# ANNUAL REPORT TO BONDHOLDERS

CITY OF TALLAHASSEE

February 2006

# City of Tallahassee
# Elected Officials

**John R. Marks, III** *Mayor*

**Mark Mustian** M*ayor Pro Tem* **-** *Commissioner*

**Andrew D. Gillum**
*Commissioner*

**Allan J. Katz**
*Commissioner*

**Debbie Lightsey**
*Commissioner*

# Administration

**Anita R. Favors-Thompson**
CITY MANAGER

**James R. English**
CITY ATTORNEY

**Gary Herndon**
CITY TREASURER-CLERK

**Sam McCall**
CITY AUDITOR

**Bond Counsel**
Bryant, Miller and Olive, P.A.
Tallahassee, Florida

**Financial Advisor**
Prager, Sealy & Company
Orlando, Florida

# PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2006 Annual Report to Bondholders has been prepared by the City of Tallahassee to provide information concerning the City, its financial operations and its indebtedness. This information is made available to current security holders and potential purchasers of securities in the secondary market, dealers, security analysts, rating agencies, Nationally Recognized Municipal Securities Information Repositories (NRMSIRs), and other interested parties. The City of Tallahassee has selected DAC, an Ernst & Young LLP Company, as the City's disclosure/dissemination agent. This 2006 Annual Report to Bondholders can be found on the DAC website at www.dac-ey.com. The DAC website also hosts related City documents including official statements for outstanding debt. The City maintains a distribution list of individuals or firms that have indicated an interest in reviewing the report. These interested parties are notified when the report is available on the DAC website. Anyone interested in being added to the distribution list should make that request in writing to the address listed at the bottom of this section.

In addition to this Report, each fiscal year the City of Tallahassee prepares a Comprehensive Annual Financial Report (CAFR), which includes audited financial statements in accordance with generally accepted accounting principles. This document is available from the City upon request. The CAFR is also hosted on the City's website at www.talgov.com, as well as on the DAC site. The current auditors for the City are Thomas, Howell, Ferguson, PA and Law, Redd, Crona & Monroe, PA, Tallahassee, Florida.

In compliance with SEC rule 15c2-12, the City has entered into undertakings to provide secondary market information in connection with the following bond issues:

- $86,210,000 Capital Bonds, Series 2004, dated November 17, 2004
- $15,360,000 Capital Refunding Bonds, Series 2001, dated October 15, 2001.
- $27,630,000 Energy System Refunding Revenue Bonds, Series 2002, dated August 1, 2002.
- $17,680,000 Energy System Refunding Revenue Bonds, Series 2001, dated May 1, 2001.
- $143,800,000 Energy System Refunding Revenue Bonds, Series 1998A, dated November 1, 1998.
- $49,220,000 Energy System Revenue Bonds, Series 1998B, dated November 1, 1998.
- $128,920,000 Energy System Revenue Bonds, Series 2005.
- $23,900,000 Consolidated Utility Systems Refunding Revenue Bonds, Series 2001, dated May 1, 2001.
- $46,780,000 Consolidated Utility Systems Revenue Bonds, Series 1995, dated July 1, 1995.
- $36,110,000 Consolidated Utility System Refunding Revenue Bonds, Series 2005.
- $7,355,000 Airport System Revenue Refunding Bonds, Series 2004, dated August 10, 2004.

The release of this report satisfies, in the City's opinion, the requirements for annual disclosure as set forth in the undertakings. The City is committed to fulfilling its disclosure obligations, as now or as may hereafter, defined by the SEC. While the City is committed to the release of secondary market information necessary to evaluate the City's credit, the City is making no on-going commitment to the publication and release of future Reports to Bondholders and in the future its disclosure obligations may be met through supplements or enhancements to its Comprehensive Annual Financial Report or through the release of other documents.

The City has not undertaken an independent review or investigation to determine the accuracy of information that has been obtained from other sources. Certain information presented herein has been obtained from sources that are believed by the City to be reliable, but neither the City nor the elected or appointed officials make any representations or warranties with respect to the accuracy or completeness of that information.

Additionally, to the extent that certain portions of the Annual Report constitute summaries of documents, reports, resolutions, or other agreements relating to the operations or outstanding debt of the City, this Report is qualified by reference to each such document, report, resolution, or agreement, copies of which may be obtained from the Office of the City Treasurer-Clerk. The Report contains certain capitalized undefined terms. Such terms are defined in the resolutions of the City authorizing the issuance of the respective bonds of the City.

The City encourages readers of the report to provide suggestions that will improve the readability or usefulness of the report. Questions concerning the information contained herein or suggestions should be directed to:

City Treasurer-Clerk
City of Tallahassee
300 South Adams Street
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8210
treasury@talgov.com

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# EXECUTIVE SUMMARY

The City's Annual Report to Bondholders is designed to provide a reader, with no prior background, general information regarding the City and its debt. For those readers who regularly follow the City, much of the information contained herein may be repetitive. To assist those readers, the most significant changes since last year's report are highlighted below. Readers are encouraged to read the report in its entirety even though the City, by means of this executive summary, identifies only those events that it believes to be the most important that have occurred since the publication of the 2005 Annual Report to Bondholders.

## Consolidated Utility System Refunding

In July of 2005, the City issued $36,110,000 Consolidated Utility System Refunding Revenue Bonds, Series 2005. These bonds refunded $23,895,000 of the City's outstanding Consolidated Utility System Revenue Bonds, Series 1995. The refunding resulted in net present value savings of approximately $6.2 million. In addition to refunding certain Series 1995 bonds, the issue funded approximately $12,215,000 of new capital projects.

## 2005 Energy System Bonds

On November 16, 2005, the City Commission authorized staff to move forward with the issuance of not to exceed $140 million Energy System Bonds. The City then sold $128,920,000 Energy System Revenue Bonds, Series 2005, on November 22, 2005. The purpose of the bonds was to fund a variety of capital improvements. The single largest of these improvements was the purchase and construction of two 47 MH simple-cycle combustion engines with a total cost of approximately $66 million. Other projects included extension and improvements of transmission lines, as well as distribution and other facilities.

## Proposed Electric System Rate Increases

A rate study dated March 1, 2006 was presented to the City Commission on March 8, 2006. The study indicates the need for a rate increase of approximately 8.1% of projected test year revenue requirements. Such an increase would become effective April 1, 2006 using assumptions from the rate study. An alternative proposal recommends rate increases of 6.3% effective April 1, 2006, 2.7% effective October 1, 2006 and 2.7% effective October 1, 2007. Both approaches would recover the total projected revenue requirements through September 30, 2008. The related public hearing and final City Commission approval are scheduled for March 29, 2006.

Based upon capital and operating needs through 2011 (the last year covered by the rate study) an additional rate increase would be required during FY 2009.

## Proposed Water and Sewer Rate Increases

The City's consultant prepared a rate study dated January 24, 2006, which was presented to the City Commission on March 8, 2006. The study indicates the need for rate increases of 6.2% - October 1, 2006 for Water and 4.1% - April 1, 2006 and 10.5% - October 1, 2006 for Sewer, respectively. Proposed rate increases were introduced by ordinance on March 8, 2006 with public hearings scheduled for March 29, 2006. Proposed increase would be implemented April 1, 2006 if approved.

## Taylor Energy Center

The City held a referendum on November 17, 2005 concerning the City's participation in the Taylor Energy Center (TEC). The results of the referendum support the City's participation in a new coal-fueled steam electric generating station. As currently proposed, the City's participation would represent 150MW of TEC's 800MW of generation. The actual extent of the City's participation, if any, will be determined after a thorough evaluation of both TEC and the City's needs, with TEC to be considered in the Integrated Resource Plan currently under way. The City Commission will decide final determination of Tallahassee participation at a later date.

## Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the Commission) was created in 1985 through interlocal agreement between the City of Tallahassee and the City of Orlando, Florida. Subsequently, other Florida governments joined the Commission, including 11 additional cities and three counties. The Commission was created to provide large, sophisticated governments the opportunity to work together to create low cost, flexible financing instruments.

In August 2005, in connection with the City's proposed purchase of a new building to house certain City departments, the City entered into a new loan under the Commission's commercial paper program as follows. The $10 million General Government Loan maturing October 1, 2025 is secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City; it has no specific claims on any revenue streams.

## Property Tax

The FY 2005 millage rate of 3.7 mills is unchanged from FY 2004. Estimates for property tax receipts beyond FY 2005 assume continuation of the new millage rate and a growth rate of 7%. The City maintains this millage rate despite the number of state and federal offices locally and the presence of two universities and a community college, less than 50% of the City's property is subject to taxes.

## General Fund Transfer

Since FY 2005, the base for Electric Fund transfers has been set at an amount comparable to 8.3 mills of kilowatt hour (kWh) retail sales. Accordingly, the annual transfers vary with changes in retail sales of electricity. The transfer levels for water, sewer, and solid waste have been set as a percentage of the prior three-year average of gross system revenues for each utility. The percentages for water, sewer, and solid waste are 20%, 4.5% and .0075%, respectively. The transfer for the gas has been set at an annual amount of $2.3 million.

## Blueprint 2000

A local option one-cent sales tax has been in effect since November 1989 to provide funding for transportation projects and law enforcement facility improvements. This local option tax has been extended until 2019. Beginning in December 2004, these taxes have been allocated 80% to Blueprint 2000 projects and 10% each to City of Tallahassee and Leon County projects. Blueprint 2000 is an intergovernmental agency formed to meet infrastructure and natural resource management needs that affect both Leon County and City of Tallahassee. Future uses include critically needed community initiatives including stormwater projects, green space acquisitions, park and other recreation improvements, and other transportation projects. In 2003, Blueprint 2000 issued $70 million of bonds supported by the Blueprint 2000 share of the one-cent sales tax.

## Electronic Dissemination of Information

As part of its continuing effort to efficiently provide continuing disclosure information to investors and other users, the City of Tallahassee has begun to make use of electronic methods for dissemination of information. Information is available at several locations, including the City's website, talgov.com, and **www.dacbond.com** the website of DAC.

## Talgov.com

The September 30, 2005 Comprehensive Annual Financial Report, which includes audited financial statements in accordance with generally accepted accounting principles, is available on the City's website at **www.talgov.com**. The website also has other useful information available, including the City's budget for FY 2006.

## DAC

The DAC website hosts a variety of debt information. DAC acts as a disclosure dissemination agent for issuers of municipal bonds by electronically posting information on behalf of issuers. Investors and others may access disclosure on any municipal bond in the DAC System free of charge by registering for a password. In addition to the City's 2005 report, annual reports from the past several years are available on the DAC site. Official statements for each of the outstanding issues summarized in this annual report are also posted. Information also includes multiple years' CAFR's.

If you are new to the DAC System, please click *Register* in the "DAC for Investors" section on the home page, complete the registration form and submit. You can set Event Filters for your account by logging into the DAC System and clicking the *Profile* icon to receive e-mail notification whenever something new is filed by the City. You may search by CUSIP number, obligor, issuer, issue description, bond type, city and state, county and state, or by state only. Once the issue(s) searched are located you can customize your portfolio by checking the corresponding box and clicking *Add Checked Items to Portfolio*.

## Format Changes

In last year's report, bond resolutions were included in the Annual Report to Bondholders (ARBH). In an effort to simplify the report, for users, the resolutions have been excluded from the 2006 ARBH. Copies of resolutions are available for interested parties. To receive a copy of a resolution, please contact the City of Tallahassee at:

City Treasurer-Clerk
City of Tallahassee
300 South Adams Street
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8210
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# CITY OF TALLAHASSEE

## General

Tallahassee, the capital city of Florida, was incorporated in 1825, 20 years before Florida was admitted to the Union. The City is governed by a Mayor and four Commissioners elected at-large.

The City Commission appoints the City Manager, the City Treasurer-Clerk, the City Auditor and the City Attorney. Collectively the appointed officials are responsible for all administrative aspects of the government, with most falling under the purview of the City Manager.

The City provides a full range of municipal services. These services include public safety (police and fire), construction and maintenance of streets and sidewalks, stormwater management, recreation, planning and zoning, general administrative services, five utilities (electric, gas, water, sewer and solid waste collection), a mass transit bus system and a regional airport.

The economy of Tallahassee is strongly oriented toward governmental and educational activities. The presence of the State Capital, two major universities, and a large community college help to shape Leon County's population as relatively young, well educated and affluent.

## Population and Employment

The 2000 Census figures show a racially diverse community, with minorities accounting for 33.6% of the population, with African-Americans making up 29.1% of Leon County. Tallahassee's population is young, with a median age of 26.3. Leon County residents have historically attained a very high level of education. According to the 2000 Census, 41.7% of area residents aged 25 or older had completed at least four years of college, compared to 22.3% of the state on average. The median family income in Tallahassee of $52,962 is 6% higher than the national median. 45.3% of workers in Tallahassee are in management or professional occupations compared to 33.6% nationally. The level of governmental employment has a stabilizing effect on the economy and helps to keep unemployment down. Of the work force, 3.3% were unemployed in September 2005 in the Tallahassee Metropolitan Statistical Area (MSA), as compared to the State's unemployment rate of 3.8%. The percentage of employees employed by local, state, and federal government in the Tallahassee MSA is approximately 38% of the work force. The employment rate is one of many economic indicators utilized to evaluate the condition of the economy. According to population estimates by the University of Florida's Bureau of Economic and Business Research, Tallahassee's population increased by 6,826 people in 2004 and by 5,643 in 2005. Population growth trends are presented in the following table.

### POPULATION GROWTH

| Year | Tallahassee | Unincorporated | Leon County |
|---|---|---|---|
| 1950 | 27,237 | 24,353 | 51,590 |
| 1960 | 48,174 | 26,051 | 74,225 |
| 1970 | 71,897 | 31,150 | 103,047 |
| 1980 | 81,548 | 67,107 | 148,655 |
| 1990 | 124,773 | 67,720 | 147,490 |
| 2000 | 150,624 | 88,828 | 239,452 |
| 2003 | 162,310 | 93,190 | 255,500 |
| 2004 | 169,136 | 94,760 | 263,896 |
| 2005 | 174,781 | 96,330 | 271,111 |
| 2010 projected | 187,800 | 103,800 | 291,600 |
| 2020 projected | 211,800 | 117,500 | 329,300 |
| 2030 projected | 232,800 | 129,400 | 362,200 |

Tallahassee's employment is non-agrarian in nature and heavily oriented toward governmental employment. Historically this concentration of government employment, representing 38% of all non-agricultural employment, has helped to keep unemployment relatively low. In addition, due to government employment, which calls for large numbers of professional and white-collar employees, Tallahassee and Leon County enjoy relatively high-income levels, especially when compared to surrounding counties.

Recognizing the need to diversify the area's economy, the local government and the Chamber of Commerce are working closely together in a concentrated effort to attract additional employers to the area and to assist the expansion of existing local industries. The Economic Development Council of Tallahassee/Leon County markets Tallahassee's economic advantages - research and high technology, healthcare providers and human resources - focusing on companies in financial services, education, technology, light manufacturing, distribution and healthcare.

The City's employment base has provided its citizens with an economic environment, which historically has been insulated from national economic trends. As a result, the City and Leon County have been able to maintain an unemployment rate substantially below the State of Florida and the United States average as shown in the table below:

**Average Annual Unemployment Rate**

| Year | Leon County | Florida | United States |
|---|---|---|---|
| 1995 | 2.8% | 5.5% | 5.6% |
| 1996 | 2.8 | 5.1 | 5.4 |
| 1997 | 2.8 | 4.8 | 4.9 |
| 1998 | 2.8 | 4.3 | 4.5 |
| 1999 | 2.5 | 3.9 | 4.2 |
| 2000 | 2.3 | 3.6 | 4.0 |
| 2001 | 2.9 | 4.8 | 4.8 |
| 2002 | 3.5 | 5.5 | 5.8 |
| 2003 | 3.2 | 5.1 | 6.0 |
| 2004 | 3.8 | 4.6 | 54.9 |

Source: Tallahassee-Leon County Planning Department 2005 Statistical Digest.

## Trade and Service Area

As the largest city in north-central Florida, Tallahassee has naturally assumed the role as a regional trade center. Located just 20 miles south of the Georgia state line, this regional trading activity encompasses Leon County, as well as four south Georgia counties and eight surrounding north Florida counties. Tallahassee has over 40 shopping centers, and retail sales within Leon County account for over 63% of the retail sales made in the 13-county region. The retail and wholesale industry are an important aspect of the economy of the Tallahassee MSA, providing almost 13% of the employment with the services industry providing another 35%.

## Education

In addition to being the Capital, Tallahassee is the site of two major state universities and a regional community college. Total enrollment in these institutions is over 67,000 students.

The largest and oldest university in the City is Florida State University (FSU), which was founded in 1851, and is the home of the Florida State University Seminoles. Approximately 39,000 students in the 2004-2005 school year attended it's undergraduate and graduate colleges, schools, and divisions. FSU is nationally known for its outstanding programs in natural sciences, fine arts, business, law, and education. A medical school was created in 2000 with its first students admitted in 2001. Eventually, 400 students will be enrolled in the College of Medicine.

A second nationally known university in Tallahassee is the Florida Agricultural and Mechanical University (FAMU), which was founded in 1887 and is the home of the Florida A&M Rattlers. FAMU offers extensive undergraduate and graduate courses to over 13,000 students. Programs offered at FAMU complement those at FSU and have received recognition in the fields of architecture, agriculture and pharmacy. Both universities offer programs leading to doctorate degrees.

Tallahassee Community College (TCC) presently serves approximately 15,000 students. TCC offers the same curriculum for college credit as that offered at the universities for the first two years. Associate degrees are awarded in over 27 fields, some through special cooperative programs with the local universities. Flagler College (Flagler) has recently entered into a partnership arrangement with TCC whereby students may obtain bachelors degrees from Flagler in business, elementary education, and special education. An additional 14 certificate programs are offered.

# GENERAL GOVERNMENT

## Property Taxes

Property taxes can significantly impact the citizen's perception of economic success. The City enjoyed the lowest millage rate of the ten largest cities in Florida for 2004 and 2005. The City's millage rates in 2005 remain unchanged from 2004. Tallahassee's low millage rate should act as an incentive to economic growth and stability. Jacksonville was not included in the table below since it is a consolidated city with varying millage rates for different sections of the city.

| | | Millage Rates | |
|---|---|---|---|
| City | 2000 Population | 2004 | 2005 |
| Miami | 362,470 | 8.8 | 8.8 |
| Tampa | 303,447 | 6.5 | 6.5 |
| St. Petersburg | 248,232 | 7.1 | 7.1 |
| Hialeah | 226,419 | 7.5 | 7.1 |
| Orlando | 185,951 | 5.7 | 5.7 |
| Fort Lauderdale | 152,397 | 4.8 | 5.4 |
| **Tallahassee** | **150,624** | **3.7** | **3.7** |
| Hollywood | 139,357 | 6.9 | 6.9 |
| Pembroke Pines | 137,427 | 4.6 | 4.6 |
| Coral Springs | 117,549 | 3.9 | 3.9 |

## Revenue Considerations

Property taxes, which provide 19% of governmental revenues, increased by $2.8 million in FY 2005 due to increases in taxable assessed values and new residential and commercial properties added. Revenues from grants and contributions comprise 17% of governmental revenues and increased by $2.1 million or 9.4% compared to the prior year. Investment income increased by $2.4 million compared to the prior year. Revenues for business-type activities for FY 2005 were $462.7 million, an increase of $32.2 million compared to the prior year. Charges for services for the City's Electric and Gas Utilities accounted for a significant portion ($24.8 million) of this increase, which resulted from natural gas prices increasing approximately 14% compared to last year.

