

SECONDARY MARKET DISCLOSURE SECTION

Rule 15c2-12 promulgated by the Securities and Exchange Commission requires certain ongoing disclosure of annual financial information and operating data for bonds sold on or after July 3, 1995. This section includes disclosures not found elsewhere in this Report for the following bonds:

- Water and Sewer Refunding and Improvement Revenue Bonds, Series 2002A
- Water and Sewer Refunding Revenue Bonds, Series 2002B
- Taxable Water and Sewer Refunding Revenue Bonds, Series 2002C
- Water and Sewer Refunding and Improvement Revenue Bonds, Series 2004
- Water and Sewer Refunding Revenue Bonds, Series 2007A
- Water and Sewer Improvement Revenue Bonds, Series 2007B



City of Melbourne



Finance Department

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SECONDARY MARKET DISCLOSURE For the Year Ended September 30, 2009

General

The City of Melbourne is required to provide ongoing disclosure for holders of its Water and Sewer Refunding and Improvement Revenue Bonds, Series 2002A, Water and Sewer Refunding Revenue Bonds, Series 2002B, Taxable Water and Sewer Refunding Revenue Bonds, Series 2002C, Water and Sewer Refunding and Improvement Revenue Bonds, Series 2004, Water and Sewer Refunding Revenue Bonds, Series 2007A, and Water and Sewer Improvement Revenue Bonds, Series 2007B. Rule 15c2-12 promulgated by the Securities and Exchange Commission requires ongoing disclosure for bonds sold on or after July 3, 1995. This report provides financial and operational data as required by the Continuing Disclosure Certificate.

The City owns, operates, and maintains the Water and Sewer System. Potable water is provided to two different service areas, one being the “Mainland,” consisting of all areas west of the Indian River, and the other being the “Beach,” consisting of all areas east of the west boundary of the Indian River. The System also recognizes two service areas, both located on the Mainland and identified as either being inside the incorporated limits of the City or outside the incorporated limits.

Existing Water System

The City presently provides water service to a customer base of approximately 150,000 persons. This service covers the municipal limits of the City (population of 78,323), plus wholesale service to West Melbourne, and retail service to Melbourne Village, Melbourne Beach, Indialantic, Satellite Beach, Indian Harbour Beach, Palm Shores, and a portion of unincorporated Brevard County.

The City’s two water production facilities consist of the Lake Washington Surface Water Production Facility with a production capacity of 20 million gallons per day (MGD) and the Reverse Osmosis Water Production Facility, with a production capacity of 6.5 MGD.

The City’s water distribution system consists of approximately 1,114 miles of six (6) to 36-inch diameter transmission mains, and about 1,033 miles of two (2) to six (6)-inch diameter distribution mains.

The top ten water customers of the System are:

Customer	Annual Revenue
City of West Melbourne ⁽¹⁾	\$1,868,445
Holmes Regional Medical Center	289,401
Brevard County School Board	171,204
Florida Institute of Technology	163,844
Lake in the Woods	95,781
Harris Corporation	73,939
Melbourne Hampton Greens	66,471
Preserve at Longleaf Apartments	60,007
Manufactured Home Communities	56,576
MEL OHIO/ Tradewinds Apartments	54,927

(1) Pursuant to a bulk water sales agreement.

The table below summarizes the historical customer base and water demands for the City's water system service area.

<u>Year</u>	Historic Water Flows (MGD)		
	<u>Number of Accounts⁽¹⁾</u>	<u>Average Day Demand</u>	<u>Maximum Day Demand</u>
2005	52,521	15.5	17.7
2006	53,027	15.7	19.0
2007	53,629	15.2	18.5
2008	56,073	15.2	17.6
2009	56,511	14.9	18.9

(1) Average number of accounts for each of the fiscal years ended September 30.

Existing Sewer System

The City currently owns and operates an extensive collection and transmission system. The System consists of approximately 267 miles of gravity and 53 miles of force collection mains, 92 lift stations, an inverted siphon and two (2) influent pump stations. The collection/transmission system transports the wastewater to two (2) wastewater treatment plants; the David B. Lee Wastewater Treatment Plant (the "D.B. Lee WWTP" with a permitted capacity of 7.0 MGD) and the Grant Street Wastewater Treatment Plant (the "Grant Street WWTP" with a permitted capacity of 5.5 MGD).

