Reserve Account credit instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Account, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Reserve Account. The Reserve Account credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Account credit instrument to reimbursement will be further subordinated to cash replenishment of the Reserve Account to an amount equal to the difference between the full original amount available under the Reserve Account credit instrument and the amount then available for further draws or claims. In the event (a) the issuer of a Reserve Account credit instrument becomes insolvent, or (b) the issuer of a Reserve Account credit instrument defaults in its payment obligations thereunder, or (c) the claims paying ability of the issuer of the insurance policy or surety bond falls below "AAA" or "Aaa", by S&P or Moody's, respectively, or (d) the rating of the issuer of the letter of credit falls below "AA" by S&P, the obligation to reimburse the issuer of the Reserve Account credit instrument shall be subordinate to the cash replenishment of the Reserve Account.

6. In the event (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated, or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below "AAA" or "Aaa", by S&P or Moody's, respectively, or (c) the rating of the issuer of the letter of credit falls below "AA" by S&P, the Issuer shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Reserve Account to equal the Reserve Account requirement on all outstanding bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of 1-3 above within

six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A", or (b) the rating of the issuer of the letter of credit falls below "A", or (c) the issuer of the Reserve Account credit instrument defaults in its payment obligations hereunder, or (d) the issuer of the Reserve Account credit instrument becomes insolvent, the Issuer shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Reserve Account to equal to Reserve Account requirement on all outstanding bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis, or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of 1-3 above within six months of such occurrence.

7. Where applicable, the amount available for draws or claims under the Reserve Account credit instrument may be reduced by the amount of cash or permitted investments deposited in the Reserve Account pursuant to clause (i) of the preceding subparagraph 6.
8. If the Issuer chooses the above described alternative to a cash-funded Reserve Account, any amounts owed by the Issuer to the issuer of such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate shall be included in any calculation of "Debt Service Requirements" in the bond documents for all purposes thereof, (i.e. rate covenant, additional bonds test).
9. The Resolution shall require the Paying Agent and Bond Registrar to ascertain the necessity for a claim or draw upon the Reserve Account credit instrument and to provide notice to the issuer of the Reserve Account credit instrument in accordance with its terms not later than three days (or such appropriate time period as will, when combined with the timing of required payment under the Reserve Account credit instrument, ensure payment under the Reserve Account credit instrument on or before the interest payment date) prior to each interest payment date.

10. Cash on deposit in the Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Account credit instrument. If and to the extent that more than one Reserve Account credit instrument is deposited in the Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

PERMITTED INVESTMENT GUIDELINES

- (1) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America ("Direct Obligations");
- (2) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Corporations; guaranteed Title XI financing of the U.S. Maritime Administration; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (collectively, "Agency Obligations");
- (3) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured general obligation debt is rated "A3" or better by Moody's Investors Service and "A-" or better by Standard & Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is rated "A3" or better by Moody's Investors Service and "A-" or better by Standard & Poor's Corporation;
- (4) commercial paper rated "Prime-1" by Moody's Investors Service and "A-1" or better by Standard & Poor's Corporation;
- (5) obligations rated "A3" or better by Moody's Investors Service and "A-" or better by Standard & Poor's Corporation;
- (6) deposits, Federal funds or bankers acceptances of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which:

- a. has an unsecured, uninsured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Service and "A-1" or "A-" or better by Standard & Poor's Corporation, or
 - b. is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in (a.) above;
- (7) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are fully insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation;
- (8) investments in a money-market fund rated "Am" or "Am-G" or better by Standard & Poor's Corporation;
- (9) repurchase agreements with a term of one year or less with any institution with debt rated "AA" or commercial paper rated "A-1" (in each case by Standard & Poor's Corporation);
- (10) repurchase agreements collateralized by Direct Obligations or Agency Obligations with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by Standard & Poor's Corporation, provided:
- a. a master repurchase agreement or specific written, repurchase agreement governs the transaction; and
 - b. the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25

- million, or (iii) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and
- c. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and
 - d. the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and
 - e. the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to a debt service payment date, and
 - f. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and
- (11) investment agreements with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's Investors Service and "A-" or better by Standard & Poor's Corporation, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided:
- a. interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with bond payment dates, and

- b. moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and
- c. the agreement is not subordinated to any other obligations of such insurance company or bank, and
- d. the same guaranteed interest rate will be paid on any future deposits made to restore the reserve to its required amount, and
- e. the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