## Transfer Considerations

Annually, the City transfers funds from its utilities to the General Fund to support general government operations. In FY 2004 the methodology for calculating the transfers from all the utilities was revised. The base for Electric Fund transfers is set at an amount comparable to 8.3 mills of kilowatt hour (kWh) retail sales. Accordingly, the annual transfers will vary with changes in retail sales of electricity. The transfer levels for water, sewer, and solid waste are set as a percentage of the prior three-year average of gross system revenues for each utility. The percentages for water, sewer and solid waste are 20%, 4.5%, and 0.75%, respectively. The transfer from gas increased by a level amount that is not related to system sales. Transfers from utilities to the General Fund totaled $22.4 million in FY 2005.

## Expense Considerations

General Government expenses increased by $6.0 million, 27.0%, compared to the prior year. Expenses associated with the City's program to increase the energy efficiency of City buildings accounted for most of the change. Public safety expenditures increased by $4.0 million or 7.9%, primarily due to pay increases for police staff as a result of a new collective bargaining agreement with police union employees. Other government expenditures increased by $4.9 million. This is primarily due to the debt service associated with new capital bonds issued during FY 2005. Expenses for business-type activities for FY 2005 were $428.8 million in 2005, $24.2 million more than the prior year's expenses. As with revenues, the City's Electric and Gas Utilities accounted for a significant portion ($16.1 million) of this increase due to the rising natural gas prices. Other increases in expenses resulted from inflation and growth in the demand for services.

## Economic and other Factors that may Impact the City's Financial Position

Funding for the City's governmental activities comes from property taxes and a limited number of permitted other taxes (sales, gasoline, utility services and telecommunications) and fees (occupational license, etc.). Some funding is also received from state-shared revenues and grants from state and federal governments and agencies.

Revenues for the business-type activities and certain governmental activities (permitting, recreational programs, etc.) come from user fees or service charges. The consumption of the City's utilities is impacted by local weather patterns and the growth of new homes and businesses in the market.

The Electric Fund maintains a reserve account to enable the City to react in the event of deregulation. This has not occurred and should not impact 2006. This reserve has been used in the past to reduce the impact to electric customers of steep increases in the market price of fuel. The balance in this fund September 30, 2005 was approximately $80 million.

Natural gas prices paid by the Electric Utility were an average of 14% more in FY 2004 than the prior fiscal year. The City's long and short-term contracts for fuel saved the City and our electric and gas customers $12 million in fuel costs in FY 2004 compared to purchasing fuel at higher prices in the spot market. The cost of fuel is offset through cost recovery adjustments that are not a part of the standard rates to customers.

During FY 2005, the City received $6.4 million from the sale of Sulfur Dioxide (SO2) credits. These credits were received in previous fiscal years as a result of the Clean Air Amendment's efforts to achieve a cap on emissions. The EPA allocates a certain number of SO2 credits annually to owners of fossil-fired generating units covered under the act. If these units are unused because of lower emissions than required, the owner of the credits may sell the allowances to another owner. The revenue from this sale was recorded in the Electric operations revenues and applied to the Energy Cost Adjustment, reducing fuel prices charged to electric customers.

The City has long-term purchase contract obligations for the purchase of gas and energy of $58 million. These contracts are managed by the City's Energy Services Department. These are based on forecast needs of our customers and expected prices in the market. These contracts help to assure an adequate supply and help to reduce the spikes that can occur with market prices. Revenues from future purchases by customers are expected to cover these obligations.

The City also uses hedge instruments to minimize the risk of market energy price volatility and counter-party credit risk related to the purchase of natural gas. The Open Trade Equity (unrealized gain or loss on open futures positions) of these hedges as of September 30, 2005 was $42 million.

## Fiscal Year 2006's Budget and Rates

The City is home to several state and federal offices in addition to two universities and a community college. These tax-free entities limit the taxable base to roughly 50% of the City's property value. The FY 2006 millage rate remains at 3.7 mill rate established in FY 2004. Estimates for property tax receipts beyond FY 2006 assume continuation of the new millage rate and a growth rate of 7%.

The City's Capital Budget is appropriated at $187 million with $42.8 million budgeted in the General Fund and $144.2 million in the Enterprise and Internal Service Funds. Some of the capital projects include funding for park and stormwater improvements and transportation projects as well as funding for the City's Neighborhood Infrastructure Program. The City has a five-year plan for capital improvements for all projects planned through FY 2010 that totals $926 million with appropriations made on an annual basis.

## Selected General Government Statistics

### Pledged Revenues (in 000s)
### City of Tallahassee, Capital Bonds

| For Fiscal Years Ended September 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Communication Services Tax (1) | 16,250 | 19,588 | 19,856 | 10,520 | 8,334 |
| Half Cent Sales Tax | 8,498 | 8,474 | 8,948 | 9,576 | 9,463 |
| Guaranteed Entitlement | 1,251 | 1,251 | 1,251 | 1,251 | 1,251 |
| Total Revenue | 25,999 | 29,313 | 30,055 | 21,347 | 19,048 |
| Debt Service | 2,145 | 1,818 | 1,880 | 1,878 | 6,267 |
| **Debt Service Coverage** | **12.10x** | **16.12x** | **15.99x** | **11.37x** | **3.04x** |

(1) Communication Services Tax became effective October 1, 2001. For FY 2001, franchise fees for cable TV, telephone, and telecommunications are shown.

### Property Tax Levies and Collections (in 000s)

| Fiscal Year | Total Assessed Valuation | Taxable Assessed Valuation | Levy | Collection | % (1) |
|---|---|---|---|---|---|
| 1996 | 9,043,725 | 4,270,650 | 12,925 | 12,432 | 96 |
| 1997 | 9,537,873 | 4,576,295 | 13,712 | 13,045 | 95 |
| 1998 | 9,900,598 | 4,884,574 | 14,700 | 14,153 | 96 |
| 1999 | 10,283,317 | 5,217,865 | 15,697 | 15,107 | 96 |
| 2000 | 10,653,603 | 5,558,879 | 16,775 | 16,081 | 96 |
| 2001 | 11,101,845 | 5,892,235 | 17,856 | 17,231 | 97 |
| 2002 | 11,718,893 | 6,335,214 | 18,927 | 18,172 | 96 |
| 2003 | 12,561,990 | 6,734,959 | 20,363 | 19,503 | 96 |
| 2004 | 13,321,051 | 7,370,184 | 24,988 | 24,053 | 96 |
| 2005 | 14,983,276 | 8,600,518 | 27,306 | 26,349 | 96 |

(1) Florida Statutes provide for a discount of up to 4% for early payment of ad-valorem taxes. All unpaid taxes become delinquent on April 1, and are sold at auction on June 1 of each year as tax certificates. The City, after all tax certificates are sold, has fully collected all ad-valorem tax revenues.

# CAPITAL BONDS
# CITY OF TALLAHASSEE, FLORIDA
# CONSOLIDATED DEBT SERVICE

| Bond Year Ending October 1 | Total | $86,210,000 Series 2004 | $15,360,000 Series 2001 |
|---|---|---|---|
| 2006 | 7,673,726 | 5,795,216 | 1,878,510 |
| 2007 | 7,676,101 | 5,796,341 | 1,879,760 |
| 2008 | 7,671,714 | 5,796,204 | 1,875,510 |
| 2009 | 7,671,664 | 5,794,554 | 1,877,110 |
| 2010 | 7,675,964 | 5,801,104 | 1,874,860 |
| 2011 | 7,675,054 | 5,795,554 | 1,879,500 |
| 2012 | 7,675,398 | 7,675,398 | - |
| 2013 | 7,674,060 | 7,674,060 | - |
| 2014 | 7,675,010 | 7,675,010 | - |
| 2015 | 7,673,260 | 7,673,260 | - |
| 2016 | 7,730,000 | 7,730,000 | - |
| 2017 | 7,675,000 | 7,675,000 | - |
| 2018 | 7,675,250 | 7,675,250 | - |
| 2019 | 7,672,500 | 7,672,500 | - |
| 2020 | 7,671,250 | 7,671,250 | - |
| 2021 | 7,675,750 | 7,675,750 | - |
| 2022 | 7,675,000 | 7,675,000 | - |
| 2023 | 7,673,500 | 7,673,500 | - |
| 2024 | 7,767,500 | 7,767,500 | - |
| **TOTALS** | **$145,957,700** | **$134,692,450** | **$11,265,250** |

**$86,210,000**
**City of Tallahassee, Florida**
**Capital Refunding Bonds, Series 2004**

Dated: December 7, 2004

## Purpose
To finance and refinance the acquisition, construction and equipping of certain capital improvements.

## Security
The Bonds are secured by a pledge of and lien on the City's Guaranteed Entitlement Revenues; the City's receipts from the Local Government Half-Cent Sales Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

## Form
$86,210,000 Serial Bonds due October 1, 2024. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2005**.**

## Agents
| | |
|---|---|
| **Registrar:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Paying Agent:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida |

## Ratings
| | |
|---|---|
| Moody's: | Aaa (A1 – underlying) |
| Fitch: | AAA (AA – underlying) |

## Call Provisions

## Optional Redemption
The Series 2004 Bonds maturing on or prior to October 1, 2014 are not subject to optional redemption prior to maturity. The Series 2004 Bonds maturing after October 1, 2014 are subject to redemption prior to maturity at the option of the City, as a whole or in part at any time (if in part, the maturities and the principal amounts to be redeemed are to be determined by the City in its sole discretion) on or after October 1, 2014 at a redemption price of 100% of the principal amount of the Series 2004 Bonds to be redeemed, plus accrued interest to the date of redemption.

**$86,210,000**

**CITY OF TALLAHASSEE, FLORIDA**

**CAPITAL BONDS, SERIES 2004**

***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | 2.500% | 1,955,000 | 3,840,216 | 5,795,216 |
| 2007 | 2.750% | 2,005,000 | 3,791,341 | 5,796,341 |
| 2008 | 2.750% | 2,060,000 | 3,736,204 | 5,796,204 |
| 2009 | 3.000% | 2,115,000 | 3,679,554 | 5,794,554 |
| 2010 | 3.000% | 2,185,000 | 3,616,104 | 5,801,104 |
| 2011 | 3.125% | 2,245,000 | 3,550,554 | 5,795,554 |
| 2012 | 3.250% | 4,195,000 | 3,480,398 | 7,675,398 |
| 2013* | * | 4,330,000 | 3,344,060 | 7,674,060 |
| 2014 | 5.000% | 4,535,000 | 3,140,010 | 7,675,010 |
| 2015 | 3.850% | 4,760,000 | 2,913,260 | 7,673,260 |
| 2016 | 5.000% | 5,000,000 | 2,730,000 | 7,730,000 |
| 2017 | 5.000% | 5,195,000 | 2,480,000 | 7,675,000 |
| 2018 | 5.000% | 5,455,000 | 2,220,250 | 7,675,250 |
| 2019 | 5.000% | 5,725,000 | 1,947,500 | 7,672,500 |
| 2020 | 5.000% | 6,010,000 | 1,661,250 | 7,671,250 |
| 2021 | 5.000% | 6,315,000 | 1,360,750 | 7,675,750 |
| 2022 | 5.000% | 6,630,000 | 1,045,000 | 7,675,000 |
| 2023 | 5.000% | 6,960,000 | 713,500 | 7,673,500 |
| 2024 | 5.000% | 7,310,000 | 365,500 | 7,675,500 |
| **TOTALS** | | **$ 84,985,000** | **$ 49,615,450** | **$ 134,600,450** |

* Bonds maturing 2013 are in two issues: $830,000 at 3.5% interest rate and $3,500,000 at 5% interest rate.

**$15,360,000**
**City of Tallahassee, Florida**
**Capital Refunding Bonds, Series 2001**

Dated: October 15, 2001

## Purpose

To refund the City's outstanding Capital Bonds, Series 1993 A and 1993 B Bonds.

## Security

The Bonds are secured by a pledge of and lien on the City's Guaranteed Entitlement Revenues; the City's receipts from the Local Government Half-Cent Sales Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

## Form

$15,360,000 Serial Bonds due October 1, 2011. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2002**.**

## Agents

| | |
|---|---|
| **Registrar:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Paying Agent:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Trustee:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida |

## Ratings

| | |
|---|---|
| Moody's: | Aaa (A1 – underlying) |
| Standard and Poors: | AAA (A+ - underlying) |
| Fitch: | AAA (AA – underlying) |

## Redemption Provisions

The Series 2001 Bonds are not subject to redemption prior to the stated maturity dates thereof.

**$15,360,000**
**CITY OF TALLAHASSEE, FLORIDA**
**CAPITAL REFUNDING BONDS, SERIES 2001**

***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | 3.250% | 1,500,000 | 378,510 | 1,878,510 |
| 2007 | 3.500% | 1,550,000 | 329,760 | 1,879,760 |
| 2008 | 3.650% | 1,600,000 | 275,510 | 1,875,510 |
| 2009 | 3.750% | 1,660,000 | 217,110 | 1,877,110 |
| 2010 | 3.800% | 1,720,000 | 154,860 | 1,874,860 |
| 2011 | 5.000% | 1,790,000 | 89,500 | 1,879,500 |
| **TOTALS** | | **$ 9,820,000** | **$ 1,445,250** | **$ 11,265,250** |

## ENERGY SYSTEM

The Energy System is the City's Electric and Gas System grouped together primarily for the purpose of debt financing. The 1992 General Resolution created the Energy System, which consisted solely at that time of the City's Electric System. The 1998 General Resolution allowed the City to add other utility functions to the Energy System upon making findings that the addition of such utility functions will not impair the ability of the City to comply with such resolutions, and will not materially adversely affect the rights of the Holders of the Prior Obligations and the Bonds, respectively. In 1999, pursuant to the provisions of the 1998 General Resolution, the City Commission approved migration of the City's Gas System from the Consolidated Utility System (CUS) to create the Combined Energy System, for financing purposes only.

Anticipated financing needs for the Energy System for the next five years are:

| Issue | Amount | Projected Date |
|---|---|---|
| Electric System Revenue | $141,000,000 | April 2007 |
| Electric System Revenue | $166,000,000 | April 2007 |
| Gas Energy System Revenue | $ 13,000,000 | April 2008 |

The City held a referendum on November 17, 2005 concerning the City's participation in the Taylor Energy Center (TEC). The results of the referendum support the City's participation in a new coal-fueled steam electric generating station. The actual extent of the City's participation, if any, will be determined after a thorough evaluation of both TEC and the City's need, with TEC to be considered in the Integrated Resource Plan currently under way. The City Commission will decide final determination of Tallahassee participation at a later date. Participation in TEC would require additional financing; the amount and timing of such financing has not yet been determined, but could begin as early as FY 2008 if TEC is to be operational in 2012.

### Administration

The City has consolidated all of its utility operations under a single Assistant City Manager for Utilities Services. The Utility Services service area consists of the Electric Utility, Water and Sewer Utility, Solid Waste Utility, Gas Utility and two support departments. Each of the utility departments is responsible for operational aspects associated with its respective service areas. Utility Business and Customer Services and Energy Services provide support across the five utilities. Utility Business and Customer Services provides centralized support to all five operating utilities for services such as: billing, customer service, connect/disconnect, meter reading, safety and training, environmental, marketing, retail rate design, and utility locates/construction coordination. Energy Services provides administration of the City's Energy Risk Management Program, including: consolidated fuel management and acquisition services for the electric and gas utilities, fuel management and associated transportation services to other utilities on the open market, and the management of off-system purchases and sales of electric energy and capacity. In addition, Energy Services provides residential and commercial energy services and account support and retail contracting functions. Other City departments provide other support activities, such as: accounting, payroll, human resources and fleet management. The cost of these services is allocated to the utility operating departments.

### Energy Services

The primary purpose of the City's Energy Services Department (ESD) is to manage the fuels and energy supply portfolios for the City's Energy System. In addition to the traditional roles of fuels and energy acquisition for the utilities, ESD performs marketing and trading of electricity and natural gas in the wholesale market. Historically, acquisitions of natural gas supply involved primarily the utilization of fixed price long-term and short-term forward physical contracts for electricity and natural gas with various energy companies and other utilities. Due to the counterparty credit risk associated with the long-term contracts and diminishing creditworthiness of physical supply providers, the City began utilizing financial trade based risk management tools in order to protect its customers against future adverse price movements. In 2002, the City Commission approved a formalized Energy Risk Management Program. Further, the City Commission established the Energy Risk Policy Committee (ERPC) for policy development and oversight purposes. The ERPC is comprised of the City's appointed officials and executive staff from the City's Utility, Financial, and Administrative units. In addition, the City Commission approved utilization of budgeted fuel and energy expense accounts for financial trades within the current fiscal year, and up to $20 million from the Electric Operating Reserve for financial trades beyond the current fiscal year that are consistent with the approved policy, pre-established market risk tolerances, and the City's budgetary or utility rate objectives.

The City's Energy Risk Management Program identifies, measures, monitors, manages, controls, and reports the market-based financial risks of the organization on a regular basis. The program mainly focuses on the market and credit risks associated with the City's electric energy production and wholesale business activities. Under this program, ESD will adhere to the approved policy and will also continue operating under the following guidelines:

- Transactions obligating the City to liquidated damages are not offered.
- Non-performance liability for the City is limited to the transaction's revenue margin.
- Long-term firm transactions are coordinated and reviewed by an Electric and Gas Strategy Group and Energy Business Committee that includes: the Assistant City Manager for Utilities and representatives from Energy Services, Electric, and Gas Utilities.
- Wholesale market trading partners' credit worthiness determination, including trade limits, is performed by an independent consultant on a continuous basis.

In addition to natural gas supply, ESD also purchases fuel oil to hedge against volatile natural gas prices and provide back-up fuel supply in case of natural gas interruptions. Transportation for natural gas is arranged through long-term contracts with Florida Gas Transmission and Southern Natural. When available, ESD re-markets excess capacity in the secondary market to help reduce the City's total transportation costs. Oil is acquired mostly through short-term contracts and deliveries are made by barge or truck.

## THE ELECTRIC SYSTEM

The City owns, operates and maintains an electric generation, transmission and distribution system that presently supplies electric power and energy to over 107,000 customers in a service area consisting of approximately 221 square miles located within Leon County and the City's municipal facilities in Wakulla County. During the fiscal year ending September 30, 2005, the City sold 2,698,308 MWh of electric energy to ultimate customers and 106,177 MWh to other utilities and received total operating revenues of approximately $272,397,000.