The top ten sewer customers of the System are:

<u>Customer</u>	<u>Annual Revenue</u>
Holmes Regional Medical Center	\$443,068
Florida Institute of Technology	242,552
Lake in The Woods	143,610
Brevard County School Board	143,549
Harris Corporation	112,070
Melbourne Hampton Greens	95,820
Preserve at Longleaf Apartments	88,950
Manufactured Home Communities	85,143
MEL OHIO/Tradewinds Apartments	83,566
Caribbean Isle LLC	78,209

The table below summarizes the historical wastewater flows.

<u>Year</u>	Historic Wastewater Flows (MGD)			
	<u>Number of Accounts⁽¹⁾</u>	<u>D.B.Lee WWTP</u>	<u>Grant Street WWTP</u>	<u>Total Combined Flows</u>
2005	26,089	4.53	3.43	7.96
2006	26,607	4.67	3.29	7.96
2007	26,899	4.16	2.89	7.05
2008	28,282	4.47	3.10	7.57
2009	28,529	3.94	3.11	7.05

(1) Average number of accounts for each of the fiscal years ended September 30.

Water Rates

The rate charged for all water passed through the service meter of each customer consists of a monthly service charge based on the size of the customer's service meter and a gallonage charge for each unit of one thousand (1,000) gallons or portion thereof. Such charges are due and payable on a monthly basis. The rates are charged based on the customer's location. Customers located within the city limits of the City are charged the inside City rate. Customers located outside the city limits of the City are charged the outside City rate.

Each customer connected to the City's water system shall pay the following listed monthly service charge based on the size of the water service meter in accordance with the schedule set forth below:

<u>Effective Date</u>	<u>Meter Service (Inches)</u>	<u>Monthly Service Charge</u>	
		<u>Inside City</u>	<u>Outside City</u>
October 1, 2008	¾	\$ 6.69	\$ 7.36
	1	16.72	18.39
	1-1/2	33.44	36.79
	2	53.50	58.85
	3	107.00	117.70
	4	167.19	183.91
	6	334.38	367.81
	8	535.00	588.50
	10	969.69	1,066.66
	12	To be negotiated based on customer's demand	

Effective October 1, 2009, the rate charged for potable water service to each customer shall consist of a monthly service charge based on the number of equivalent residential connections (ERCs) determined by the city periodically for the premise which shall serve as the minimum bill, and a gallonage charge for each unit of one thousand (1,000) gallons or portion thereof.

<u>Effective Date</u>	<u>Rate per ERC – All Customers</u>	
	<u>Inside City</u>	<u>Outside City</u>
October 1, 2009	\$ 6.25	\$ 6.88
October 1, 2010	6.56	7.22

In addition to the above established service charge, each customer pays a monthly gallonage charge per unit for each one thousand (1,000) gallons, or portion thereof, of water passed through the customer's service meter in accordance with the schedule set forth below:

<u>Effective Date</u>	<u>Inside City</u>	<u>Outside City</u>
October 1, 2008	\$ 3.67	\$ 4.03
October 1, 2009	3.85	4.23
October 1, 2010	4.04	4.44

Sewer Rates

Each user of the sewer services and facilities pays a charge which is based upon the amount of water consumed by each user, as determined by the meter reading of the water supply system. The rates charged are based on the customer's location. Customers located within the city limits pay the inside City rate. Customers located outside the city limits pay the outside City rate.

Each customer connected to the City's wastewater system shall pay the following listed monthly service charge based on the size of the water service meter in accordance with the schedule set forth below:

<u>Effective Date</u>	<u>Meter Service (Inches)</u>	<u>Monthly Service Charge</u>	
		<u>Inside City</u>	<u>Outside City</u>
October 1, 2008	¾	\$ 8.40	\$ 10.50
	1	21.00	26.25
	1-1/2	42.00	52.49
	2	67.20	84.00
	3	134.39	167.99
	4	209.99	262.48
	6	419.98	524.97
	8	671.96	839.95
	10	1,217.93	1,522.41
	12		To be negotiated based on customer's demand

Effective October 1, 2009, the rate charged for sewer service to each customer shall consist of a monthly service charge based on the number of equivalent residential connections (ERCs) being served at such connection as determined by the city periodically for the premise which shall serve as the minimum bill, and a gallonage charge for each unit of one thousand (1000) gallons or portion thereof.