EXHIBIT D

ESCROW DEPOSIT AGREEMENT

In consideration of the facts hereinafter recited and of the mutual covenants and agreements herein contained, ST. JOHNS COUNTY, a political subdivision of the State of Florida (the "Issuer"), and FIRST FLORIDA BANK, N.A., Tampa, Florida, a national banking association organized and existing under the laws of the United States of America, as Escrow Holder (the "Escrow Holder"), do hereby agree as follows:

Section 1. Definitions. Terms used herein shall have the respective meanings assigned in and by the Resolution hereinafter defined, and the following terms which are not defined in the Resolution shall have the following meanings, unless the text clearly otherwise requires:

"Aggregate Debt Service" shall mean, as of any particular date, the sum of the amounts of Annual Debt Service for all years with respect to which the Annual Debt Service shall remain unpaid. Aggregate Debt Service as of the date of the delivery of this Agreement is stated on Exhibit A attached hereto.

"Agreement" shall mean this Escrow Deposit Agreement.

"Annual Debt Service" shall mean, with respect to any year, the interest on the Refunded Bonds becoming due in such year and the principal of the Refunded Bonds maturing in such year according to Exhibit A attached hereto.

"Escrow Account" shall mean the Escrow Account created pursuant to the provisions of Section 3 of this Agreement.

"Escrow Requirement" shall mean, as of any particular date, the sum of an amount in cash in the Escrow Account and the principal amount of the Federal Securities held by the Escrow Holder pursuant to Section 4 hereof which, together with the interest which shall thereafter become payable on the Federal Securities, will be sufficient to pay Aggregate Debt Service, as each of the respective installments thereof shall become due.

"Federal Securities" shall mean direct obligations of the United States of America, none of which permit redemption prior to maturity at the option of the obligor, which obligations are set forth in [Schedules I and II to] Exhibit B attached hereto

and hereby made a part hereof, and such other obligations as may be purchased in accordance with Section 8 hereof.

"Refunded Bonds" shall mean the Issuer's outstanding Water Revenue Bonds dated June 15, 1981.

"Resolution" shall mean Resolution No. 89-84 adopted by the Issuer on April 25, 1989, as amended and supplemented from time to time, authorizing issuance of the Series 1989 Bonds and the execution and delivery of this Agreement, a copy of which is attached hereto as Exhibit C and incorporated herein by this reference.

Section 2. Recitals.

(a) The Issuer adopted the Resolution for the purpose of authorizing the issuance of the Series 1989 Bonds for the purpose of financing a part of the cost of refunding the Refunded Bonds and acquiring and constructing the Initial Project.

(b) The Resolution authorized the Issuer to enter into this Agreement for the purposes expressed therein and herein, and all acts and things have been done and performed to make this Agreement valid and binding for the security of the Refunded Bonds.

(c) The Escrow Holder has the powers and authority of a trust company under the laws of the United States of America and, accordingly, the power to execute the trust hereby created.

Section 3. Deposit of Funds. There is hereby created and established with the Escrow Holder a special account to be known as the "Escrow Account." Simultaneously with the execution and delivery of this Agreement, the Issuer has deposited with the Escrow Holder, for deposit by the Escrow Holder to the Escrow Account, a portion of the proceeds of the Series 1989 Bonds in the sum of \$ _____ and \$ _____ heretofore held by the Issuer for the payment of the principal of and interest on the Refunded Bonds, which when invested to the extent required to purchase the Federal Securities, the uninvested portion of such funds and the principal amount of such Federal Securities and the interest to become due thereon equals or exceeds the Escrow Requirement as of the date of the delivery of this Agreement. Such Federal Securities shall mature and such interest shall be payable on or before the funds represented thereby shall be required for timely payment of the principal of and interest on the Refunded Bonds as the same shall mature and become payable in accordance with their terms.

The Escrow Holder shall hold the Escrow Account as a separate trust account wholly segregated from all other funds

held by the Escrow Holder in any capacity and shall make disbursements from the Escrow Account only in accordance with the provisions of this Agreement. The Federal Securities described in Exhibit B shall not be sold or otherwise disposed of or reinvested except as provided in Section 8 hereof. All moneys and Federal Securities held at any time by the Escrow Holder pursuant to any provision of this Agreement are hereby irrevocably pledged by the Issuer to the payment of the principal of and interest on the Refunded Bonds, subject to the provisions of Section 5(a) hereof relating to the release of moneys in the Escrow Account in excess of the Escrow Requirement. The owners of the Refunded Bonds are hereby granted a first and prior lien on the principal of and interest on such Federal Securities until the same shall be used and applied in accordance with the provisions of this Agreement.