The current installed capacity at the Sam O. Purdom Generating Station (the Purdom Station) is 332 MW. The current installed capacity at the Arvah B. Hopkins Generating Station is 356 MW. Additional peaking capacity was provided in FY 2005 with the completion of two new 47 MW simple-cycle combustion turbine units located at the Hopkins Station. The C.H. Corn Hydroelectric Plant (the C.H. Corn Station) consists of three generating units with a total capacity of 11 MW. In 1977, the City acquired a 1.3333% (11 MW) undivided ownership interest in Crystal River Unit No. 3 (CR-3), a nuclear plant operated and owned in part by Florida Power Corporation (now Progress Energy - Florida). The City transferred its ownership interest in CR-3 and the decommissioning trust account balance to Florida Power in September 1999. The terms of the transfer included purchasing equivalent replacement electric capacity (11.4 MW) from Florida Power at a delivered price of $42 per MW through December 31, 2007, escalating thereafter until 2016.

### Management Discussion of Operations

Between 1994 and 2000, base electric rates were reduced by $20 million per year through periodic base rate adjustments. Most of this reduction was to the general service and general service large demand classes. The funding for these rate reductions was provided by the reductions in the general fund transfer and by operating cost reductions within the electric utility. In April 2001, the City implemented a $22.4 million dollar base rate reduction. This base rate reduction was supported by operating cost reductions and the implementation of the Fire Services Fees, which reduced the amount of the General Fund Transfer from the Electric Utility. No base rate changes have been implemented since 2001; however, a rate study was completed March 1, 2006. Recommendations regarding rates are expected in FY 2006 as well as City Commission action on such recommendations. The Electric Operating Reserve had a balance of $80 million at September 30, 2005 with $20 million of this amount committed to supporting financial trades through the City's Energy Risk Management Program.

Moderate growth in retail sales is to the result of continued growth in the City's service territory. Retail sales during FY 2005 were 2,698,308 MWh, an increase of 1.0% over FY 2004. The City implemented a new Customer Information System (CIS) in FY 2003. This new system utilizes a different and, we believe, more accurate methodology for counting customers than was provided by the previous system. The City experienced a 1% increase in customer growth from 106,239 in FY 2003 (customer count restated to be consistent with the new methodology) to 107,019 in FY 2005. The conversion to the new methodology of counting customers may be the cause of the apparent lower growth rate in customers compared to prior years. The City expects continued growth in customers and retail sales of approximately 1% per year for the next several years.

The City's Electric and Gas Strategic Plan is a series of initiatives and strategies that position the City's energy utilities for success in a competitive retail market. The plan itself was developed as a result of analysis of the various business practices and service options necessary to position the City for a deregulated electric and gas industry. Staff has continued to have workshops with the City Commission to develop and update them on components of the strategic initiatives. Specific areas of strategic initiatives currently include: Large Customer Relationships, New Business Strategies, Marketing, Technology, Regulatory and Legislative, Energy Risk Management, Integrated Resource Planning, System Improvement and Expansion, and Customer Care. These initiatives include a variety of different programs and tasks, some of which are referenced in other parts of this section.

The City continues to monitor changes in the electric utility industry to position itself for the various forms of restructuring. The electric base rate reduction strategy (1994 – 2001) and the accrual of operating reserves have positioned the City competitively while providing a great deal of flexibility, including the ability to defease existing indebtedness and directly fund certain capital projects that would otherwise be debt-financed. The City's residential base rates are the lowest in Florida; however the volatility of the fuels markets and the City's dependence on natural gas as a fuel for it generating units have continued to make fuels and energy risk management a key strategy to remaining competitive. The City is an active participant in State and Federal legislative and regulatory activities related to electric industry restructuring, electric reliability, electric transmission facilities, and financing issues that may have an impact on the City and its customers.

## General Electric Long Term Services Agreement

The City has entered into a Long Term Services Agreement (LTSA) with General Electric International, Inc (GE). Under the terms of the LTSA, GE will perform all of the scheduled preventative maintenance work on the City's Purdom Unit 8 combustion and steam turbine/generators for a fixed cost. The LTSA incorporates availability and heat rate guarantees, including liquidated damages and bonus provisions, for each of the six years. These damages and bonus provision are capped at $500,000 per year. The LTSA also provides for discounts for any additional parts or services needed outside the scope of the agreement and caps the rate of increase for these parts and services to published indices with an absolute cap of 7.5% per year. Entering into this agreement ensures the City that the required support and parts will be available for continued operation of Unit 8. The term of the LTSA is a period of 12 years or 96,000 fired operating hours, which will carry the preventative maintenance work through the second scheduled major inspection in currently scheduled for 2013.

## Future Power Supply Resources

The City contracted with the consulting firm of Black & Veatch to conduct an integrated resource planning (IRP) study that was completed in the spring of 2002. The 2002 IRP Study results were generally consistent with those of the City's preliminary resource planning studies. These studies identified the need for additional peaking generation capacity by 2005 as part of the least-cost plan under base case conditions. Additional peaking capacity was provided in FY 2005 with the completion of two new 47 MW simple-cycle combustion turbine units located at the Hopkins station. The City is currently engaged in another IRP study to further refine its power supply options for the period 2005 - 2025. The 2004 IRP Study, also being conducted by Black & Veatch, will build on the results of the 2002 study as well as considering additional alternatives including, but not limited to, repowering existing resources, participation in solid-fuel projects in the region, construction of a solid fuel unit and building an expanded portfolio of demand-side measures to help the City meet its customers demand for energy.

This additional generating capacity will meet the majority of the need identified through 2009 while the remaining small reserve shortfalls can be met with "peak-season" purchases from other systems or delaying the planned retirement of existing combustion turbines.

The new units to be installed at the Hopkins facility are General Electric LM-6000 Sprint NexGen units designed to operate on either natural gas or clean low sulfur diesel. Each unit has a net summer (94°F, 54% RH) rating of 47.1 MW, when firing natural gas, and 45.6 MW, when firing clean low sulfur diesel. The summer net heat rate for the units is 9,194 btu/kwh (LHV) when firing natural gas, and 9,314 btu/kwh (LHV) when firing clean low sulfur diesel. The units are equipped with inlet chilling to reduce the compressor inlet temperature to 48°F, providing for enhanced output and heat rate during the summer months. The units are also equipped with selective catalytic reduction (SCR) and carbon oxidation (CO) catalyst to reduce the emissions of oxides of nitrogen and carbon monoxide, respectively. These are the first simple-cycle LM-6000's installed in Florida with SCR and CO catalyst technology.

## Electric Rates

The City Commission, under existing Florida law, has the exclusive authority to establish the level of electric rates, that is, the amount of revenue to be recovered by the Electric System, subject to the Florida PSC's approval of the City's rate structure.

The City's current electric rates include: a customer charge that varies among customer classes, a demand charge (for large commercial customers), a non-fuel energy charge, and an Energy Cost Recovery Charge (ECRC). The ECRC is a pass through charge that recovers the cost of fuel used in the City's power generating facilities, plus the cost of purchased power from other utilities. The City reviews the actual over or under-recovery of energy cost recovery on a monthly-basis and modifies the ECRC, if necessary, on at least a semi-annual basis. All other rates are reviewed periodically for rate level sufficiency and rate structure. Based on the results of a 2001 Electric Rate Study, rates were reduced by $22.4 million. As a result of the rate reduction in 2001, the City's base rates are now among the lowest in Florida. While base rates remain low, as referenced earlier the City continues to place emphasis on managing the cost of fuel and purchased power passed on to our customers through the ECRC. The City actively manages its fuel supply and energy supply portfolio to minimize the impact of natural gas price volatility and virtually eliminate counter party credit risk utilizing the City's Energy Risk Management Policy and Procedures that govern all trading activity.

The 2001 reduction in base rates was the most recent part of a long-term strategic plan intended to position the electric utility as a viable provider in a potentially competitive market. A principal component of this strategy has been an effort to develop and maintain low rates in advance of any competitive market initiatives in Florida. In addition to competitive base rates, the City also offers a Preferred Customer Electric Service Agreement for our largest customers, which further reduces their rates and ensures a long-term relationship as a City customer.

## Proposed Electric System Rate Increases

The rate study dated March 1, 2006 was presented to the City Commission on March 8, 2006. The study indicates the need for a rate increase of approximately 8.1% of projected test year revenue requirements. Such an increase would become effective April 1, 2006 using assumptions from the rate study. An alternative proposal recommends rate increases of 6.3% effective April 1, 2006, 2.7% effective October 1, 2006 and 2.7% effective October 1, 2007. Both approaches would recover the total projected revenue requirements through September 30, 2008. The public hearing and final City Commission approval are scheduled for March 29, 2006.

Based upon capital and operating needs through 2011 (the last year covered by the rate study) an additional rate increase would be required during FY 2009.

## Capital Improvement Program

The City, as part of its annual budget process, adopts a five-year capital improvement program for the Electric Utility. The first year of this program becomes an appropriation and the remaining four years constitute a planning document, which identifies anticipated capital expenditures and the related funding sources.

The 2006 capital budget identifies approximately $4 million of capital projects for FY 2006 – 2010. This capital budget does not consider costs associated with the TEC; however, the TEC was considered in the rate study recently presented to the City Commission. Capital requirements in the study cover FY 2006 – 2011, with total costs of approximately $870 million. Approximately $675 million of such costs may be funded from proceeds of new debt, including $375 million for the TEC. Should interest related to TEC improvements be capitalized until 2012 (projected date for the TEC to begin operations), debt-funded amounts would include an additional $44 million of capitalized interest. The remaining projected capital expenditures are expected to be funded from charges to customers and from deposits to the renewal and replacement fund maintained by the City.

## Long Term Retail Electric Contracts

In the spring of 1999, the City developed a tariff for long-term contracting with all demand metered non-residential electric customers. The tariff, referred to as the "Preferred Customer Electric Service Agreement" (PCES), was approved by the City Commission on April 28, 1999 and by the Florida Public Service Commission on May 4, 1999. Under this Agreement, rate discounts are provided to the customer in return for a ten-year commitment from the customer to use the City as its electricity provider. The rate discounts are 5% for the General Service Demand (GSD) class of non-residential accounts and 7% for the General Service Large Demand (GSLD) accounts. Progress to date and relevant statistics associated with this initiative are as follows:

- Approximately 2,100 demand metered electric accounts are eligible. These accounts represent around 500 customers.
- Eligible customers comprise nearly 90% of the annual revenue from all non-residential classes on the City's electric system. About 50% of electric retail revenue comes from the non-residential classes.
- Contract proposals and associated economic analyses have been presented to most customers representing approximately 1,400 accounts.
- The PCES Agreements represent revenues of approximately $46 million, or 51% of the total targeted ("at risk") revenue of about $91 million
- Of the City's 20 Largest Electric Utility customers, 16 have executed PCES Agreements.

## Transmission and Distribution

The City's existing transmission system includes approximately 185-circuit miles of transmission lines that are operated at voltages of 230 kV and 115 kV. The 115 kV transmission network forms a 115 kV loop that extends around and through the City limits. Eighteen substations, located at various sites, transform power from the transmission voltage of 115 kV to the distribution network voltage of 12.47 kV. The transmission, distribution, and generation facilities are monitored and controlled remotely from the City's Electric Control Center utilizing a communication network.

The City is interconnected with Florida Power at five locations on its system and with The Southern Company (Southern) and its operating affiliates at one location.

The City continues to expand its distribution, transmission and substation facilities to meet the system-load growth and reliability requirements.

To meet projected power supply needs, the City continues to identify and evaluate numerous future power supply options. As part of its ongoing planning activities the City has authorized Black & Veatch (B&V) to prepare an updated power supply planning study (the 2004 IRP Study), which is not yet completed. The City is evaluating, as part of the 2004 IRP Study, additional options to provide for the eventual retirement of older generating units, increasing demands for electricity, fuel diversity, and environmental compliance.

Currently, the City has included in its Capital Improvement Program, conceptual plans for the construction of two additional CT units during the summer of 2009. The City estimates the direct construction costs of the two additional LM-6000 PC Sprint units and related transmission and fuel storage facilities to be about $74 million, or approximately $763 per kW. These CT units are included in the Capital Improvement Program as a "worst case" cost associated with addressing projected transmission contingency deficiencies in the southeast region of the City's service territory. If a less expensive solution is identified, the City expects that the lower cost alternative will be implemented. In addition, the Electric System's Capital Improvement Program includes repowering of Hopkins Unit No. 2 that would convert the existing Hopkins Unit No. 2 from a conventional steam unit to a combined cycle unit. The repowering would provide for efficiency and increased capacity for the Hopkins Unit No. 2 capacity. The City has budgeted $130 million for the first stage of such repowering project. Although not currently included in the Capital Improvement Program, the second phase is expected to cost approximately $80,000,000 in 2005 dollars. The Capital Improvement Program provides for preliminary engineering and permitting activities for the first phase to commence during fiscal year ending September 30, 2006. The City on October 17, 2005 instructed the design engineers to accelerate the schedule for the repowering of the Hopkins Unit No. 2 with completion for the summer of 2008, two years earlier than the present Capital Improvement Program has scheduled. The rescheduling of such repowering could have an impact on the projections and rate increases set forth by the Consulting Engineer. The City is also exploring the possibility of participating with the Florida Municipal Power Agency, the Reedy Creek Improvement District and JEA in a new coal-fueled steam electric generating station to be known as the Taylor Energy Center (TEC). The City held a referendum on November 17, 2005 concerning the City's participation in the TEC. The referendum sought the voters' opinion on the City's participation in the TEC. The results of the referendum support the City's participation in a new coal-fueled steam electric generating station. However, the final determination on the extent of such participation, if any, will be made by the City Commission at a later date. The City is evaluating additional options to provide for the eventual retirement of older generating units, increasing demands for electricity, fuel diversity, and environmental compliance, as part of its 2004 IRP Study.

## The Gas System

The City owns, operates, and manages a natural gas distribution system, which currently provides firm and interruptible gas service to approximately 24,000 customers in and about the corporate limits of the City. Gas service has been extended to the surrounding counties of Wakulla and Gadsden.

Gas Operations is currently responsible for administration, engineering, and operations of the City's Gas System activities, including dispatching and controlling the delivery of gas, maintaining above ground facilities, maintaining system maps and record valve locations, ensure operation of valves and perform periodic leak surveys.

On August 31, 2004, SNG filed with the FERC revised rates reflecting an overall increase and proposing among other things that SGNGC, a subsidiary of SNG, would be merged into the SNG system. The FERC accepted the filing and suspended certain rate schedules. As a result of extensive negotiations, on April 29, 2005, SNG submitted a stipulation and agreement for FERC approval, which provides, in general, for the extension of certain contracts for transportation service including the City's contracts and the establishment of a rate moratorium until March 2009. In addition, the stipulation provides for a transportation surcharge for three years on the SGNGC system. On July 13, 2005, FERC issued an order with an effective date of September 1, 2005 approving the settlement without change. Effective October 1, 2005, for purposes of rate setting, the FERC order combines SGNGC with SNG. Pursuant to the terms of the approved settlement, the existing agreements described above will be set forth in new agreements which are identical in terms, except for the termination date which is extended to August 31, 2010.

### Management Discussion of Operations

The availability of fossil fuels used by the Energy System and the prices at which, such fuels can be purchased by the City are subject to various factors. During fiscal year ended September 30, 2005, the City's Electric System utilized the following quantities of fossil fuel in its electric generating facilities: natural gas 17,887,771 MMBtu's, No. 6 fuel oil 516,603 barrels (approximately 3,254,599 MMBtu's), and No. 2 fuel oil 208,312 gallons (approximately 29,262 MMBtu's).

As a result of Hurricane Katrina hitting the Louisiana/Mississippi gulf coast area on August 29, 2005 and Hurricane Rita impacting the Texas/Louisiana gulf coast area on September 24, 2005, the supply of natural gas to the City has been curtailed.

Total Gas System Revenues for FY 2005 are $29,112,000. This is 10% higher than budgeted and represents an actual increase over the prior year collected of $2,742,000. This increase is primarily due to new service additions, fuel revenue increases, and, revised sales incentives. Gas sale consumptions and new service connections increased in all customer categories with the exception of mild gas service additions in the multi-family sector. Gas utility operating expenses also increased in FY 2005 from FY 2004 by $3,649,000. This increase is primarily due to fuel cost, new regulatory program mandates and new marketing programs, facility and infrastructure investments. The net effect is a FY 2005 surplus of $4,643,000, from which $2.3 million was transferred to the City's general fund.

### Proposed Gas System Rate Increases

The City's preliminary budget for the Gas System for fiscal year ending September 30, 2006 indicates that the Gas System's current rates and charges will not produce sufficient revenues to cover projected costs. The estimated shortfall in revenues for fiscal year ending September 30, 2006 is estimated to be approximately $747,000 and is estimated to be $1.9 million in fiscal year ending September 30, 2007. The City intends to authorize a rate study (the 2005 Gas Rate Study) to ensure that the rates and charges for gas service produce sufficient revenues. The current plan is for the 2005 Gas Rate Study to be completed in fiscal year ending September 30, 2006, with the rate increase to be effective on October 1, 2006.

## 2005 Energy Policy Act

The 2005 Energy Policy Act (the Energy Policy Act) was signed into law in early August 2005. The Energy Policy Act addresses, among other things: energy efficiency, appliance standards, low income energy assistance programs, renewable energy, nuclear energy, electricity, and provides incentives for oil and gas production and encourages deployment of clean coal technology. The electricity portion of the bill addresses the following areas: the need for modernization of existing transmission facilities, transmission rate reform and improved operations of existing transmission facilities, electric reliability standards, Public Utility Holding Company Act (PUHCA) and Public Utility Regulatory Policies Act (PURPA) amendments (including, repeal of PUHCA), market transparency, round trip trading prohibition and enforcement, and merger reform. The Energy Policy Act imposes mandatory electric reliability standards to be defined through North American Reliability Council and enforced by the Federal Energy Regulatory Commission (FERC).

The Energy Policy Act also provides for tax incentives that further encourage production, conservation and the use of technology to stabilize energy prices and protect the environment. Landfill gas is clearly designated as a renewable resource for REPRI funding, which is to the Energy System's benefit. The City for the benefit of the Energy System intends to explore the opportunities for financial assistance from the funds appropriated in the Energy Policy Act for energy conservation, renewable energy, and clean coal technology.

It is not possible at this time to predict the final forms and possible effects of all the consequent rulemaking and programs that will be enacted to implement the Energy Policy Act.