<u>Effective Date</u>	<u>Rate per ERC – All Customers</u>	
	<u>Inside City</u>	<u>Outside City</u>
October 1, 2009	\$ 8.18	\$ 10.23
October 1, 2010	8.59	10.74

Each customer connected to the City's wastewater system to whom a monthly bill is rendered for water furnished by the water works system of the City pays a charge per one thousand (1,000) gallons, or portion thereof, of water passed through the water meter for wastewater services in accordance with the schedule set forth below:

<u>Effective Date</u>	<u>Inside City</u>	<u>Outside City</u>
October 1, 2008	\$ 5.64	\$ 7.05
October 1, 2009	5.92	7.40
October 1, 2010	6.22	7.77

Water Impact Fees

Each customer requesting capacity from the City’s water system shall, prior to the installation of the connection to the water main, pay the following amounts to provide service to properties and on all properties presently connected to the City’s water system when structural changes, additions or changes in permitted use shall result in an additional impact to the City’s water system. Water impact fees shall not be transferable from one property to another property.

(1) Single-family residence: All development which is considered individually metered and served by a three quarter (3/4) inch meter shall be considered one (1) ERC. The water impact fee per one (1) ERC shall be one thousand three hundred forty dollars (\$1,340). All other individually metered single-family residential connections requiring services through a water meter greater than three-quarter (3/4) inch shall pay the charges listed below for commercial customers.

(2) Multiple-family, condominium, mobile home trailer and motor home parks, including all related facilities not having individual water meter connections, or other multiple living units or developments of mobile-type homes: The water impact fees for each living unit served by a master meter shall be determined in accordance with the following schedule. If the development served by the master meter includes individually metered non-residential use, then the water impact fee for such non-residential use will be determined in addition to the applicable water impact fees as shown below for this customer designation.

	ERC Factor per Living Unit	Water Impact Fee
Duplex (1 or 2 Bedrooms)	0.833	\$1,116
Duplex (3 or more Bedrooms)	1.000	1,340
Multifamily (1 Bedroom)	0.583	781
Multifamily (efficiency less than 500 sq. ft.)	0.500	670
Multifamily (2 Bedrooms)	0.833	1,116
Multifamily (3 Bedrooms)	1.000	1,340
Mobile Home (1 or 2 Bedrooms)	0.667	894
Mobile Home (3 or more Bedrooms)	0.833	1,116

(3) Hotels and motels not having individual water connections: The water impact fees for each unit that is not individually metered shall be considered as 0.75 ERC’s per unit. The water impact fee per each unit shall be one thousand five dollars (\$1,005) per unit.

(4) Housing for older persons not having individual water connections: The water impact fees for each unit of housing as defined by Florida Statute 760.29, as amended from time to time, that is not individually metered shall be considered as 0.75 ERC’s per unit. The water impact fee per unit of housing shall be one thousand five dollars (\$1,005) per unit.

(5) Commercial customers: For all commercial customers not falling into one of the classifications listed above, the water impact fee shall be based on the meter size as follows:

Meter Size (Inches)	Water Impact Fee
¾	\$ 1,340
1	3,350
1-1/2	6,700

For all commercial customers receiving water service through a meter size greater than one and one-half (1½) inch, the water impact fees will be based on the greater of i) the minimum water impact fee schedule as shown below or ii) the average dependable daily capacity for the development or property identified by the applicant and as verified for the applicant by a registered Florida Professional Engineer using the City’s potable water concurrency standards in Article IV, Chapter 3 of Appendix D, Land Development Code and as approved by the City expressed on a gallons per day basis multiplied by \$4.653 per gallon of capacity.

<u>Water Meter Size (Inches)</u>	<u>Water Impact Fee</u>
2	\$ 10,720
3	20,100
4	33,500
6	67,000
8	107,200
10	194,300
12	288,100

(6) Each customer requesting water service from the City shall, prior to the installation of a flow meter for each connection to the water main, pay the following amounts to defray the cost of the service provided:

<u>Meter Size (Inches)</u>	<u>Water Connection Charge</u>
¾	\$ 250
1	475
1-1/2	850
2	1,600
Over 2 inches	To be determined by the City on an individual basis

The full amount of the connection charge provided above must be paid prior to connection of each unit to the City's water system. The City reserves the right to determine the meter size that will be required for the service requested.

Sewer Impact Fees

Each customer requesting capacity from the City's sewer system shall, prior to connection to the system pay the following amounts to provide service to properties and on all properties presently connected to the City's sewer system when structural changes, additions or changes in permitted use shall result in an additional impact to the City's sewer system. Sewer impact fees will not be transferable from one property to another property.