Section 4. Use and Investment of Funds. The Escrow Holder acknowledges receipt of the cash described in Section 3 of this Agreement and agrees:

(a) to hold the same in irrevocable escrow during the term of this Agreement.

(b) to apply such cash and the proceeds of such Federal Securities in the manner provided in this Agreement, and only in such manner.

(c) to invest immediately \$_____ thereof by purchasing the Federal Securities described in [Schedule I to] Exhibit B attached hereto [, and to reinvest on _____ 1 of each year commencing _____ 1, 19__, and continuing through and including _____ 1, 20__, the respective amount listed next to the applicable date under the column captioned "Escrow Reinvestments" in Schedule II to Exhibit B attached hereto by purchasing zero-yield U.S. Treasury Certificates of Indebtedness--State and Local Government Series maturing on the next succeeding _____ 1].

(d) to deposit in the Escrow Account, as received, the principal of all of such Federal Securities described in Exhibit B attached hereto and any other Federal Securities acquired hereunder which shall mature during the term of this Agreement, all interest which shall be derived during the term of this Agreement from such Federal Securities described in Exhibit B attached hereto and any other Federal Securities acquired hereunder, and the proceeds of any sale, transfer, redemption or other disposition of such Federal Securities described in Exhibit B attached hereto and any other Federal Securities acquired hereunder.

All moneys held by the Escrow Holder pursuant to any provision of this Agreement, on deposit in the Escrow Account or otherwise, shall at all times be continually secured in the manner provided by Florida law for the securing of municipal funds.

Section 5. Payment of the Refunded Bonds and Expenses.

The owners of the Refunded Bonds shall have a first and prior lien on the principal of and interest on the Federal Securities and all moneys held by the Escrow Holder in the Escrow Account, until all such moneys shall be used and applied by the Escrow Holder as follows:

(a) Refunded Bonds. On each date which shall be an interest payment date for any of the Refunded Bonds, the Escrow Holder shall pay to the Clerk, as the paying agent for the Refunded Bonds, or such other paying agent as the Issuer shall hereafter appoint, from the moneys on deposit in the Escrow Account, a sum sufficient to pay that portion of Annual Debt Service due on such date, as shown in Exhibit A attached hereto. After making such payments from the Escrow Account, the Escrow Holder shall notify the Issuer of any moneys remaining in said account in excess of the Escrow Requirement, and, upon the written request of the Issuer, signed by the Chairman, pay to the Issuer such excess moneys remaining in said account, for the Issuer to use for any lawful purpose, provided that, prior to any such payment, the Escrow Holder shall have also received a verification report prepared by a nationally recognized firm of independent certified public accountants verifying the Escrow Requirement and that such moneys to be paid to the Issuer are in excess of the Escrow Requirement.

(b) Fees, Expenses and Indemnity.

- (i) In consideration of the services rendered by the Escrow Holder under this Agreement, the Issuer upon the execution hereof has paid to the Escrow Holder a fee of \$1,000 for all services and ordinary expenses to be incurred as Escrow Holder in connection with such services. The term "ordinary expenses" means expenses of holding, investing and disbursing the Escrow Account as provided herein.
- (ii) The Issuer shall also reimburse the Escrow Holder for any extraordinary expenses incurred by it in connection herewith. The term "extraordinary expenses" includes (a) expenses arising out of the assertion of any third party to any interest in the Escrow Account or any challenge to the validity hereof, including reasonable attorneys' fees, (b) expenses relating to any substitution under Section 8 hereof, and (c) expenses (other than ordinary expenses) not occasioned by the Escrow Holder's misconduct or negligence.

- (iii) The fees and expenses payable by the Issuer under this section shall not be paid from the Escrow Account, but shall be paid by the Issuer as an Operating Expense of the System. The Escrow Holder shall have no lien for the payment of its fees or expenses or otherwise for its benefit on the Escrow Account and hereby waives any rights of set off against the Escrow Account which it may lawfully have or acquire.

Section 6. Notice of Advance Refunding. Promptly after the issuance of the Series 1989 Bonds, the Escrow Holder shall give or cause to be given notice of the advance refunding of the Refunded Bonds, which notice shall be substantially in the form of the Notice of Advance Refunding attached hereto as Exhibit D. Such notice shall be sent by certified mail or overnight delivery service to General Electric Capital Corporation, as owner of the Refunded Bonds, at 3535 Briarpark Drive, No. 155 Houston, Texas 77242, Attention: Kevin A. Chandler, Customer Relations Manager.