## Selected Energy System Statistics

### Electric System - Sales to Ultimate Customers, by Customer Class

| For Fiscal Years Ended September 30 | 2001 | 2002 (1) | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| ***Residential*** | | | | | |
| Average Annual Customers | 80,000 | 83,682 | 86,377 | 87,160 | 88,788 |
| Energy Sales (MWh) | 975,018 | 1,000,699 | 1,049,062 | 1,062,416 | 1,071,278 |
| Average Annual Use Per Customer (kWh) | 12,188 | 11,958 | 12,145 | 12,189 | 12,066 |
| **Average Annual Revenue per Customer ($)** | **1,167** | **986** | **1,225** | **1,280** | **1,244** |
| ***Commercial, Industrial and Interdepartmental*** | | | | | |
| Average Annual Customers | 16,570 | 18,375 | 19,431 | 17,593 | 17,890 |
| Energy Sales (MWh) | 1,452,584 | 1,496,767 | 1,543,190 | 1,594,229 | 1,611,071 |
| Average Annual Use Per Customer (kWh) | 87,663 | 81,457 | 79,419 | 90,617 | 90,054 |
| **Average Annual Revenue Per Customer($)** | **6,559** | **5,353** | **5,628** | **7,489** | **7,275** |
| ***Public Street Lighting*** | | | | | |
| Average Annual Customers | 328 | 422 | 431 | 334 | 341 |
| Energy Sales (MWh) | 16,108 | 15,836 | 14,765 | 16,338 | 15,959 |
| Average Annual Use Per Customer (kWh) | 49,110 | 37,526 | 34,258 | 37,388 | 46,802 |
| **Average Annual Revenue per Customer($)** | **4,040** | **3,196** | **2,602** | **4,482** | **4,197** |
| ***Total Sales to Ultimate Customers*** | | | | | |
| Average Annual Customers | 96,898 | 102,479 | 106,239 | 105,087 | 107,019 |
| Energy Sales (MWh) | 2,443,710 | 2,513,302 | 2,607,017 | 2,672,983 | 2,698,308 |
| **Average Annual Use Per Customer (kWh)** | **25,219** | **24,525** | **24,539** | **25,436** | **25,213** |
| ***Off System Sales*** | | | | | |
| Sales for Resale (MWh) | 508,728 | 92,173 | 127,599 | 67,112 | 106,177 |
| **Total Sales (MWh)** | **2,952,438** | **2,605,475** | **2,734,616** | **2,740,095** | **2,804,485** |

### Electric System - Selected Operating Costs and Ratios

| For Fiscal Years Ended September 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| ***Revenue per kWh*** | | | | | |
| Retail Customers | 0.096 | 0.080 | 0.093 | 0.105 | 0.103 |
| Commercial and Industrial Customers | 0.075 | 0.061 | 0.071 | 0.083 | 0.081 |
| Public Street Light | 0.082 | 0.068 | 0.076 | 0.092 | 1.076 |
| ***Expenses Per kWh*** | | | | | |
| Total Operating Expense per kWh | 0.0641 | 0.0618 | 0.0589 | 0.0790 | 0.0811 |
| ***Financial Ratios*** | | | | | |
| Debt to Total Assets | 0.521 | 0.483 | 0.470 | 0.473 | 0.432 |
| Operating Ratio | 0.812 | 0.849 | 0.868 | 0.849 | 0.912 |
| Current Ratio | 2.485 | 3.827 | 3.460 | 2.824 | 2.883 |

(1) FY 2002 restated due to new Customer Service Information System, which provides a more accurate methodology for counting customers.

## Electric System - General Statistics

| For Fiscal Years Ended September 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Generating Capacity (MW) (Summer) | 661 | 652 | 652 | 652 | 652 |
| Capacity Purchases (MW) (Summer)[1] | 36 | 35 | 51 | 70 | 36 |
| Net System Energy Generated (MW) | 2,455,047 | 2,260,483 | 2,461,517 | 1,978,596 | 2,451,611 |
| Net Peak Demand (MW) Summer | 520 | 580 | 549 | 565 | 598 |
| Net Peak Demand (MW) Winter | 521 | 510 | 590 | 509 | 532 |
| Average Residential Monthly Bill ($) | 97.18 | 82.06 | 93.75 | 115.27 | 111.51 |
| Number of Street Lights | 15,480 | 15,330 | 16,143 | 16,466 | 16,682 |

(1) Purchase amounts for 2002 and 2003 adjusted from prior report to properly account for all capacity available to the City.

## Electric System – Summary of Projected Demand and Energy Requirements (MW)

| For Fiscal Years Ending September 30 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Annual 60-Minute Peak Demand[1] | | | | | |
| Summer – MW | 609 | 626 | 611[2] | 620 | 630 |
| Winter – MW | 546 | 570 | 558[2] | 570 | 582 |
| Annual Energy Sales – GWh[3] | 2,720.4 | 2,787.6 | 2,868.7 | 2,926.7 | 2,979.0 |
| Sales to Talquin Customers Served by By the City –GWh | 26.6 | 27.0 | 27.5 | 28.1 | 28.6 |
| Purchases from Talquin | 14.8 | 15.0 | 15.3 | 15.6 | 15.9 |
| Losses and Unaccounted for Energy – GWh | 163.2 | 167.3 | 172.3 | 175.7 | 178.8 |
| Annual Energy System Requirements – GWh | 2,925.0 | 2,996.9 | 3,083.8 | 3,146.1 | 3,202.3 |
| Annual System Load Factor[4] | 54.8% | 54.6% | 57.6% | 57.9% | 58.0% |

(1) Includes coincident demand of approximately 5 to 6 MW's for sales to Talquin
(2) Reflects the anticipated conversion of 26 MW from firm service to interruptible service
(3) Includes the estimated reduction in sales of 7,864 MWh associated with conservation programs
(4) Annual Energy Requirements divided by the product of 8,760 hours multiplied by the peak demand.

## Gas System - Sales to Ultimate Customers, by Customer Class

| For Fiscal Years Ended September 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| ***Residential (firm)*** | | | | | |
| Average No. of Customers | 19,358 | 20,332 | 20,599 | 22,672 | 23,200 |
| Usage (Mcf) | 654,909 | 585,934 | 694,119 | 687,412 | 653,058 |
| Average Sales Per Customer (Mcf) | 34 | 29 | 34 | 30 | 28 |
| ***Non-residential (firm)*** | | | | | |
| Average No. of Customers | 1,402 | 1,436 | 1,327 | 1,634 | 1,630 |
| Usage (Mcf) | 666,273 | 634,725 | 1,413,690 | 1,315,914 | 1,450,904 |
| Average Sales Per Customer (Mcf) | 475 | 442 | 1,065 | 805 | 890 |
| ***Interruptible*** | | | | | |
| Average No. of Customers | 18 | 17 | 15 | 16 | 17 |
| Usage (Mcf) | 807,159 | 64,295 | 118,259 | 158,097 | 173,268 |
| Average Sales Per Customer (Mcf) | 44,842 | 50,841 | 7,884 | 9,881 | 10,192 |
| ***Interdepartmental Sales*** (1) | | | | | |
| Average No. of Customers | 44 | 47 | - | - | - |
| Usage (Mcf) | 27,607 | 24,235 | - | - | - |
| Average Sales Per Customer (Mcf) | 627 | 516 | - | - | - |
| ***Total Gas System*** | | | | | |
| Average No. of Customers | 20,822 | 21,832 | 21,940 | 24,322 | 24,847 |
| Usage (Mcf) | 2,155,948 | 2,109,189 | 2,226,068 | 2,161,423 | 2,277,231 |
| Average Sales Per Customer (Mcf) | 104 | 97 | 101 | 89 | 92 |
| Miles of Gas Lines | 645 | 670 | 715 | 731 | 744 |
| Heating Degree Days (HDD) | 1,810 | 1,442 | 1,721 | 1,686 | 1,518 |

(1) Interdepartmental sales included in non-residential and interruptible customers beginning in FY 2003.

**Gas System - Projected Sales Volumes in MCF***

| For Fiscal Years Ending September 30 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Residential | 736,219 | 761,986 | 788,656 | 816,259 | 844,828 |
| Commercial | 728,799 | 736,087 | 743,448 | 750,883 | 758,396 |
| Small Interruptible | 161,258 | 161,258 | 161,258 | 161,258 | 161,258 |
| Flexible Interruptible | 757,987 | 757,987 | 757,987 | 757,987 | 757,987 |
| ***Total*** | 2,384,263 | 2,417,318 | 2,451,349 | 2,486,387 | 2,522,469 |

*Forecast prepared by the Gas System and reflects normalized weather.

## Electric System Ten Largest Retail Customers

| Fiscal Year Ended September 30, 2005 | | | *Percent of Total Retail Sales* | |
|---|---|---|---|---|
| ***Customers*** | ***Revenue*** | ***kWh*** | ***Revenue*** | ***kWh*** |
| Florida State University | $18,683,326 | 263,401,708 | 7.72% | 9.76% |
| State of Florida | 14,759,104 | 191,867,298 | 6.10% | 7.11% |
| City of Tallahassee | 7,625,707 | 93,336,312 | 3.15% | 3.46% |
| Florida A & M University | 4,744,470 | 66,146,661 | 1.96% | 2.45% |
| Leon County School Board | 4,590,527 | 52,454,413 | 1.90% | 1.94% |
| Tallahassee Memorial HealthCare | 3,172,376 | 44,697,884 | 1.31% | 1.66% |
| Publix Markets | 2,301,506 | 29,783,944 | 0.95% | 1.10% |
| Federal Government | 2,071,834 | 26,156,238 | 0.86% | 0.97% |
| Leon County | 1,992,629 | 25,875,521 | 0.82% | 0.96% |
| Wal-Mart | 1,896,055 | 24,788,334 | 0.78% | 0.92% |
| **TOTAL** | $61,837,535 | $818,508,313 | 25.55% | 30.33% |

## Gas System Five Largest Customers by Consumption

| Fiscal Year Ended September 30, 2005 | | | *Percent of Total Retail Sales* | |
|---|---|---|---|---|
| ***Customers*** | ***Revenue*** | ***Gas Usage*** | ***Revenue*** | ***Gas Usage*** |
| Florida State University | $3,483,496 | 417,085 | 12.30% | 18.32% |
| Florida A&M University | 1,966,404 | 234,923 | 6.94% | 10.32% |
| Tallahassee Memorial HealthCare | 1,162,581 | 120,538 | 4.10% | 5.29% |
| State of Florida | 719,851 | 60,253 | 2.54% | 2.65% |
| Federal Government | 416,804 | 37,933 | 1.47% | 1.67% |
| **TOTAL** | $ 7,749,136 | $ 870,733 | 27.36% | 38.24% |

## Electric Rates

| | Current (1) |
|---|---|
| ***Residential*** | |
| Customer Charge - Single Phase Service | $4.94 |
| Customer Charge - Three Phase Service | $16.80 |
| Energy Charge per kWh | $0.04217 |
| | |
| ***General Service Non - Demand*** | |
| Customer Charge - Single Phase Service | $6.00 |
| Customer Charge - Three Phase Service | $22.00 |
| Energy Charge per kWh | $0.03141 |
| | |
| ***General Service Demand*** | |
| Customer Charge | $40.00 |
| Demand Charge per kW | $7.25 |
| Energy Charge-The first 500 kWh per kW | $0.00980 |
| Excess kWh per kW @ | $0.00137 |
| | |
| ***General Service Large Demand*** | |
| Customer Charge | $40.00 |
| Demand Charge per kW | $7.25 |
| Energy Charge-The first 500 kWh per kW | $0.00940 |
| Excess kWh per kW @ | $0.00137 |

(1) A fuel and purchased power charge is also applied to all kWh sold.

## Gas Rates

| | |
|---|---|
| **Monthly Rate:** | |
| Customer Charge | |
| Residential Service Per Meter | $7.00 |
| Nonresidential Service | $12.00 |
| | |
| **Interruptible Service:** | |
| Small Interruptible Service | $150.00 |
| Interruptible Service | $225.00 |
| Large Interruptible Service | $225.00 |
| | |
| **Commodity Charge:** | |
| Residential Service Per 100 Cubic Feet | $0.62824 |
| Nonresidential Service Per 100 Cubic Feet | $0.48837 |
| | |
| **Interruptible Service: (Cents Per 100 cf)** | |
| Small Interruptible Service | $0.21890 |
| Interruptible Service | $0.16890 |
| Large Interruptible Service | $0.08190 |

(1) A fuel charge is also applied to all 100-Cubic Feet sold.

## Energy System Debt Service Coverage (in 000s) *

| Fiscal Year Ended September 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| **Electric Operating Revenues** | | | | | |
| Retail Sales | $198,503 | $177,322 | $207,238 | $239,917 | $248,149 |
| Sales for Resale | 29,884 | 4,909 | 9,609 | 6,504 | 7,821 |
| Other Operating Revenues | 5,921 | 7,419 | 8,578 | 7,344 | 16,427 |
| Transfers (to) from | (1,152) | (2,738) | (3,000) | - | - |
| Total Electric Operating Revenue | 233,156 | 186,912 | 222,425 | 253,765 | 272,397 |
| **Electric Operating Expenses** | | | | | |
| Fuel | 106,777 | 76,457 | 108,743 | 114,734 | 133,887 |
| Purchased Power | 25,726 | 18,820 | 20,597 | 42,102 | 33,652 |
| Other | 38,339 | 44,588 | 46,223 | 59,505 | 59,945 |
| Total Electric Operating Expenses | 170,842 | 139,865 | 175,563 | 216,341 | 227,484 |
| **Net Electric Revenues** | 62,314 | 47,047 | 46,862 | 37,424 | 44,913 |
| **Non-Operating Revenues:** | | | | | |
| Other Income & Deductions | 4,131 | 12,476 | 2,956 | 1,999 | 1,378 |
| **Total Net Electric Revenues** | **66,445** | **59,523** | **49,818** | **39,423** | **46,291** |
| **Gas Operating Revenues** | | | | | |
| Total Gas Operating Revenues | 24,431 | 19,181 | 23,287 | 26,486 | 29,112 |
| **Gas Operating Expenses** | 18,315 | 13,123 | 17,648 | 20,391 | 23,933 |
| **Net Gas Revenues** | 6,116 | 6,058 | 5,639 | 6,095 | 5,179 |
| **Non-Operating Revenues** | - | - | - | - | 141 |
| **Total Net Gas Revenues** | 6,116 | 6,058 | 5,639 | 6,095 | 5,320 |
| **Total Available for Debt Service** | **$72,561** | **$65,581** | **$55,457** | **$45,518** | **$51,611** |
| Existing Debt Service | $ 22,293 | $ 16,833 | $ 21,493 | $ 21,493 | $ 21,490 |
| Coverage | 3.25x | 3.90x | 2.58x | 2.12x | 2.40x |

## ENERGY SYSTEM
## CITY OF TALLAHASSEE, FLORIDA
## CONSOLIDATED DEBT SERVICE

| Bond Year Ending October 1 | Total | $27,630,000 Series 2005 | $27,630,000 Series 2002 | $17,680,000 Series 2001 | $143,800,000 Series 1998 A | $49,220,000 Series 1998 B |
|---|---|---|---|---|---|---|
| 2006 | 26,466,613 | 4,966,767 | 6,682,500 | 1,548,390 | 8,235,756 | 5,033,200 |
| 2007 | 27,596,759 | 6,102,513 | 6,684,100 | 1,544,790 | 8,238,556 | 5,026,800 |
| 2008 | 21,331,439 | 8,452,513 | | 1,544,120 | 10,124,806 | 1,210,000 |
| 2009 | 21,200,429 | 8,320,263 | - | 1,541,110 | 10,129,056 | 1,210,000 |
| 2010 | 21,333,428 | 8,454,763 | - | 1,545,690 | 10,122,975 | 1,210,000 |
| 2011 | 21,434,063 | 8,546,738 | - | 1,547,350 | 10,129,975 | 1,210,000 |
| 2012 | 21,329,700 | 8,448,050 | - | 1,540,850 | 10,130,800 | 1,210,000 |
| 2013 | 21,437,413 | 8,550,875 | - | 1,546,725 | 10,129,813 | 1,210,000 |
| 2014 | 21,430,938 | 8,545,425 | - | 1,544,025 | 10,131,488 | 1,210,000 |
| 2015 | 21,062,538 | 8,444,475 | - | 1,278,025 | 10,130,038 | 1,210,000 |
| 2016 | 21,108,438 | 8,545,475 | - | 1,228,025 | 10,124,938 | 1,210,000 |
| 2017 | 21,118,388 | 8,547,425 | - | 1,227,750 | 10,133,213 | 1,210,000 |
| 2018 | 21,114,588 | 8,546,175 | - | 1,234,750 | 10,123,663 | 1,210,000 |
| 2019 | 21,128,700 | 8,548,425 | - | 1,233,750 | 10,136,525 | 1,210,000 |
| 2020 | 19,890,563 | 8,550,425 | - | - | 10,130,138 | 1,210,000 |
| 2021 | 19,888,723 | 8,548,985 | - | - | 10,129,738 | 1,210,000 |
| 2022 | 19,890,035 | 8,545,660 | - | - | 10,134,375 | 1,210,000 |
| 2023 | 22,087,110 | 8,549,010 | - | - | 10,128,100 | 3,410,000 |
| 2024 | 23,751,185 | 8,545,510 | - | - | 10,125,675 | 5,080,000 |
| 2025 | 23,752,090 | 8,544,940 | - | - | 10,126,150 | 5,081,000 |
| 2026 | 23,754,825 | 8,544,250 | - | - | 10,128,575 | 5,082,000 |
| 2027 | 23,766,500 | 8,547,000 | - | - | 10,137,000 | 5,082,500 |
| 2028 | 23,755,750 | 8,546,500 | - | - | 10,127,250 | 5,082,000 |
| 2029 | 8,542,250 | 8,542,250 | - | - | - | - |
| 2030 | 8,543,750 | 8,543,750 | - | - | - | - |
| 2031 | 8,545,000 | 8,545,000 | - | - | - | - |
| 2032 | 8,550,250 | 8,550,250 | - | - | - | - |
| 2033 | 8,543,500 | 8,543,500 | - | - | - | - |
| 2034 | 8,544,500 | 8,544,500 | - | - | - | - |
| 2035 | 8,547,000 | 8,547,000 | - | - | - | - |
| **TOTALS** | **$ 569,446,463** | **$ 249,758,410** | **$ 13,366,600** | **$ 20,105,350** | **$ 229,188,603** | **$ 57,027,500** |

**$128,920,000**
**CITY OF TALLAHASSEE, FLORIDA**
**Energy System Revenue Bonds, Series 2005**

Dated: October 1, 2005

## Purpose

To fund the certain capital improvements to the City's Electric System and Gas System,, to fund the debt service requirement applicable to the Series 2005 Bonds, and to pay certain costs of issuance in connection with the series 2005 Bonds.

## Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Revenue Bonds, Series 1998 B, Energy System Refunding Revenue Bonds, Series 2001 and Energy System Refunding Revenue Bonds, Series 2002.

## Form

$128,920,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2006.