(1) Single-family residence: All development which is considered individually metered and served by a three-quarter-inch (¾) meter shall be considered as one (1) ERC. The sewer impact fee per one (1) ERC shall be one thousand nine hundred dollars (\$1,900). All other individually metered single-family residential connections requiring services through a water meter shall pay the listed charges for commercial customers as provided below.

(2) Multiple-family, condominium, mobile home trailer and motor home parks, including all related facilities not having individual sewer connections, or other multiple living units or developments of mobile type homes: The sewer impact fees for each living unit serviced by a master meter shall be determined in accordance with the following schedule. If the development served by the master meter includes individually metered non-residential use, then the sewer impact fee for such non-residential use will be determined in addition to the applicable sewer impact fees as shown on the next page for this customer designation.

	<u>ERC Factor per Living Unit</u>	<u>Sewer Impact Fee</u>
Duplex (1 or 2 Bedrooms)	0.833	\$ 1,582
Duplex (3 or more Bedrooms)	1.000	1,900
Multifamily (1 Bedroom)	0.583	1,107
Multifamily (efficiency less than 500 sq. ft.)	0.500	950
Multifamily (2 Bedrooms)	0.833	1,582
Multifamily (3 or more Bedrooms)	1.000	1,900
Mobile Home (1 or 2 Bedrooms)	0.667	1,267
Mobile Home (3 or more Bedrooms)	0.833	1,582

(3) Hotels and motels not having individual sewer connections: The sewer impact fee for each unit that is not individually metered shall be considered as 0.75 ERC's per unit. The sewer impact fee per each unit shall be one thousand four hundred twenty-five dollars (\$1,425) per unit.

(4) Housing for older persons not having individual sewer connections: The sewer impact fees for each unit of housing as defined by Florida Statute 760.29, as amended from time to time, that is not individually metered shall be considered as 0.75 ERC's per unit. The sewer impact fee per each unit of housing shall be one thousand four hundred twenty-five dollars (\$1,425) per unit.

(5) Commercial customers: For all commercial customers not falling into one of the classifications listed above, the sewer impact fee is based on the meter size as follows:

<u>Meter Size (Inches)</u>	<u>Sewer Impact Fee</u>
¾	\$ 1,900
1	4,750
1-1/2	9,500

For all commercial customers receiving service through a meter size greater than one and one-half (1½) inch, the sewer impact fees will be based on the greater of i) the minimum sewer impact fee schedule as shown below or ii) the average dependable daily capacity of the development or property identified by the applicant and as verified for the applicant by a registered Florida Professional Engineer using the City's sanitary sewer concurrency standards in Article III, Chapter 3 of Appendix D, Land Development Code and approved by the City expressed on a gallons per day basis multiplied by \$6.597 per gallon of capacity.

<u>Water Meter Size (Inches)</u>	<u>Minimum Sewer Impact Fee</u>
2	\$ 15,200
3	28,500
4	47,500
6	95,000
8	152,000
10	275,500
12	408,500

(6) Each customer requesting sewer service from the City shall be required to pay to the City an amount equal to the actual cost as determined by the City as incurred for any modification or extension of the sewer system required to provide sewer service to the property requiring such service. The minimum charge to be billed by the City for the cost of a sewer connection is one hundred dollars (\$100), regardless of meter size. The payment of the sewer connection charges shall be in addition to the payment of the sewer impact fees.

Comparison of Water and Sewer Rates (as of October 1, 2009)

Service Provider	Water charge ⁽¹⁾				Sewer charge ⁽¹⁾				Combined water and sewer charge ⁽¹⁾						
	0	2,000	5,000	10,000	15,000	0	2,000	5,000	10,000	15,000	0	2,000	5,000	10,000	15,000
	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons
City of Melbourne	\$6.25	\$13.95	\$25.50	\$44.75	\$64.00	\$8.18	\$20.02	\$37.78	\$67.38	\$96.98	\$14.43	\$33.97	\$63.28	\$112.13	\$160.98
Brevard County	\$12.32	\$12.32	\$20.04	\$42.82	\$70.82	\$15.86	\$22.58	\$32.66	\$49.46	\$56.18	\$28.18	\$34.90	\$52.70	\$92.28	\$127.00
City of Cocoa	\$10.47	\$14.67	\$20.97	\$33.41	\$48.76	\$9.77	\$19.03	\$32.92	\$56.07	\$65.33	\$20.24	\$33.70	\$53.89	\$89.48	\$114.09
City of Palm Bay	\$12.48	\$19.04	\$28.88	\$50.33	\$76.68	\$14.57	\$22.99	\$35.62	\$56.67	\$56.67	\$27.05	\$42.03	\$64.50	\$107.00	\$133.35
City of Titusville	\$7.40	\$12.20	\$19.40	\$37.45	\$61.40	\$11.76	\$24.20	\$42.86	\$73.96	\$105.06	\$19.16	\$36.40	\$62.26	\$111.41	\$166.46
City of Vero Beach	\$13.60	\$15.26	\$17.75	\$31.65	\$45.55	\$19.89	\$25.75	\$34.54	\$49.19	\$63.84	\$33.49	\$41.01	\$52.29	\$80.84	\$109.39
City of West Melbourne	\$14.55	\$14.55	\$29.97	\$55.67	\$81.37	\$21.23	\$21.23	\$35.03	\$58.03	\$81.03	\$35.78	\$35.78	\$65.00	\$113.70	\$162.40