Section 7. No Redemption or Acceleration of Maturity. The Issuer will not accelerate the maturity of, or exercise any option to redeem before maturity, any Refunded Bonds.

Section 8. Reinvestment. Except as provided in Section 4 of this Agreement and in this Section, the Escrow Holder shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of or make substitutions for any Federal Securities held hereunder.

At the written request of the Issuer and upon compliance with the conditions stated in this Section, the Escrow Holder shall sell, transfer, or otherwise dispose of or request the redemption of any of the Federal Securities acquired hereunder and shall purchase either Refunded Bonds (which shall be immediately cancelled by the paying agent for the Refunded Bonds) or other Federal Securities to be substituted for such Federal Securities disposed of or redeemed.

The Issuer will not request the Escrow Holder to exercise any of the powers described in the preceding sentence in any manner which will cause the Series 1989 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations proposed or promulgated thereunder.

The Escrow Holder may, at the written direction of the Issuer, substitute other noncallable Federal Securities ("Substitute Federal Securities") in lieu of the Federal Securities then

on deposit in the Escrow Account provided that, prior to any such substitution, the Escrow Holder and the Issuer shall have received:

- (a) New debt service and cash flow schedules showing (i) the dates and amounts of all principal and interest payments thereafter to become due on the Refunded Bonds, (ii) the cash and Federal Securities to be on deposit in the Escrow Account upon making such substitution, (iii) the dates and amounts of maturing principal and interest to be received by the Escrow Holder from such Federal Securities, and (iv) that the cash on hand in the Escrow Account plus cash to be derived from the maturing principal and interest of such Federal Securities shall be sufficient to pay when due all remaining debt service payments on the Refunded Bonds (the most recent debt service and cash flow schedules shall be considered to be the applicable "Debt Service and Cash Flow Schedules").
- (b) A new verification report prepared by a nationally recognized firm of independent certified public accountants verifying the accuracy of the new Debt Service and Cash Flow Schedules (the most recent verification report shall be considered to be the applicable "Verification Report" for purposes hereof); and
- (c) An opinion of nationally recognized bond counsel that such substitution is permissible hereunder, that (based on said new Debt Service and Cash Flow Schedules and new Verification Report as to sufficiency) the substitution will not adversely affect the defeasance of the Refunded Bonds.

Section 9. Indemnity. Whether or not any action or transaction authorized or contemplated hereby shall be undertaken or consummated, the Issuer hereby agrees to the extent allowed by Florida law to indemnify, protect, save and keep harmless the Escrow Holder and its respective successors, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and attorneys' disbursements and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Escrow Holder at any time, whether or not the same may be indemnified against by the Issuer or any other Person under any other agreement or instrument, by reason of or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Account, the acceptance by the Escrow Holder of the funds herein described, the purchase, retention or disposition of the Federal

Securities or the proceeds thereof, or any payment, transfer or other application of funds or securities by the Escrow Holder in accordance with the provisions of this Agreement; provided, however, that the Issuer shall not be required to indemnify the Escrow Holder for any expense, loss, costs, disbursements, damages or liability resulting from its own negligence or misconduct. The indemnities contained in this Section shall survive the termination of this Agreement.

Nothing in this Section contained shall give rise to any liability on the part of the Issuer in favor of any Person other than the Escrow Holder.

Section 10. Responsibilities of Escrow Holder. The Escrow Holder and its respective successors, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, by reason of the establishment of the Escrow Account, the acceptance and disposition of the various moneys and funds described herein, the purchase, retention or disposition of the Federal Securities or the proceeds thereof, or any payment, transfer or other application of funds or securities by the Escrow Holder in accordance with the provisions of this Agreement or by reason of any non-negligent act, omission or error of the Escrow Holder made in good faith in the conduct of its duties. The Escrow Holder shall, however, be liable to the Issuer and to holders of the Refunded Bonds to the extent of their respective damages for negligent or willful acts, omissions or errors of the Escrow Holder which violate or fail to comply with the terms of this Agreement. The duties and obligations of the Escrow Holder shall be determined by the express provisions of this Agreement. The Escrow Holder may consult with counsel, who may or may not be counsel to the Issuer, and be entitled to receive from the Issuer reimbursement of the reasonable fees and expenses of such counsel, and in reliance upon the opinion of such counsel have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Holder shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer.