## Agents

| | |
|---|---|
| **Registrar:** | Wachovia Bank, NA, Jacksonville, Florida |
| **Paying Agent:** | Wachovia Bank, NA, Jacksonville, Florida |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida |

## Ratings

| | |
|---|---|
| Moody's: | Aaa (A1 – underlying) |
| Standard and Poors: | AAA (AA – underlying) |
| Fitch: | AAA (AA – underlying) |

## $1,289,200,000
## CITY OF TALLAHASSEE, FLORIDA
## ENERGY SYSTEM REVENUE BONDS, SERIES 2005

***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | | - | 4,966,767 | 4,966,767 |
| 2007 | | - | 6,102,513 | 6,102,513 |
| 2008 | 3.50% | 2,350,000 | 6,102,513 | 8,452,513 |
| 2009 | 3.50% | 2,300,000 | 6,020,263 | 8,320,263 |
| 2010 | 3.50% | 2,515,000 | 5,939,763 | 8,454,763 |
| 2011 | * | 2,695,000 | 5,851,738 | 8,546,738 |
| 2012 | 4.50% | 2,715,000 | 5,733,050 | 8,448,050 |
| 2013 | * | 2,940,000 | 5,610,875 | 8,550,875 |
| 2014 | * | 3,065,000 | 5,480,425 | 8,545,425 |
| 2015 | 4.00% | 3,100,000 | 5,344,475 | 8,444,475 |
| 2016 | * | 3,325,000 | 5,220,475 | 8,545,475 |
| 2017 | * | 3,490,000 | 5,057,425 | 8,547,425 |
| 2018 | 5.00% | 3,655,000 | 4,891,175 | 8,546,175 |
| 2019 | 4.38% | 3,840,000 | 4,708,425 | 8,548,425 |
| 2020 | 4.40% | 4,010,000 | 4,540,425 | 8,550,425 |
| 2021 | 4.50% | 4,185,000 | 4,363,985 | 8,548,985 |
| 2022 | 4.50% | 4,370,000 | 4,175,660 | 8,545,660 |
| 2023 | 5.00% | 4,570,000 | 3,979,010 | 8,549,010 |
| 2024 | 4.60% | 4,795,000 | 3,750,510 | 8,545,510 |
| 2025 | 4.60% | 5,015,000 | 3,529,940 | 8,544,940 |
| 2026 | 5.00% | 5,245,000 | 3,299,250 | 8,544,250 |
| 2027 | 5.00% | 5,510,000 | 3,037,000 | 8,547,000 |
| 2028 | 5.00% | 5,785,000 | 2,761,500 | 8,546,500 |
| 2029 | 5.00% | 6,070,000 | 2,472,250 | 8,542,250 |
| 2030 | 5.00% | 6,375,000 | 2,168,750 | 8,543,750 |
| 2031 | 5.00% | 6,695,000 | 1,850,000 | 8,545,000 |
| 2032 | 5.00% | 7,035,000 | 1,515,250 | 8,550,250 |
| 2033 | 5.00% | 7,380,000 | 1,163,500 | 8,543,500 |
| 2034 | 5.00% | 7,750,000 | 794,500 | 8,544,500 |
| 2035 | 5.00% | 8,140,000 | 407,000 | 8,547,000 |
| **TOTALS** | | **$ 128,920,000** | **120,838,410** | **249,758,410** |

* Bonds maturing 2011 are in two issues: $1,285,000 at 3.75% interest rate and $1,410,000 at 5.00% interest rate.

* Bonds maturing 2013 are in two issues: $1,655,000 at 4.00% interest rate and $1,285,000 at 5.00% interest rate.

* Bonds maturing 2014 are in two issues: $1,730,000 at 4.00% interest rate and $1,335,000 at 5.00% interest rate.

* Bonds maturing 2016 are in two issues: $320,000 at 4.00% interest rate and $3,005,000 at 5.00% interest rate.

**$27,630,000**
**CITY OF TALLAHASSEE, FLORIDA**
**Energy System Refunding Revenue Bonds, Series 2002**

Dated: August 1, 2002

## Purpose

To refund the City's outstanding Electric System Refunding Revenue Bonds, Series 1992 A.

## Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Revenue Bonds, Series 1998 B, and Energy System Refunding Revenue Bonds, Series 2001.

## Form

$27,630,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2002.

## Agents

| | |
|---|---|
| **Registrar:** | Wachovia Bank, NA, Jacksonville, Florida |
| **Paying Agent:** | Wachovia Bank, NA, Jacksonville, Florida |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida |

## Ratings

| | |
|---|---|
| Moody's: | Aaa (A1 – underlying) |
| Standard and Poors: | AAA (AA – underlying) |
| Fitch: | AAA (AA – underlying) |

**$27,630,000**

**CITY OF TALLAHASSEE, FLORIDA**

**ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2002**

***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | 3.0000% | 6,280,000 | 402,500 | 6,682,500 |
| 2007 | * | 6,470,000 | 214,100 | 6,684,100 |
| **TOTALS** | | **$ 12,750,000** | **$ 616,600** | **$ 13,366,600** |

* Bonds maturing 2007 are in two issues: $5,470,000 at 3.00% interest rate and $1,000,000 at 5.00% interest rate.

## $17,680,000
## CITY OF TALLAHASSEE, FLORIDA
## Energy System Refunding Revenue Bonds, Series 2001

Dated: May 1, 2001

### Purpose

To refund a portion of the City's outstanding Consolidated Utility System Revenue Bonds attributable to the Gas System to allow the Gas System to become part of the City's combined Energy System.

### Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a subordinated basis to the City's outstanding Junior Lien Electric System Revenue Bonds, Series 1992 A, (the Minibonds) and its Electric System Refunding Revenue Bonds, Series 1992 A, and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, and Energy System Revenue Bonds, Series 1998 B.

### Form

$14,325,000 Serial Bonds, $3,355,000 5.00% Term Bonds due October 1, 2019, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2001.

### Agents

| | |
|---|---|
| **Registrar:** | Wachovia Bank, NA, Jacksonville, Florida |
| **Paying Agent:** | Wachovia Bank, NA, Jacksonville, Florida |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida |

### Ratings

| | |
|---|---|
| Moody's: | Aaa (A1 – underlying) |
| Standard and Poors: | AAA (AA – underlying) |
| Fitch: | AAA (AA – underlying) |

### Call Provisions
### Optional Redemption

The Series 2001 Bonds maturing on or prior to October 1, 2016, are not subject to optional redemption prior to the maturity thereof. The Series 2001 Bonds maturing October 1, 2019, are subject to redemption prior to maturity on or after October 1, 2011, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) during the following redemption periods at the following redemption prices (plus accrued interest on the principal amount, if any):

| Redemption period (both sides inclusive) | Redemption Prices |
|---|---|
| October 1, 2011 through September 30, 2012 | 101% |
| October 1, 2012 and thereafter | 100% |

## $17,680,000
## CITY OF TALLAHASSEE, FLORIDA
## ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2001

***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | | Principal | Interest | Total |
|---|---|---|---|---|---|
| 2006 | 4.00% | | 840,000 | 708,390 | 1,548,390 |
| 2007 | 4.10% | | 870,000 | 674,790 | 1,544,790 |
| 2008 | 4.20% | | 905,000 | 639,120 | 1,544,120 |
| 2009 | 4.30% | | 940,000 | 601,110 | 1,541,110 |
| 2010 | 4.40% | | 985,000 | 560,690 | 1,545,690 |
| 2011 | 5.00% | | 1,030,000 | 517,350 | 1,547,350 |
| 2012 | 5.50% | | 1,075,000 | 465,850 | 1,540,850 |
| 2013 | 5.50% | | 1,140,000 | 406,725 | 1,546,725 |
| 2014 | 5.50% | | 1,200,000 | 344,025 | 1,544,025 |
| 2015 | 5.50% | | 1,000,000 | 278,025 | 1,278,025 |
| 2016 | 5.50% | | 1,005,000 | 223,025 | 1,228,025 |
| 2017 | 5.00% | (1) | 1,060,000 | 167,750 | 1,227,750 |
| 2018 | 5.00% | (2) | 1,120,000 | 114,750 | 1,234,750 |
| 2019 | 5.00% | (3) | 1,175,000 | 58,750 | 1,233,750 |
| **TOTALS** | | | **$ 14,345,000** | **$ 5,760,350** | **$ 20,105,350** |

(1) Term bonds maturing 2017

(2) Term bonds maturing 2018

(3) Term bonds maturing 2019

**$143,800,000**
**CITY OF TALLAHASSEE, FLORIDA**
**Energy System Refunding Revenue Bonds, Series 1998 A**

Dated: November 1, 1998

### Purpose

To refund the City's outstanding Electric System Revenue Bonds, Series 1992 B and its Sunshine State Financing Commission loan dated April 10, 1997 and to fund certain transmission and distribution capital improvements to the City's Electric System.

### Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Electric System.

### Form

$64,970,000 Serial Bonds, $19,940,000 4.75% Term Bonds due October 1, 2021, $40,050,000 4.75% Term Bonds due October 1, 2026, and $18,840,000 5.00% Term Bonds due October 1, 2028, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1 commencing April 1, 1999.

### Agents

| | |
|---|---|
| **Registrar:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Paying Agent:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Trustee:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida |

### Ratings

| | |
|---|---|
| Moody's: | Aaa (A1 underlying) |
| Standard and Poors: | AAA (AA – underlying) |
| Fitch: | AAA (AA – underlying) |

### Call Provisions

### Optional Redemption

The Series 1998 A Bonds maturing prior to October 1, 2016 are not subject to optional redemption prior to the maturity thereof. The Series 1998 A Bonds maturing on or after October 1, 2016, are subject to redemption prior to maturity on or after October 1, 2008, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) during the following redemption periods at the following redemption prices (plus accrued interest on the principal amount, if any):

| Redemption period (both dates inclusive | Redemption Prices |
|---|---|
| October 1, 2008 through September 30, 2009 | 101% |
| October 1, 2009 and thereafter | 100% |

## Mandatory Redemption

The Series 1998 A Bonds that mature on October 1, 2021 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2019 and on each October 1 thereafter in the following principal amounts in the years specified:

| Year | Amount |
|---|---|
| 2019 | $6,345,000 |
| 2020 | $6,640,000 |
| 2021 (final maturity) | $6,955,000 |

The Series 1998 A Bonds that mature on October 1, 2026 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2022 and on each October 1 thereafter in the following principal amounts in the years specified:

| Year | Amount |
|---|---|
| 2022 | $7,290,000 |
| 2023 | $7,630,000 |
| 2024 | $7,990,000 |
| 2025 | $8,370,000 |
| 2026 (final maturity) | $8,770,000 |

The Series 1998 A Bonds that mature on October 1, 2028 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2027 and on October 1, 2028 in the following principal amounts in the years specified:

| Year | Amount |
|---|---|
| 2027 | $9,195,000 |
| 2028 (final maturity) | $9,645,000 |

## Special Mandatory Redemption

In the event the City sells or disposes of all or a portion of the Energy System and such sale or disposition will, in the opinion of Bond Counsel, absent a redemption of all or a portion of the Series 1998 A Bonds, adversely effect the exclusion of interest on the Series 1998 A Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998 A Bonds shall be subject to a special mandatory redemption at the prices (expressed as a percentage of par) set forth below, plus accrued interest to the redemption date; provided that with respect to Series 1998 A Bonds maturing in the years 2007 and 2008 and the years 2010 through and including 2015, such price shall be the greater of the prices set forth below or the accreted values shown in Appendix I of the Series 1998 A Official Statement plus accrued interest to the redemption date. In the event less than all of the Series 1998 A Bonds are subject to such special mandatory redemption, the City shall select the Series 1998 A Bonds to be subject to redemption in such a manner, as it shall so determine. In the event the Series 1998

A Bonds are subject to optional redemption as described above, the City may utilize such optional redemption provisions in lieu of the Special Mandatory Redemption.

**$143,800,000**

**CITY OF TALLAHASSEE, FLORIDA**

**ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1998 A**

***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | 4.000% | 1,680,000 | 6,555,756 | 8,235,756 |
| 2007 | 4.500% | 1,750,000 | 6,488,556 | 8,238,556 |
| 2008 | 5.000% | 3,715,000 | 6,409,806 | 10,124,806 |
| 2009 | 4.125% | 3,905,000 | 6,224,056 | 10,129,056 |
| 2010 | 5.000% | 4,060,000 | 6,062,975 | 10,122,975 |
| 2011 | 5.250% | 4,270,000 | 5,859,975 | 10,129,975 |
| 2012 | 5.250% | 4,495,000 | 5,635,800 | 10,130,800 |
| 2013 | 5.250% | 4,730,000 | 5,399,813 | 10,129,813 |
| 2014 | 5.250% | 4,980,000 | 5,151,488 | 10,131,488 |
| 2015 | 5.250% | 5,240,000 | 4,890,038 | 10,130,038 |
| 2016 | 4.750% | 5,510,000 | 4,614,938 | 10,124,938 |
| 2017 | 4.750% | 5,780,000 | 4,353,213 | 10,133,213 |
| 2018 | 4.750% | 6,045,000 | 4,078,663 | 10,123,663 |
| 2019 | 4.750% | 6,345,000 | 3,791,525 | 10,136,525 |
| 2020 | 4.750% | 6,640,000 | 3,490,138 | 10,130,138 |
| 2021 | 4.750% | 6,955,000 | 3,174,738 | 10,129,738 |
| 2022 | 4.750% | 7,290,000 | 2,844,375 | 10,134,375 |
| 2023 | 4.750% | 7,630,000 | 2,498,100 | 10,128,100 |
| 2024 | 4.750% | 7,990,000 | 2,135,675 | 10,125,675 |
| 2025 | 4.750% | 8,370,000 | 1,756,150 | 10,126,150 |
| 2026 | 4.750% | 8,770,000 | 1,358,575 | 10,128,575 |
| 2027 | 5.000% | 9,195,000 | 942,000 | 10,137,000 |
| 2028 | 5.000% | 9,645,000 | 482,250 | 10,127,250 |
| **TOTALS** | | **$ 134,990,000** | **$ 94,198,603** | **$ 229,188,603** |

**$49,220,000**
**CITY OF TALLAHASSEE, FLORIDA**
**Energy system Revenue Bonds, Series 1998 B**

Dated: November 1, 1998

## Purpose
To fund a portion of the costs of construction of planned generation capital improvements to the City's Electric System.

## Security
The Bonds are payable solely from and secured by a lien and pledge of the net revenues of the City's Electric System on a subordinated basis to the City's outstanding Junior Lien Electric System Revenue Bonds, Series 1992 A (the Minibonds) and its Electric System Refunding Revenue Bonds, Series 1992 A.

## Form
$25,020,000 Serial Bonds, and $24,200,000 5.05% Term Bonds due October 1, 2028. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest payable semi-annually on each April 1 and October 1 commencing April 1, 1999.

## Agents
| | |
|---|---|
| **Registrar:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Paying Agent:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Trustee:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida |

## Ratings
| | |
|---|---|
| Moody's: | Aaa (A1 - underlying) |
| Standard and Poors: | AAA (AA – underlying) |
| Fitch: | AAA (AA – underlying) |

## Call Provisions
## Optional Redemption
The Series 1998 B Bonds maturing on and prior to October 1, 2007 are not subject to optional redemption prior to the maturity thereof. The Series 1998 B Bonds maturing October 1, 2028, are subject to redemption prior to maturity on or after October 1, 2008, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) during the following redemption periods at the following redemption prices (plus accrued interest on the principal amount, if any):

| Redemption period (both dates inclusive) | Redemption Prices |
|---|---|
| October 1, 2008 through September 30, 2009 | 101% |
| October 1, 2009 and thereafter | 100% |

## Mandatory Redemption
The Series 1998 B Bonds that mature on October 1, 2028 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2023 and on each October 1 thereafter in the following principal amounts in the years specified:

| Year | Amount |
|---|---|
| 2023 | $2,200,000 |
| 2024 | $3,980,000 |
| 2025 | $4,180,000 |
| 2026 | $4,390,000 |
| 2027 | $4,610,000 |
| 2028 (final maturity) | $4,840,000 |

## Special Mandatory Redemption

In the event the City sells or disposed of all or a portion of the Energy System and such sale or disposition will, in the opinion of Bond Counsel, absent a redemption of all or a portion of the Series 1998 B Bonds, adversely effect the exclusion of interest on the Series 1998 B Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998 A Bonds shall be subject to a special mandatory redemption at the prices (expressed as a percentage of par) set forth below, plus accrued interest to the redemption date. In the event less than all of the Series 1998 B Bonds are subject to such special mandatory redemption, the City shall select the Series 1998 B Bonds to be subject to redemption in such a manner, as it shall so determine.

| Redemption Period | Redemption Price |
|---|---|
| October 1, 1999 to September 30, 2000 | 105.0% |
| October 1, 2000 to September 30, 2001 | 104.5 |
| October 1, 2001 to September 30, 2002 | 104.0 |
| October 1, 2002 to September 30, 2003 | 103.5 |
| October 1, 2003 to September 30, 2004 | 103 |
| October 1, 2004 to September 30, 2005 | 102.5 |
| October 1, 2005 to September 30, 2006 | 102 |
| October 1, 2006 to September 30, 2007 | 101.5 |
| October 1, 2007 to September 30, 2008 | 101 |
| October 1, 2008 to September 30, 2009 | 100.5 |
| October 1, 2009 and thereafter | 100 |

## $49,220,000
## CITY OF TALLAHASSEE, FLORIDA
## ENERGY SYSTEM REVENUE BONDS, SERIES 1998 B

***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | 4.000% | 3,535,000 | 1,498,200 | 5,033,200 |
| 2007 | 4.000% | 3,670,000 | 1,356,800 | 5,026,800 |
| 2008 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2009 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2010 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2011 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2012 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2013 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2014 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2015 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2016 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2017 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2018 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2019 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2020 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2021 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2022 | 5.000% | - | 1,210,000 | 1,210,000 |
| 2023 | 5.000% | 2,200,000 | 1,210,000 | 3,410,000 |
| 2024 | 5.000% | 3,980,000 | 1,100,000 | 5,080,000 |
| 2025 | 5.000% | 4,180,000 | 901,000 | 5,081,000 |
| 2026 | 5.000% | 4,390,000 | 692,000 | 5,082,000 |
| 2027 | 5.000% | 4,610,000 | 472,500 | 5,082,500 |
| 2028 | 5.000% | 4,840,000 | 242,000 | 5,082,000 |
| **TOTALS** | | **$ 31,405,000** | **$ 25,622,500** | **$ 57,027,500** |

# THE CONSOLIDATED UTILITY AND STORMWATER DRAINAGE SYSTEMS

The Consolidated Utility and Stormwater Drainage System refers to two of the City's utilities and one of its special revenue funds, grouped together primarily for the purpose of debt financing. The Systems are defined herein as the Utility System and the Stormwater Drainage System.

The City has exclusive authority to provide water and sewer services to all customers within the corporate City limits. In addition, the City is a provider of water and sewer services to portions of Leon County (the County) and, to a limited degree, in Wakulla County. The City's Stormwater Drainage System covers the 101.9 square miles within the City limits.