(1) Residential Service for a 3/4" Meter

Data prepared by City of Melbourne Financial Services

Historical Bond Service Coverage

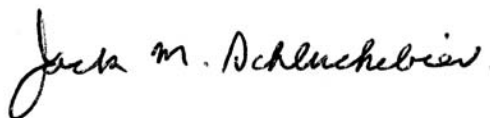
	For Fiscal Years Ending September 30				
	2005	2006	2007	2008	2009
Revenues					
Water sales	\$18,940,999	\$19,967,840	\$20,727,646	\$22,295,533	\$23,154,689
Sewer charges	13,493,298	14,198,454	14,542,999	15,067,766	15,586,500
Other revenues	3,629,519	3,034,593	3,226,115	3,558,219	3,134,211
Interest income	688,654	1,160,213	1,407,488	1,088,457	601,338
Total Operating Revenues⁽¹⁾	<u>36,752,470</u>	<u>38,361,100</u>	<u>39,904,248</u>	<u>42,009,975</u>	<u>42,476,738</u>
Operating Expense					
Salaries, wages and employee benefits	9,320,038	9,751,492	10,751,779	11,581,321	11,360,913
Other post employment benefits	-	-	-	-	600,161
Contractual services, materials, supplies	13,673,017	15,098,224	17,638,615	18,051,577	21,322,153
Total Operating Expense⁽¹⁾	<u>22,993,055</u>	<u>24,849,716</u>	<u>28,390,394</u>	<u>29,632,898</u>	<u>33,283,227</u>
Net Operating Income⁽¹⁾	13,759,415	13,511,384	11,513,854	12,377,077	9,193,511
Available Impact Fees⁽¹⁾	<u>3,358,544</u>	<u>2,618,170</u>	<u>3,401,933</u>	<u>3,512,427</u>	<u>1,336,987</u>
Available for Debt Service	<u>\$17,117,959</u>	<u>\$16,129,554</u>	<u>\$14,915,787</u>	<u>\$15,889,504</u>	<u>\$10,530,498</u>
Annual Debt Service Requirement					
Series 1994A	\$ 112,001	\$ -	\$ -	\$ -	\$ -
Series 2000	949,988	949,988	264,751	-	-
Series 2002A	2,300,307	2,300,383	2,301,232	2,300,883	2,386,563
Series 2002B	-	-	200,000	30,000	-
Series 2002C	1,767,720	1,780,270	1,584,030	1,748,830	1,783,430
Series 2004	1,925,338	2,322,905	2,320,405	2,320,555	2,324,805
Series 2007A	-	-	614,362	877,396	876,346
Series 2007B	-	-	-	1,178,298	1,665,350
Total Debt Service	<u>\$ 7,055,354</u>	<u>\$ 7,353,546</u>	<u>\$ 7,284,780</u>	<u>\$ 8,455,962</u>	<u>\$ 9,036,494</u>
Coverage⁽²⁾					
Net Revenue 100% Test	195%	184%	158%	146%	102%
With Impact Fees 115% Test	243%	219%	205%	188%	117%
Coverage⁽³⁾					
Net Revenue 100% Test	-	-	-	-	108%
With Impact Fees 115% Test	-	-	-	-	123%

(1) Calculated according to bond ordinance and therefore not consistent with GAAP.

(2) Coverage calculated including other post employment benefits.

(3) Coverage calculated excluding other post employment benefits. Bond ordinance No. 2007-12 did not anticipate GASB Statement No. 45 when adopted March 13, 2007.

Respectfully submitted,



Jack M. Schluckebier, Ph.D.
City Manager