Section 11. Resignation of Escrow Holder. The Escrow Holder may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the Issuer and published once in a newspaper of general circulation published in the territorial limits of the Issuer, and in a daily newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, not less than sixty (60) days before such resignation shall take effect.

Such resignation shall take effect immediately upon the appointment of a new Escrow Holder hereunder, if such new Escrow Holder shall be appointed before the time limited by such notice and shall then accept the duties and obligations of the Escrow Holder hereunder.

Section 12. Removal of Escrow Holder.

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

(b) The Escrow Holder may also be removed at any time by any court of competent jurisdiction upon the application of the Issuer or the owners of not less than five per centum (5%) in aggregate principal amount of the Refunded Bonds then outstanding for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Agreement with respect to the duties or obligations of the Escrow Holder.

Section 13. Successor Escrow Holder.

(a) If at any time hereafter the Escrow Holder shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Holder shall thereupon become vacant. If the position of Escrow Holder shall become vacant for any of the foregoing reasons or for any other reason, the Issuer shall appoint a successor Escrow Holder to fill such vacancy. The Issuer shall publish notice of any such appointment once in each week for four (4) successive weeks in a newspaper of general circulation published in the territorial limits of the Issuer and in a daily financial journal published in the Borough of Manhattan, City and State of New York.

(b) At any time within one year after such vacancy shall have occurred, the owners of not less than fifty-one per centum (51%) in aggregate principal amount of Refunded Bonds then outstanding, by an instrument or concurrent instruments in writing, executed by such owners and filed with the Governing Body of the Issuer, may appoint a successor Escrow Holder, which shall

supersede any successor Escrow Holder theretofore appointed by the Issuer. Photographic copies of each such instrument shall be promptly delivered by the Issuer to the predecessor Escrow Holder to the Escrow Holder so appointed by such owners.

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

(d) Every successor Escrow Holder appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor Escrow Holder, without any further act, shall become full vested with all of the duties and obligations of its predecessor under this Agreement.

Section 14. Predecessor Escrow Holder. Every predecessor Escrow Holder shall deliver to its successor and also to the Issuer an accounting of all moneys and securities held by it under this Agreement, and shall deliver to its successor all such moneys and securities held by it as Escrow Holder hereunder.

Section 15. Term. This Agreement shall commence upon its execution and delivery and shall terminate when the Refunded Bonds and the interest thereon shall have been paid and discharged in accordance with the proceedings authorizing the Refunded Bonds and all excess moneys have been paid to the Issuer.

Section 16. Severability. If any of the covenants, agreements or provisions of this Agreement on the part of the Issuer or the Escrow Holder to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant, agreement or provision shall be null and void, shall be deemed separable from the remaining covenants, agreements and provisions of this Agreement and shall in no way affect the validity of the remaining covenants, agreements or provisions of this Agreement.

Section 17. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as the original and shall constitute and be but one and the same instrument.

Section 18. Governing Law. This Agreement shall be construed under the laws of the State of Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and their seals to be hereunto affixed and attested, all as of the twenty-fourth day of August, 1989.

ST. JOHNS COUNTY, FLORIDA

(SEAL)

By _____
Chairman of its Board of
County Commissioners

ATTEST:

Clerk of its Board of
County Commissioners

FIRST FLORIDA BANK, N.A.,
as Escrow Holder

(SEAL)

By _____
Title: _____

ATTEST:

Title: _____

SJ26EDA1

EXHIBIT A

ANNUAL DEBT SERVICE AND AGGREGATE
DEBT SERVICE FOR REFUNDED BONDS

EXHIBIT B

LIST OF FEDERAL SECURITIES

EXHIBIT C

RESOLUTION AUTHORIZING SERIES 1989 BONDS

EXHIBIT D

NOTICE OF ADVANCE REFUNDING
OF ST. JOHNS COUNTY, FLORIDA,
WATER REVENUE BONDS, DATED
JUNE 15, 1981

Notice is hereby given for and on behalf of St. Johns County, Florida (the "County"), that the St. Johns County, Florida, Water Revenue Bonds, dated June 15, 1981 (the "Bonds"), have been advanced refunded by depositing in irrevocable escrow cash and obligations of the United States of America sufficient to pay the principal of and interest on the Bonds as the same shall mature and become due and payable to their final maturity.

The County will not accelerate the maturity of, or exercise any option to redeem before maturity, any Bonds.

DATED this twenty-fourth day of August, 1989.

ST. JOHNS COUNTY, FLORIDA

By _____
Chairman of its Board of
County Commissioners