## Rate Setting

The Commission is vested with the sole authority to establish water, sewer and stormwater rates for the facilities and other services afforded by the Systems, subject to Section 180.191, Florida Statutes. This provision establishes a limitation on the differential that maybe charged customers outside of the municipal boundaries as opposed to those within the municipal boundaries.

Pursuant to the Resolution, which requires that rates and charges for the Utility System shall not be changed except upon the recommendation of the Qualified Independent Consultant, the City has retained the firm of R.W. Beck to assist the City in performing the rate studies for the Utility System and for various other utility matters. The City does not retain a Qualified Independent Consultant to assist in setting rates for the Stormwater Drainage System. The Commission establishes stormwater drainage fees based on an amount deemed sufficient to cover the Stormwater Drainage System's projected operational, maintenance and capital requirements.

The City's financing policy is to fund general government services from various fees and charges, entitlements from other governmental agencies, taxes, and transfers from utility revenues. The City has established a targeted transfer from its various utilities to help fund these general government services. These transfer requirements are a factor in setting the City's Utility System rates and charges. There is no transfer requirement with respect to the Stormwater Drainage System.

In order to insure that rates and charges are sufficient to meet the rate covenant as set forth in the Resolution and to provide adequate revenues to fund the Utility System's Five-Year Capital Improvement Program (the Five-Year Capital Improvement Program) and other system requirements, the City has established a process of reviewing the rates and charges for the Utility System, separately for each of the Water System and the Sewer System. The Commission approves rates through adoption of a rate ordinance after advertising and conducting public hearings. Historically, the ordinance implementing the findings of the rate study and the public hearing process has provided, to the extent needed, changes in the rates for both the first and second years of the study period.

## Water and Sewer Rates

In May 2005, the County and the City executed a new Water and Sewer Franchise Agreement (the Franchise Agreement) that allows for the surcharge for rates and systems charges to be increased from the current 37.5% to 50% on October 1, 2005. The surcharges will be reviewed as part of the comprehensive rate study. A surcharge of 50%, applied by the City to water rates for customers in Wakulla County, will remain unchanged. On March 8, 2006, an ordinance was introduced to increase water and sewer rates and various fees and charges, including tap fees and systems charges. The proposed water rate increase is approximately 6% and will result in the volumetric usage rate increasing from $1.22 to $1.29 per 1000 gallons effective October 1, 2006. The corresponding volumetric sewer rate is proposed to increase by approximately 4% from $2.68 to $2.79 per 1000 gallons effective April 1, 2006; a second increase of 10% from $2.79 to $3.08 per 1000 gallons effective October 1, 2006; and a third increase of 12% from \$3.08 to \$3.46 per 1000 gallons effective October 1, 2007. After October 1, 2007 both water and sewer rates would be automatically adjusted by a Consumer Price Index each year. The water tap fees will be increased effective April 1, 2006 to capture current actual costs and, for example, will increase from \$500 to \$650 for a ¾-inch tap that would feed a standard 5/8-inch residential meter. The sewer tap fee will be based on actual cost effective April 1, 2006. The public hearing for the proposed rate ordinance will be held on March 29, 2006, and the City Commission is expected to pass all rates, fees, and charges as proposed.

## Water and Sewer System Development Changes

The City has in place System Development Charges to fund a portion of the capital costs associated with growth for both the Water System and the Sewer System. The current System Development Charge for the Water System (the Water System Development Charges) is \$430 per residential equivalent unit within the incorporated area, and for the Sewer System (the Sewer System Development Charges) is \$2,520 within the incorporated area, both of which have been in effect since 1994. For customers located outside the City limits, these System Development Charges are increased by 50% in both Leon County and Wakulla County. As discussed in the preceding Rates paragraph, the water systems charge will increase effective April 1, 2006 from \$430 to \$630 for a standard 5/8-inch meter that would serve a standard residential connection, and the sewer systems charge will increase from \$2,520 to \$3,000 for a standard residential connection.

## City/County Water and Sewer Agreement

In May 2005, the County and the City executed the new Franchise Agreement that granted the City the water and sewer franchise for all remaining unfranchised area in the County. The Franchise Agreement includes criteria, which requires connection to Utility System if the Water System or the Sewer System is available within specified distances. The surcharge for rates and systems charges may also be increased from the current 37.5% to 50% on October 1, 2005. The Franchise Agreement requires for the City to provide long-range master plans with five-year capital improvement plans. Since the current Agreement is incorporated into the City-County Comprehensive Plan, Planning Department staff is developing plan amendments to remove the provisions of the current Agreement from the Comprehensive Plan.

In addition to the new Franchise Agreement discussed above, the County and the City executed a separate agreement to provide City sewer service to Killearn Lakes, Units I and II, an existing residential subdivision of approximately 1,300 lots where septic tanks are failing due to unsuitable drainage and soil conditions. The County is paying for the construction of a low-pressure sewer system that the City will accept for ownership, operation, and maintenance. Each lot will connect to the central sewer system via a privately owned grinder pump and pressure line. The customers will connect voluntarily, or when their septic tank system fail, and pay applicable outside-City fees and charges. The City has agreed to finance such fees and charges in accordance with its existing water and sewer loan program. Talquin Electric Cooperative, Inc. (Talquin) currently provides water service to the subdivision. Construction of the low-pressure sewer system is expected for completion in August 2006.

# WATER SYSTEM

## Management Discussion of Operations - Water System

The City owns, operates, and maintains a water system consisting of 28 water supply wells, 8 elevated storage tanks, approximately 1100 miles of water main and 5600 fire hydrants. There are 77,866 water customers. In FY 2005, revenues for the Water Department were approximately $23.5 million and expenses were approximately $19.1 million, which resulted in a surplus of approximately $4.3 million. Such surplus was applied in accordance with the City's financing policies.

Two concerns regarding water, typical of Florida, by which the City is not affected, are the danger of running out of water and of salt-water intrusion. The United States Geological Survey (USGS) reports that 134 billion gallons of water flow through the County each year by way of the Floridan Aquifer. The City is the largest user, yet withdraws less than 7% of the available flow each year, with much of its usage being returned to the Floridan Aquifer via the wastewater effluent reuse system (See Sewer System - Effluent Disposal).

The water quality of the Floridan Aquifer is excellent with most City wells requiring only the addition of chlorine and fluoride. However, in the downtown area seven wells were fitted with granular activated carbon units in 1990. These units are effectively removing tetrachloroethlylene, also known as PCE, from the well water. Monitoring all wells for PCE indicates that the PCE concentration has stabilized. PCE is a very low risk contaminant that poses the risk of one excess cancer in a population of one million people drinking water containing PCE for 70 years. As stated previously, a simple iron sequestering agent injection system has been installed at the City's newest well. New wells numbers 25 and 26 are equipped with enlarged discharge piping to allow extended chlorine contact time for bacterial control.

Recent federal legislation set limits on the acceptable amount of lead and copper in drinking water. Since the City does not have any known lead service lines in the Water System this contamination source is not an area for concern. The City has monitored for lead for a number of years with results well below the acceptable limit. New Federal and State rules contain unusual sampling requirements but the City has passed these requirements. In fact, both the Water System and the Woodville system have been placed on a "triennial monitoring status", with regard to lead and copper. Sampling occurred in FY 2004 in accordance with the triennial schedule with no results reported above allowable levels.

A Vulnerability Assessment (VA) of the Water System was completed in FY 2003 in conformance with federal requirements. In conjunction with the VA, the Emergency Operations Plan (EOP) for the Water System was updated. The EOP is updated and field-tested annually in preparation for the hurricane season. With the VA as the template, a security improvement plan is being developed for the water supply wells and storage tanks, and improvements will be completed in FY 2006.

The Water System published its Consumer Confidence Report (CCR) in FY 2005, and will publish the FY 2006 CCR in accordance with DEP requirements.

The Master Water Plan (MWP) was completed by Hatch, Mott, MacDonald, Florida L.L.C. and published in 2004. The MWP identified the need for two additional water supply wells. One of the two wells will be located on an existing site in the southeast service area to meet the continuing growth in the new Southwood development. The test well was completed in FY 2004 and indicated good raw water quality, which should require only chlorination and fluoridation treatment. The proposed capacity of this new well is 2,500 gpm. The design for the well commenced FY 2005 and construction started in FY 2006 with a construction time frame of one year. The second recommended well will be located in the northeast service area on a site not yet identified. Such well is needed for system reliability. A computer model of the Water System, which was developed as part of the MWP project, will be utilized to determine the best available site(s). Modeling and design should be completed within the next year, with land acquisition scheduled for FY 2007 with construction commencing in FY 2008. Other major projects in the current five-year capital improvement plan include extension of water mains in Leon County in response to the Franchise Agreement and refurbishment/upgrading of water wells and storage tanks.

The MWP identified some localized residential areas in the northeast service area that experience low pressure during very dry, hot conditions and corresponding heavy irrigation demands. City staff or a consultant will perform modeling scenarios to determine the feasibility of pressure booster improvements for these areas. The MWP also included a recommendation for continued annual funding for replacement of undersized or aging water distribution system infrastructure.

## WASTEWATER SYSTEM

The City owns, operates, and maintains a sanitary sewer system (the Sewer System) that serves the City and portions of the County. The Sewer System currently consists of two treatment plants having a combined treatment design capacity of 32.0 mgd, approximately 968 miles of sanitary sewer mains, and 96 pumping stations. There are approximately 66,063 sewer customers.

All houses and buildings within the City limits situated on property within 200 feet of any completed sewer line or any future sewer line when constructed are required to be connected to the Sewer System, and are required by City ordinance to physically connect to the Sewer System when any evidence of septic tank failure occurs. In addition, connection to Sewer System is required for any developments within the City limits with four or more residential units. All customers of the Sewer System are required to connect to the Water System if it is available or provide metering of their water well if not connected to the Water System.

### Management Discussion of Operations - Sewer System

On May 27, 2005 the City received a Consent Order from DEP to address Total Suspended Solids (TSS) violations that occurred at the TPS Plant over a 13-month period from February 2003 through February 2004. The daily limit of 60 milligrams/liter (mg/l) was exceeded on 19 days during this period. The monthly daily average is limited to 30 mg/l and was exceeded in June 2003 and February 2004. In addition to the TSS violations, the City was cited for not duly notifying the DEP of the TSS violations, although the exceeded TSS results were reported in the monthly Discharge Monitoring Reports. The violations resulted from the disposal constraints with the biosolids due to the loss of available property for land application. The City could not adequately process the amount of biosolids being produced by the wastewater treatment process, and consequently the solids levels in the secondary clarifiers exceeded standard operating parameters and “washed out” on 19 occasions due to increased flows or mechanical failures. After the heat dryer was placed in service in March 2004, the excess solids in the treatment process could be processed, and the high levels have been gradually reduced, with no further TSS violations since February 2004.

The major provisions of the Consent Order require the City to: reduce solids inventories and maintain solids levels at the TPS Plant at normal operating levels to preclude further violations; to develop a contingency plan to ensure proper notification of future violations to DEP; drain and clean the storage pond that received the “washed-out” solids at the Southeast Farm wastewater disposal facility; report quarterly on solids processing at the TPS Plant; pay a $500 administrative penalty; and pay a civil penalty of $41,300, or in lieu of this cash payment, implement an in-kind project that is approved by DEP as an environmental enhancement, education, or restoration project, or a facility capital improvement project.

The City and its legal counsel have deemed the Consent Order to be acceptable, and the City is complying with its requirements.

A contract with Hatch, Mott, MacDonald, Florida L.L.C. for the Master Sewer Plan (MSP) was executed in early 2005. The MSP is scheduled to be completed in 18-months and will address wastewater collection and pumping systems, including the development of a computer model of both the gravity and pressure systems. Condition assessments will be performed and result in a 20-year capital improvement plan set forth in five-year increments for replacement, rehabilitation, and addition of wastewater system infrastructure.

A Master Wastewater Treatment Plan (MTP) is also planned to address long-range wastewater treatment and disposal issues. Such MTP will have at least a 20-year time frame and will be conducted in two phases. Phase I was completed by Camp Dresser & McKee Inc. in May 2005 and entailed a condition assessment of the existing TPS Plant facilities and a review of current plant capacities and operations. The Phase I report includes a recommended Five-Year Capital Improvement Plan to replace and upgrade the various treatment processes to ensure reliability and compliance. The financial impact of the Five-Year Capital Improvement Plan will be reviewed in conjunction with the water and sewer rate study to be conducted during FY 2005. Phase II of the MTP is scheduled to commence in FY 2006 and will entail the study of advanced wastewater treatment technologies for nutrient removal and reuse applications; alternative disposal methods; and expansion alternatives for both treatment and disposal when the capacity of the existing facilities has been reached.

In response to increasing concern about the possible impact of the City's Southeast Farm wastewater disposal facility on the Floridan Aquifer and the Wakulla Springs watershed, the City through its Water System entered into a joint agreement with United States Geological Survey (USGS) to conduct a three-year study of water quality and flow direction in the aquifer as the groundwater moves under and beyond the farm's boundaries. Several monitoring wells and state-of-the-art analytical methods will be employed. The City is committing $100,000 per year to this study. The USGS will provide in-kind services to manage the project. The study commenced in FY 2004 and completion is anticipated at the end of FY 2006.

For FY 2005, the Sewer System experienced a surplus of approximately $3.9 million, which was applied per the City's financing policy. This surplus was due to a combination of increased revenues from capital overhead and residential customers as well as a savings of approximately 1% in budgeted expenditures from personnel and contractual services.

## STORMWATER MANAGEMENT SYSTEM

The City operates and maintains the Stormwater Drainage System (i.e. a network of pipes, channels, and detention ponds) to serve the 101.90 square miles within the City's incorporated limits. The Stormwater Drainage System consists of approximately 330 stormwater management ponds, 8,700 drainage structures, 330 miles of enclosed storm drains, 245 miles of roadside ditches, 16 miles of minor to medium outfall ditches and 26 miles of major outfall canals.

The operation, maintenance and expansion of the Stormwater Drainage System are funded through a stormwater utility fee. The stormwater utility fee method of funding is more equitable than an ad-valorem tax assessment for two reasons. First, the community wide cost of managing stormwater runoff is more closely related to the amount of runoff generated from a property than it is to the taxable value of a property. The runoff generated from a property is closely associated with its impervious area, so the City uses impervious area as the basis for the stormwater fee. Property taxes would only be poorly correlated to runoff, if at all. The second reason the stormwater utility fee method of funding is used is that over half of the property on the tax rolls in the City is tax-exempt. This unusual situation results from the City being a government center. If the Stormwater Drainage System were funded through property taxes, the owners of these tax-exempt properties would not contribute any part of the cost of managing runoff despite their generating a large portion of the demand for services.

### Management Discussion of Operations

During FY 2005, the actual operating revenues for the Stormwater Drainage System were $13.1 million while expenditures were $8.5 million resulting in actual income before transfers of $4.6 million. In accordance with the financing policy, $119,000 was transferred to the Stormwater Renewal, Replacement and Improvement Fund, to offset the need for future debt.

The Stormwater Drainage System is operated on a full cost recovery basis with associated revenues and expenditures accounted for within the Stormwater Fund. Stormwater maintenance activities are provided by the Public Works Department but are funded from the Stormwater Fund. In FY 2005 the cost for those activities was approximately $3.9 million. In addition to maintenance, a major portion of annual revenue goes to capital improvements to improve and expand the physical Stormwater Drainage System. The FY 2006 Five-Year Capital Improvement Program includes 25 projects. The total cost of these projects is approximately $40.6 million, which is required for FY 2006 through FY 2010. At this time, no debt funding is anticipated for any ongoing or future stormwater projects.

The City's financing policy allow annual adjustments to the rates charged by the Stormwater Drainage System equivalent to the consumer price index (CPI) for the prior year. The FY 2005 base stormwater fee is $6.25 per ERU per month. An ERU is the amount of impervious area associated with a typical single-family unit. This has been determined statistically to be 1,990 square feet. In these terms then the base monthly stormwater fee can be considered to be $6.25 per residence. Nonresidential land uses typically have substantially more impervious surface than do residential uses. To determine the stormwater fee for a non-residential parcel the actual impervious area on the site is measured. The total impervious area is then divided by the ERU base area (1,990 square feet). The resulting multiple number of ERU's is then multiplied by the base monthly fee ($6.25 per ERU) to get the monthly fee for that specific non-residential site.

The Stormwater Drainage System has approximately 76,200 customers. While approximately 92% of the customer base is residential, the 8% nonresidential customer base generates approximately 55% of the annual revenue. This again reflects the higher density of impervious area on nonresidential sites.

On March 30, 2005, the Commission adopted a resolution increasing the base stormwater fee by $1.70 per ERU to fund a program to reduce stormwater pollution. The $1.70 increase is being phased in over five years, in 20% increments. The first $.34/month ERU increase will take effect in October 2005.

Pollution from stormwater is referred to as "non-point source" because it originates from rainwater simply running off the land where it picks up a variety of pollutants. This is to be contrasted to "point sources" such as an industrial plant discharge, or a municipal sewage treatment plant discharging into a stream. Due to its ubiquitous nature, stormwater pollution is very difficult to manage. The new stormwater pollution reduction program will focus on 20 watersheds that have been identified through research and testing by the City to have the highest pollutant loads. While not a final solution, the program is viewed as a responsible and realistic start for what will have to be a very long-term effort. The FY 2006 revenue projection based on the proposed stormwater fee of $6.59 per ERU is $13.1 million.

## Selected Consolidated Utility System Statistics

### Water System

| Fiscal Years Ended September 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Miles of Water Mains [(1)] | 1,200 | 1,184 | 1,172 | 1,131 | 1,143 |
| Plant Capacity | 73.60 | 73.60 | 73.60 | 73.60 | 73.60 |
| Daily Avg. Consumption (MGD) | 29.49 | 26.87 | 28.89 | 30.43 | 29.33 |
| | | | | | |
| Residential | | | | | |
| Avg. No. of Customers | 61,947 | 63,312 | 68,430 | 68,168 | 69,869 |
| Water Sold (000) | 5,045,555 | 5,382,795 | 4,759,796 | 5,228,428 | 4,145,788 |
| Avg. Sales Per Customer | 81,450 | 85,020 | 69,557 | 76,699 | 59,337 |
| | | | | | |
| Commercial | | | | | |
| Avg. No. of Customers | 6,861 | 7,021 | 8,390 | 7,869 | 7,997 |
| Water Sold (000) | 4,085,916 | 4,248,922 | 4,145,123 | 4,500,698 | 3,584,185 |
| Avg. Sales Per Customer | 595,528 | 605,173 | 494,055 | 571,953 | 448,191 |
| | | | | | |
| Interdepartmental [(2)] | | | | | |
| Avg. No. of Customers | 349 | 355 | - | - | - |
| Water Sold (000) | 171,763 | 175,759 | - | - | - |
| Avg. Sales Per Customer | 492,158 | 495,096 | - | - | - |

## Sewer System

| Fiscal Years Ended September 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Miles of Sanitary Sewers | 934.6 | 858 | 928 | 949 | 968 |
| Annual Flow-Millions of Gallons | | | | | |
| Wastewater Treatment Plants | | | | | |
| Lake Bradford Road | 1,208 | 973 | 1,004 | 1,179 | 1,206 |
| Thomas P. Smith | 5,070 | 5,083 | 5,022 | 4,883 | 5,924 |
| **Total Amount** | **6,278** | **6,056** | **6,010** | **6,063** | **7,130** |
| Daily Average Treatment (MGD) | 17.24 | 16.59 | 16.47 | 16.61 | 19.53 |
| Rainfall (fiscal year totals) | 63.12 | 49.59 | 69.43 | 62.56 | 57.72 |
| Gallons Treated Per Customer | 108,650 | 102,653 | 102,688 | 94,137 | 107,920 |
| | | | | | |
| Avg. No. of Customers | | | | | |
| Residential | 52,291 | 54,972 | 57,761 | 58,413 | 59,988 |
| Commercial | 5,398 | 5,907 | 6,136 | 5,993 | 6,075 |
| Interdepartmental (2) | 99 | 99 | 0 | 0 | 0 |
| Rated Capacity | 32 | 32 | 32 | 32 | 32 |

(1) Decrease reflects updated data generated in FY 2002 using GIS methodology

(2) Interdepartmental is now included in commercial

## Water System Ten Largest Customers by Consumption (as of September 30, 2005)

| Customer | Water Usage | Billed Amount | Percentage of Revenues |
|---|---|---|---|
| Florida State University | 3,852,598 | $550,380 | 3.08% |
| State of Florida | 2,423,052 | 372,282 | 2.09% |
| City Government | 1,595,823 | 324,576 | 1.82% |
| Florida A&M University | 1,696,207 | 268,206 | 1.50% |
| Leon County School Board | 935,434 | 153,013 | 0.86% |
| TMH (Hospital) | 926,194 | 125,208 | 0.70% |
| Federal Government | 1,092,403 | 148,413 | 0.83% |
| Leon County Government | 874,918 | 122,036 | 0.68% |
| Wolverine Apartments | 209,925 | 25,660 | 0.14% |
| Blairstone Apartments | 216,815 | 26,614 | 0.15% |

## Sewer System Ten Largest Customers by Consumption (as of September 30, 2005)

| Customer | Sewer Usage | Billed Amount | Percentage of Revenues |
|---|---|---|---|
| Florida State University | 3,136,540 | $989,915 | 3.98% |
| Florida A&M University | 1,321,433 | 451,122 | 1.81% |
| State of Florida | 1,431,669 | 533,288 | 2.14% |
| Federal Government | 1,015,410 | 309,872 | 1.25% |
| Leon County Government | 877,797 | 294,988 | 1.19% |
| Leon County School Board | 787,922 | 286,982 | 1.15% |
| TMH (Hospital) | 683,732 | 200,931 | 0.81% |
| City Government | 386,752 | 169,095 | 0.68% |
| Wolverine Apartments | 209,925 | 57,568 | 0.23% |
| Blairstone Apartments | 216,925 | 59,708 | 0.24% |

## Water Rates (Effective October 1, 1996)

| | |
|---|---|
| **Monthly Rate:** | |
| Customer Charge | $ 5.10 |
| Usage Charge Per 1000 Gallons Per Month | $ 1.22 |
| **Monthly Minimum Charge:** | |
| Nominal Meter Size (inches) | Amount |
| 3/4 or Smaller | $ 8.15 |
| 1 | $ 20.38 |
| 1 ½ | $ 40.75 |
| 2 | $ 65.20 |
| 3 | $ 130.40 |
| 4 | $ 203.75 |
| 6 | $ 407.50 |
| 8 | $ 652.00 |

## Sewer Rates (Effective October 1,1996)

| | |
|---|---|
| **Monthly Minimum Charge:** | |
| Nominal Meter Size (inches) | Amount |
| 3/4 or Smaller | $ 8.40 |
| 1 | $ 21.00 |
| 1 1/2 | $ 42.00 |
| 2 | $ 67.20 |
| 3 | $ 134.40 |
| 4 | $ 210.00 |
| 6 | $ 420.00 |
| 8 | $ 672.00 |
| **Monthly Usage Charge:** | |
| Usage Charge Per 1000 Gallons Per Month | $ 2.68 |

## Consolidated Utility System Debt Service Coverage (in 000s) *

| Fiscal Years Ended September 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Operating Revenues | | | | | |
| Water | 19,917 | 20,997 | 20,780 | 21,783 | 21,599 |
| Sewer | 25,239 | 26,486 | 26,525 | 258,202 | 28,738 |
| **Total Operating Revenues** | 45,156 | 47,483 | 47,305 | 279,985 | 50,337 |
| Operating Expenses | | | | | |
| Water | 9,908 | 10,667 | 13,397 | 14,109 | 15,975 |
| Sewer | 18,488 | 17,812 | 20,491 | 22,631 | 24,330 |
| **Total Operating Expenses** | 28,396 | 28,479 | 33,888 | 36,740 | 40,305 |
| Net Operating Revenue | 16,760 | 19,004 | 13,417 | 243,245 | 10,032 |
| Gross Stormwater Revenue | 13,249 | 11,310 | 11,503 | 11,874 | 14,006 |
| Other Revenue | 3,377 | 1,382 | 1,239 | 757 | 750 |
| **Total Pledged Revenue Available for Debt Service** | 33,386 | 31,696 | 26,159 | 255,876 | 24,788 |
| **Debt Service** | 5,167 | 6,157 | 5,944 | 6,154 | 5,749 |
| **Coverage** | 6.46x | 5.15x | 4.40x | 4.22x | 4.31x |

*This schedule is restated due to the migration of the Gas System to the Energy System in FY 2001.
Gas System revenues are now included in the Energy System statistics.

## CITY OF TALLAHASSEE, FLORIDA
## CONSOLIDATED UTILITY SYSTEM
## CONSOLIDATED DEBT SERVICE

| Bond Year Ending October 1 | Total | $ 36,100,000 Series 2005 | $23,900,000 Series 2001 | $46,780,000 Series 1995 |
|---|---|---|---|---|
| 2006 | 6,311,288 | 1,496,675 | 1,927,063 | 2,887,550 |
| 2007 | 6,310,138 | 1,496,675 | 1,930,263 | 2,883,200 |
| 2008 | 6,083,538 | 4,156,675 | 1,926,863 | - |
| 2009 | 6,086,450 | 4,156,875 | 1,929,575 | - |
| 2010 | 6,082,250 | 4,154,675 | 1,927,575 | - |
| 2011 | 6,081,100 | 4,158,025 | 1,923,075 | - |
| 2012 | 6,089,025 | 4,162,250 | 1,926,775 | - |
| 2013 | 6,084,863 | 4,158,813 | 1,926,050 | - |
| 2014 | 6,087,813 | 4,161,063 | 1,926,750 | - |
| 2015 | 2,986,413 | 752,813 | 2,233,600 | - |
| 2016 | 2,982,363 | 752,813 | 2,229,550 | - |
| 2017 | 2,983,363 | 752,813 | 2,230,550 | - |
| 2018 | 2,978,863 | 752,813 | 2,226,050 | - |
| 2019 | 2,978,863 | 752,813 | 2,226,050 | - |
| 2020 | 1,857,813 | 1,857,813 | - | - |
| 2021 | 1,853,613 | 1,853,613 | - | - |
| 2022 | 1,856,363 | 1,856,363 | - | - |
| 2023 | 1,856,113 | 1,856,113 | - | - |
| 2024 | 1,857,863 | 1,857,863 | - | - |
| 2025 | 1,856,363 | 1,856,363 | - | - |
| 2026 | 1,856,613 | 1,856,613 | - | - |
| 2027 | 1,858,363 | 1,858,363 | - | - |
| 2028 | 1,856,363 | 1,856,363 | - | - |
| 2029 | 1,855,613 | 1,855,613 | - | - |
| 2030 | 1,860,863 | 1,860,863 | - | - |
| **TOTALS** | **$ 90,552,263** | **$ 56,291,725** | **$ 28,489,788** | **$ 5,770,750** |

**$36,110,000**
**CITY OF TALLAHASSEE, FLORIDA**
**Consolidated Utility System Refunding Revenue Bonds, Series 2005**

Dated: October 1, 2005

## Purpose

To refund a portion of the City's outstanding Consolidated Utility System Revenue Bonds Series 1995, pay the cost of certain capital improvements to the Utility System, funding a special account for the series 2005 Bonds by deposit of a surety bond, and paying certain costs of issuance in connection with the issuance of the 2005 Bonds.

## Security

The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility System Revenue Bonds, Series 1995, not refunded by the Series 2001 Bonds or the Energy System Revenue Bonds.

## Form

$36,110,000 Serial Bonds due October 1, 2029, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2005.

## Agents

| | |
|---|---|
| **Registrar:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Paying Agent:** | Wachovia Bank of Florida, Jacksonville, Florida |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida |

## Ratings

| | |
|---|---|
| Moody's: | Aaa (Aa2 underlying) |
| Standard and Poors: | AAA (AA underlying) |
| Fitch: | AAA (AA+ underlying) |

## Redemption Provisions

The Series 2005 Bonds maturing on and prior to October 1, 2015 are not subject to optional redemption. The Series 2005 Bonds maturing after October 1, 2015 are subject to optional redemption as follows:

| Date (October 1) | Principal Amount |
|---|---|
| 2021 | $1,145,000 |
| 2022 | 1,205,000 |
| 2023 | 1,265,000 |
| 2024 | 1,330,000 |
| 2025 | 1,395,000 |

## $36,100,000
## CITY OF TALLAHASSEE, FLORIDA
## CONSOLIDATED UTILITY SERVICES
## REFUNDING REVENUE BONDS, SERIES 2005
***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | - | $ - | $ 1,496,675.00 | $ 1,496,675.00 |
| 2007 | - | - | 1,496,675.00 | 1,496,675.00 |
| 2008 | 3.000% | 2,660,000.00 | 1,496,675.00 | 4,156,675.00 |
| 2009 | 3.000% | 2,740,000.00 | 1,416,875.00 | 4,156,875.00 |
| 2010 | 3.250% | 2,820,000.00 | 1,334,675.00 | 4,154,675.00 |
| 2011 | * | 2,915,000.00 | 1,243,025.00 | 4,158,025.00 |
| 2012 | * | 3,025,000.00 | 1,137,250.00 | 4,162,250.00 |
| 2013 | * | 3,140,000.00 | 1,018,812.50 | 4,158,812.50 |
| 2014 | * | 3,265,000.00 | 896,062.50 | 4,161,062.50 |
| 2015 | * | - | 752,812.50 | 752,812.50 |
| 2016 | * | - | 752,812.50 | 752,812.50 |
| 2017 | * | - | 752,812.50 | 752,812.50 |
| 2018 | * | - | 752,812.50 | 752,812.50 |
| 2019 | * | - | 752,812.50 | 752,812.50 |
| 2020 | 4.000% | 1,105,000.00 | 752,812.50 | 1,857,812.50 |
| 2021 | 5.000% | 1,145,000.00 | 708,612.50 | 1,853,612.50 |
| 2022 | 5.000% | 1,205,000.00 | 651,362.50 | 1,856,362.50 |
| 2023 | 5.000% | 1,265,000.00 | 591,112.50 | 1,856,112.50 |
| 2024 | 5.000% | 1,330,000.00 | 527,862.50 | 1,857,862.50 |
| 2025 | 5.000% | 1,395,000.00 | 461,362.50 | 1,856,362.50 |
| 2026 | 5.000% | 1,465,000.00 | 391,612.50 | 1,856,612.50 |
| 2027 | 5.000% | 1,540,000.00 | 318,362.50 | 1,858,362.50 |
| 2028 | 5.000% | 1,615,000.00 | 241,362.50 | 1,856,362.50 |
| 2029 | 5.000% | 1,695,000.00 | 160,612.50 | 1,855,612.50 |
| 2030 | 4.250% | 1,785,000.00 | 75,862.50 | 1,860,862.50 |
| **TOTALS** | | **$ 36,110,000.00** | **$ 20,181,725.00** | **$ 56,291,725.00** |

* Bonds maturing 2011 are in two issues:  $2,165,000 at 3.5% interest rate and $750,000 at 4.00% interest rate.
* Bonds maturing 2012 are in two issues:  $1,025,000 at 3.75% interest rate and $2,0,000 at 4.00% interest rate.
* Bonds maturing 2013 are in two issues:  $1,140,000 at 3.75% interest rate and $2,000,000 at 4.00% interest rate.
* Bonds maturing 2014 are in two issues:  $2,000,000 at 4.00% interest rate and $1,265,000 at 5.00% interest rate.
* There are no bonds maturing in 2015 through 2019

**$23,900,000**
**CITY OF TALLAHASSEE, FLORIDA**
**Consolidated Utility System Refunding Revenue Bonds, Series 2001**

Dated: May 1, 2001

## Purpose
To refund a portion of the City's outstanding Consolidated Utility System Revenue Bonds.

## Security
The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility System Revenue Bonds, Series 1995, not refunded by the Series 2001 Bonds or the Energy System Revenue Bonds.

## Form
$23,900,000 Serial Bonds due October 1, 2019, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2001.

## Agents
| | |
|---|---|
| **Registrar:** | Wachovia Bank, NA, Jacksonville, Florida. |
| **Paying Agent:** | Wachovia Bank, NA, Jacksonville, Florida. |
| **Trustee:** | Wachovia Bank, NA, Jacksonville, Florida. |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida. |

## Ratings
| | |
|---|---|
| Moody's: | Aaa (Aa2 underlying) |
| Standard and Poors: | AAA (AA underlying) |
| Fitch: | AAA (AA+ underlying) |

## Redemption Provisions
The Series 2001 Bonds are not subject to redemption prior to maturity.

**$23,900,000**

**CITY OF TALLAHASSEE, FLORIDA**

**CONSOLIDATED UTILITY SERVICES**

**REFUNDING REVENUE BONDS, SERIES 2001**

***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | 4.00% | 920,000.00 | 1,007,062.50 | 1,927,062.50 |
| 2007 | 4.00% | 960,000.00 | 970,262.50 | 1,930,262.50 |
| 2008 | 4.25% | 995,000.00 | 931,862.50 | 1,926,862.50 |
| 2009 | 5.00% | 1,040,000.00 | 889,575.00 | 1,929,575.00 |
| 2010 | 5.00% | 1,090,000.00 | 837,575.00 | 1,927,575.00 |
| 2011 | 4.50% | 1,140,000.00 | 783,075.00 | 1,923,075.00 |
| 2012 | 5.50% | 1,195,000.00 | 731,775.00 | 1,926,775.00 |
| 2013 | 5.50% | 1,260,000.00 | 666,050.00 | 1,926,050.00 |
| 2014 | 5.50% | 1,330,000.00 | 596,750.00 | 1,926,750.00 |
| 2015 | 5.50% | 1,710,000.00 | 523,600.00 | 2,233,600.00 |
| 2016 | 5.50% | 1,800,000.00 | 429,550.00 | 2,229,550.00 |
| 2017 | 5.50% | 1,900,000.00 | 330,550.00 | 2,230,550.00 |
| 2018 | 5.50% | 2,000,000.00 | 226,050.00 | 2,226,050.00 |
| 2019 | 5.50% | 2,110,000.00 | 116,050.00 | 2,226,050.00 |
| **TOTALS** | | **19,450,000.00** | **9,039,787.50** | **28,489,787.50** |

**$46,780,000**
**CITY OF TALLAHASSEE, FLORIDA**
**Consolidated Utility Systems Revenue Bonds, Series 1995**

Dated: July 1, 1995

## Purpose

The Series 1995 Bonds were issued to refund a portion of the Series 1991A and 1991B Consolidated Utility System Bonds and to construct certain improvements to the City's Gas System.

## Security

The Bonds are payable solely from and secured by a lien upon and pledge of the net revenues of the Utility System which includes the Water System, Sewer System and Gas System; and the gross revenues of the Stormwater Drainage System.

## Form

$28,360,000 Serial Bonds
$ 7,645,000 Term Bonds due October 1, 2012
$ 8,545,000 Term Bonds due October 1, 2014
$ 2,230,000 Term Bonds due October 1, 2019
The Bonds are issued in fully registered form in denominations of $5,000 or multiples thereof. Interest on the 1995 Bonds is payable commencing October 1, 1995, and semiannually each April 1 and October 1 thereafter.

## Agents

| | |
|---|---|
| **Registrar:** | Wachovia Bank, NA, Jacksonville, Florida. |
| **Paying Agent:** | Wachovia Bank, NA, Jacksonville, Florida. |
| **Trustee:** | Wachovia Bank, NA, Jacksonville, Florida. |
| **Escrow:** | Securing payment for refunded Series 1991 A and 1991 B Consolidated Utility System |
| **Bonds:** | Wachovia Bank, NA, Jacksonville, Florida. |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida. |

## Ratings

| | |
|---|---|
| Moody's: | Aa |
| Standard and Poors: | AA- |
| Fitch: | AA |

## Call Provisions

## Mandatory Redemption

Term Bonds Due October 1, 2012
Term Bonds Due October 1, 2014
Term Bonds Due October 1, 2019

| Year | Amount |
|---|---|
| 2011 | $3,715,000 |
| 2012 (maturity) | $3,930,000 |
| 2013 | $4,155,000 |
| 2014 (maturity) | $4,390,000 |
| 2015 | $400,000 |
| 2016 | $420,000 |
| 2017 | $445,000 |
| 2018 | $470,000 |
| 2019 (maturity) | $495,000 |

### Optional Redemption

Series 1995 Bonds maturing on or after October 1, 2008. In whole or in part in any order on October 1, 2005 or on the first day of each month thereafter.

| Redemption Period (both inclusive) | Redemption Price |
|---|---|
| October 1, 2005 and thereafter | 100% |

## $46,780,000
## CITY OF TALLAHASSEE, FLORIDA
## CONSOLIDATED UTILITY SYSTEMS
## REVENUE BONDS, SERIES 1995
***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | 5.800% | 2,575,000 | 312,550 | 2,887,550 |
| 2007 | 6.000% | 2,720,000 | 163,200 | 2,883,200 |
| **TOTALS** | | **$ 5,295,000** | **$ 475,750** | **$ 5,770,750** |

# TALLAHASSEE REGIONAL AIRPORT

## Introduction

The City of Tallahassee owns and operates the Tallahassee Regional Airport (TLH), located on a 2,749-acre site, seven miles southwest of the City's central business district and within the corporate City limits. The Airport's market service area is a 100-mile radius, which includes Tallahassee and 32 counties in Florida, Georgia, and Alabama. In addition to a commercial passenger facility, TLH hosts an air cargo facility, a general aviation terminal that provides corporate and private flying services, and various facilities for civil and military training operations.

## Air Service Discussion

The tragic events of September 11th and the economic recession that was already occurring in 2001 have continued to place the airline industry in a precarious position. The airline industry can still be described as an industry with substantive financial, customer service and anti competitive issues, whose economic recovery is not expected for a number of years. Four of the six major legacy carriers (Delta, Northwest, United and US Airways) are either in or coming out of bankruptcy. Fuel prices in 2006 are continuing at last year's level thereby causing Airlines precarious financial position to remain.

Tallahassee Regional Airport, not unlike other small hub airports throughout the country operating in a deregulated environment with an industry that has substantive financial and anti competitive issues, had experienced high airfares and limited air service. High airfares were determined to be one of the leading inhibitors to economic development. When combined with Tallahassee's dependence on state Government employment and its continued employment downsizing, economic development became an even more critical component for Tallahassee's future community vitality. To address this issue, the City embarked upon a strategy of improving competition in order to lower airfares and upgrade services. The goals of this program included: securing a low fare carrier, improving interstate/intrastate competition and services, and increasing intrastate jet service.

The City was able to attract service by Northwest/Pinnacle to their Memphis hub in 2000, Delta Connection added jet service to Fort Lauderdale in 2001 and to West Palm in 2003. Additionally, the City succeeded in attracting low fare carrier AirTran to Tallahassee during 2001. During 2004, Continental Express began jet service to its Houston hub, US Airways upgraded service to its Charlotte hub with regional jets, a Continental Connection (Gulfstream International Airlines) added frequency to Tampa, Orlando, and West Palm Beach. Although AirTran left the Tallahassee Market during 2004, other airlines have absorbed their operations, retained reasonable airfares, and maintained frequency. Overall, the AirTran departure and recent Airline Chapter 11 bankruptcy actions have had a minimal impact on the Airport's operating results.

TLH is primarily an origination/destination airport with the majority of passengers being on business related travel rather than leisure related travel. Delta Connection's new fare structure together with the addition of Continental/Express/Gulfstream flights and US Airways increased capacity should benefit TLH passengers. The Airport total passenger growth experience over the last several years has been consistent. Passenger traffic slowed in FY 2005 with a -0.26% decrease. TLH achieved big jump in traffic in FY 2002 as a result of low fares that brought back passengers that were driving to Atlanta, Jacksonville, Orlando and Tampa because of high fares. Although flight frequency to some destinations have been reduced, weather conditions have impacted travel, and fares have increased slightly, TLH has maintained its total passenger level above one million for the past four fiscal years. Barring any other unforeseen circumstances, 2006 passenger counts should continue this trend.

In order to remain competitive and continue the City's strategy of improving competition in order to lower airfares and upgrade services the City Commission established a $300,000 recurring project in

March 2002 to provide funding for various incentives to Airlines similar to those being provided at other airports to help in achieving their goals. TLH has and will continue to communicate with carriers regarding their potential share of the market by demonstrating the potential market opportunities and profitability of providing service to Tallahassee.

## Financial Discussion

The Airport is self-supporting and does not receive a subsidy from any local government nor make a transfer to any local government. Citizens who do not use the airport do not contribute to the costs of its operations. Its operations are funded through concessions, parking fees, terminal and general aviation leases, and landing fees. Signatory airline agreements are structured on a residual basis whereby approximately 60% of the Airport's net income is utilized to reduce airline rates and charges. The non-signatory airlines are required to pay 125% of the signatory airline rates.

In FY 2005, actual operating income, before transfers, was $2,878,860 or $1,221,329 more than budget. The $1,221,329 was allocated between the Airline Prepaid Fees Credit and the Airport RR & I Fund, in accordance with the Airline Use and Lease Agreements. Operating income, excluding transfers, was 73.7% above projections primarily due to a new management agreement for parking services and the benefit of renegotiated rental car agreements together with new food and beverage services coming on line, all resulted in above budget concession and parking revenue accruing to the Airport. Expenditures were 6.4% above projections due to increased expenses related to Police and Fire services.

The Airport's Capital Improvement Program (CIP) is primarily supported from Federal Aviation Administration (FAA) entitlement funding, Passenger Facility Charges (PFC), and Florida Department of Transportation (FDOT) grants. Increased funding levels from FAA entitlements, coupled with increased availability of passenger facility charge funds, have more than tripled available construction funding and accelerated the Airport's implementation of many projects.

Although the $3 PFC Authorization expired during September 2002, the Airport received FAA approval to raise the PFC fee from $3 to $4.50 effective October 1, 2002. The increased PFC fees will fund $16,550,750 of an estimated $37,101,000 of Capital Improvements for fiscal years 2006 through 2010, with $9,327,500 coming from the FAA Airport Improvement Program and the balance from FDOT and local sources. In prior years, most of these PFC funds have been used to initiate the Federal Aviation Regulation (FAR) Part 150 Noise Program. The Program is estimated to cost approximately $21 million with the bulk of the funding anticipated to come from the FAA. The purpose of the land acquisition program is to eliminate incompatible land uses around the Airport facility. This will minimize future planning problems and optimize facility development.

Over $10 million of the Airport's Capital Program has been earmarked for terminal rehabilitation/improvements. During 2004 and 2005 contracts were awarded for improvements to the terminal building infrastructure including: the renewal or repair of restrooms, the build-out of office space for TSA, a training room, and a new Operations Center, and concession space improvements. The design and award of contracts for Air Quality Improvements, Water Intrusion and Public Entryways are anticipated during 2006 and includes heating, ventilation, and air conditioning systems and the electrical distribution and fire alarm systems. National trends indicate that small hub-markets and short-haul routes similar to TLH will be served by regional jets. To meet this need, TLH activated two unused gates for regional jets and retrofitted other gates to also serve regional jets. These improvements have extended the useful life of the terminal complex for another 10 - 15 years.

## Management Discussion of Operations

The Aviation Department consists of six divisions. The Management Division provides overall direction and guidance for the Airport. Responsibilities include: monitoring and responding to federal, state and local requirements, meeting passenger service demands and expectations, business development, community relations, strategic planning, and providing safe and efficient airport operations at a reasonable cost.

The Business Services Division is responsible for lease management, concessions, restaurant, tenant relations, business recruitment, marketing and research, and demographic reporting and analysis.

The Finance and Administration Division is responsible for financial management, accounting, budgeting, planning and development, grant administration, personnel and payroll, and administrative support for the Airport's various programs.

The Facilities Maintenance Division is responsible for maintaining runways and safety areas, mowing and landscaping Airport property, repair and electrical services, housekeeping and mechanical service for the terminal facility.

The Operations Division is responsible for police and fire rescue services, safety, security, training, general aviation, ground transportation, and FAA compliance.

The Capital Program Administration Division is responsible for identifying capital program needs, stormwater management and environmental compliance, and providing construction management and engineering liaison services that includes design plans and specifications, monitoring on-going construction activities, and other regulatory requirements of the City, FAA, and FDOT.

## Selected Airport Statistics

### Historical Operating Results

For Fiscal Years Ended September 30

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| **Operating Revenues** [1] | $ 7,449,000 | $ 7,896,000 | $ 9,257,000 | $ 9,616,434 | $ 11,179,000 |
| **Prepaid Fees Credit** [1] | 568,096 | 823,089 | 438,358 | 664,519 | 979,000 |
| **Operating Expenses** [2] | (5,277,000) | (6,216,000) | (7,755,000) | (7,701,955) | (8,313,000) |
| **Non-operating Revenues (Expenses)** | 308,109 | 106,193 | 60,174 | 44,135 | 51,000 |
| **Revenues Available for Debt Service** | $ 3,048,205 | $ 2,609,282 | $ 2,000,532 | $ 2,623,133 | $ 3,896,000 |
| **Sr. Lien Debt Service** | $ 979,000 | $ 982,000 | $ 978,000 | $ 1,058,328 | $ 963,000 |
| **Sr. Lien Debt Service Coverage** | 3.11x | 2.66x | 2.05x | 3.11x | 4.05x |

(1) For the purposes of calculating debt service coverage in accordance with the Resolution Rate Covenant, the Operating Revenues include Prepaid Fees Credits from the Signatory Airlines. However, in accordance with Generally Accepted Accounting Principles, such Prepaid Fees Credits are not reflected as operating revenues in the City's Comprehensive Annual Financial Report.

(2) Excluding depreciation and amortization.

## Airport Financial Statistics

| For Fiscal Year Ending Sept. 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Revenue Per Enplaned Passenger | $ 16.84 | $ 15.62 | $ 16.64 | $ 16.45 | $ 17.03 |
| Debt Per Enplaned Passenger | $ 20.27 | $ 16.75 | $ 14.27 | $ 12.48 | $ 11.15 |

## Aircraft Operations - Landings and Take-offs

| For Fiscal Year Ending Sept. 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Air Carrier Operations (1) | 3,468 | 6,241 | 5,959 | 5,099 | 6,370 |
| Air Taxi Operations (2) | 35,217 | 32,692 | 26,906 | 28,622 | 30,989 |
| General Aviation | | | | | |
| Itinerant Operations | 39,254 | 38,719 | 38,023 | 39,114 | 37,380 |
| Local Operations | 16,313 | 20,027 | 14,251 | 12,665 | 11,422 |
| Military | | | | | |
| Itinerant Operations | 7,764 | 10,987 | 13,491 | 11,215 | 10,749 |

(1) Consists of planes of 50 or more seats

(2) Consists of planes having less than 50 seats

## Enplanements by Carrier

| For Fiscal Year Ending Sept. 30 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| USAirways/ Piedmont | 92,318 | 64,777 | 29,863 | 11,417 | 0 |
| Mesa (1) | 0 | 215 | 0 | 25,109 | 31,465 |
| CC Air (2) | 36,355 | 20,528 | 1,504 | 0 | 0 |
| Air Midwest (3) | 10,708 | 6,668 | 234 | 0 | 0 |
| PSA (4) | 0 | 0 | 0 | 0 | 22,333 |
| Delta | 151,059 | 136,969 | 180,578 | 210,604 | 233,992 |
| Comair | 55,086 | 86,054 | 93,446 | 60,914 | 53,163 |
| Atlantic Southeast | 56,011 | 55,599 | 45,798 | 40,278 | 22,339 |
| Skywest (5) | 0 | 18,834 | 24,884 | 12,095 | 0 |
| Chautauqua (6) | 0 | 0 | 43,033 | 101,466 | 151,006 |
| Northwest Airlink | 28,856 | 27,205 | 33,286 | 32,380 | 38,942 |
| AirTran Airways (7) | 0 | 87,770 | 44,982 | 8,754 | 0 |
| AirWisconsin (8) | 0 | 0 | 58,859 | 74,266 | 0 |
| Continental Connection/Gulfstream (9) | 11,712 | 724 | 0 | 445 | 16,118 |
| Florida Air (FL-AIR) (10) | 350 | 0 | 0 | 0 | 0 |
| Express Jet Airlines/Continental Express (11) | 0 | 0 | 0 | 6,986 | 19,669 |
| **Total Enplanements** | 442,455 | 505,343 | 556,467 | 584,714 | 589,027 |

(1) Mesa re-commenced service Jan. 2004

(2) CC Air services discontinued Oct. 2003

(3) Air Midwest discontinued service Oct. 2003

(4) PSA commenced services Feb. 2005

(5) Skywest services from Jan. 2002 to Apr. 2004

(6) Chautauqua services commenced Jan. 2003

(7) AirTran services from Nov. 2001 through Sept. 2004

(8) AirWisconsin commenced Jan. 2003 discontinued Sept. 2004

(9) Continental Connection re-commenced service Sept. 2004

(10) Florida Air services from Feb. 2001 through Apr. 2001

(11) Express Jet Airlines/Continental Express commenced May 2004

**$7,355,000**
**City of Tallahassee, Florida**
**Airport System Revenue Refunding Bonds, Series 2004**

Dated: August 31, 2004

## Purpose

To refund the outstanding City of Tallahassee Airport System Revenue Bonds Series 1995.

## Security

The City has irrevocably pledged the Net Revenues of the Airport System to the payment of the principal of, interest on, and any premium paid upon the redemption of the Series 2004 Bonds. At the time of the issuance of the Series 2004 Bonds, there will be deposited into the Series 2004 Reserve Account created in the Reserve Fund an amount equal to the Reserve Requirement on the Series 2004 Bonds.

## Form

$7,355,000 Serial Bonds

The Bonds are issued in fully registered form in denominations of $5,000, or multiples thereof. The bonds are book-entry-only and are not evidenced by physical bond certificates. Interest payments on the Series 2004 Bonds are payable October 2004 and on each April 1 and October 1 thereafter.

## Agents

| | |
|---|---|
| **Registrar:** | Wachovia Bank, NA, Jacksonville, Florida |
| **Paying Agent:** | Wachovia Bank, NA, Jacksonville, Florida |
| **Bond Counsel:** | Bryant, Miller and Olive, P.A., Tallahassee, Florida |
| **Insurance:** | AMBAC Indemnity Corporation |

## Ratings

| | |
|---|---|
| Fitch: | AAA |
| Moody's: | Aaa |

## $7,355,000
## CITY OF TALLAHASSEE, FLORIDA
## AIRPORT SYSTEM REVENUE REFUNDING BONDS, SERIES 2004
***Summary of Remaining Debt Service Requirements***

| Bond Year Ending October 1 | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2006 | 2.500% | 740,000 | 220,238 | 960,238 |
| 2007 | 2.500% | 760,000 | 201,738 | 961,738 |
| 2008 | 3.000% | 780,000 | 182,738 | 962,738 |
| 2009 | 3.250% | 800,000 | 159,338 | 959,338 |
| 2010 | 3.500% | 825,000 | 133,338 | 958,338 |
| 2011 | 3.750% | 855,000 | 104,463 | 959,463 |
| 2012 | 4.000% | 885,000 | 72,400 | 957,400 |
| 2013 | 4.000% | 925,000 | 37,000 | 962,000 |
| **TOTALS** | | **$ 6,570,000** | **$ 1,111,250** | **$7,681,250** |

# OTHER DEBT FINANCING

## Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the "Commission") was created in 1985 through interlocal agreement between the City of Tallahassee and the City of Orlando, Florida. Subsequently, other Florida governments joined the Commission, including 11 additional cities and three counties. The Commission was created to provide large, sophisticated governments the opportunity to work together to create low cost, flexible financing instruments.

## Variable Rate Loan

In 1986, the Commission sold $300 million in multi-modal variable rate revenue bonds and made the proceeds available to its members. As a multi-modal program, the loan pool requires both supporting reimbursement (letter or line of credit) and remarketing agreements. The program documents provide that each loan is responsible for its proportionate share of the accrued interest on the bonds, together with all on-going administrative costs including letter of credit fees, remarketing cost, trustee fees, and paying agent fees. Interest and administrative costs on the loans are billed by the Trustee on a monthly basis by the 5th of each month and are deemed delinquent if not paid by the 15th. All loans are independent and there is no cross indemnification between and among the participants. Prepayment of a portion or all of the outstanding balance can be made at any time without penalty.

As of September 30, 2004, the City had outstanding six loan agreements with the Commission under this program, as described below:

1) $18,200,000 in November 1986; secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City and has no specific claims on any revenue stream; mandatory amortization of principal in equal amounts during the years 2011-2016, with all principal to be retired by January 30, 2016; as of September 30, 2005, the balance outstanding on this loan was $16,999,730.
2) $3,550,000 in May 1991, description same as (1); September 30, 2005 balance of $3,550,000.
3) $1,150,000 in September 1991; description same as (1); September 30, 2005 balance of $1,150,000.
4) $36,500,000 in April 1999; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a required final maturity of 2016; September 30, 2005 balance of $33,535,000.
5) $7,909,000, in April 2001; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a final maturity of 2015; September 30, 2005 balance of $7,765,000.
6) $5,050,000, in April 2001; secured by a covenant to budget and appropriate from all non ad-valorem revenues of the City and has no specific claims on any revenue stream; interest to be paid monthly with annual principal payments due on October 1 beginning in 2001; loan has a final maturity of 2015; September 30, 2005 balance of $3,656,845.

## Commercial Paper Program

In order to meet the demands of its members the Commission created a second borrowing pool in 1994. The 1994 program is a true commercial paper program wherein the Commission, simultaneous with the origination of a loan, issues additional commercial paper in a like amount. In addition to the security pledged by the individual borrowers on their loans, all loans are secured by bond insurance provided either by Ambac, FGIC, MBIA, or FSA. As with the 1986 program, there is no cross indemnification among borrowers, and borrowers are contractually obligated to repay the principal as set forth in their loan agreements, and to pay their prorata share of the interest on the outstanding commercial paper, along with all related costs of the Commission associated with operating and maintaining the program.

In May 2000, the City entered into two new loans under this program, as follows:

§ $9,265,000 Electric System Loan, secured by a pledge of subordinate revenues from the Electric System. The proceeds of this loan were for a portion of the initial payment on the General Electric Long-Term Services Agreement for Purdom Unit 8. The final maturity of this loan is October 1, 2006, with annual payments of principal and interest. September 30, 2005 balance of $3,335,000.

§ $11,370,000 Gas System Loan, secured by a pledge of subordinate revenues of the Gas System, for the purpose of Gas System expansion and improvements. The City intends to make annual payments of principal, in addition to the interest, even though this loan has a required final maturity of 2016. September 30, 2005 balance of $10,087,500.

In August 2005, the City entered into a new loan under this program as follows:

§ $10,000,000 General Government Loan maturing October 1, 2025, secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City and has no specific claims on any revenue streams. September 30, 2005 balance of $10,000,000.

## Conduit Issues, Non-Profit Organizations

The City has also acted as a conduit for the issuance of bonds for three non-profit organizations in the City: Tallahassee Memorial HealthCare, Inc., Tallahassee Community College Foundation, Inc., and Florida State University Schools, Inc.

Tallahassee Memorial HealthCare, Inc. currently has five bond issues outstanding for which the City acted as a conduit. Tallahassee Community College, Inc. has one such issue outstanding, and Florida State University Schools, Inc. has two issues outstanding.

## Conduit Issues, Industrial Development and Industrial Revenue Bonds

From time to time the City also acts as a conduit issuer for private industries in the issuance of Industrial Development Revenue Bonds. Originally, there were two issues for Rose Printing. A second issue was called and refinanced by the issuer during FY 2004. The refinancing paid off the full amount of this second issue; the refinancing was accomplished without City involvement. There is currently one issue of Industrial Development Revenue Bonds outstanding for which the City has acted as the conduit issuer. These bonds are issued pursuant to an indenture of trust between the City and a trustee, with the entity on whose behalf the bonds are issued being solely responsible for their repayment, with no resulting liability on behalf of the City. The Industrial Development Revenue Bond currently outstanding was issued as follows:

§ $2,200,000 City of Tallahassee, Florida Industrial Development Revenue Bonds (Rose Printing Company, Inc. Project), Series 2000 A. Trustee –Wachovia Bank, NA, Jacksonville, Florida.