ANNUAL REPORT TO BONDHOLDERS

February 2013

City of Tallahassee
Elected Officials

John R. Marks, III
MAYOR

Andrew D. Gillum
MAYOR PRO TEM - COMMISSIONER

Gil Ziffer
COMMISSIONER

Nancy Miller
COMMISSIONER

Scott Maddox
COMMISSIONER

Administration

Anita Favors Thompson
CITY MANAGER

James O. Cooke, IV
CITY TREASURER-CLERK

Lewis Shelley
CITY ATTORNEY

Sam McCall
CITY AUDITOR

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

Financial Advisor
Public Financial Management
Orlando, Florida

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2011 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 as the City's disclosure/dissemination agent. This 2011 Annual Report to Bondholders can be found on the DAC website at www.dacbond.com. The DAC website also hosts related City documents including official statements for outstanding debt.

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 Carr, Riggs and Ingram, L.L.C., 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:

- $3,440,000 Energy System Revenue Bonds, Series 2011, dated August 9, 2011;
- $35,485,000 Energy System Revenue Bonds, Series 2010C, dated November 12, 2010;
- $122,280,000 Energy System Revenue Bonds, Series 2010B, dated November 12, 2010;
- $43,245,000 Energy System Refunding Revenue Bonds, Series 2010A, dated August 5,2010;
- $77,845,000 Energy System Refunding Revenue Bonds, Series 2010, dated April 22, 2010;
- $203,230,000 Energy System Revenue Bonds, Series 2007, dated August 22, 2007;
- $128,920,000 Energy System Revenue Bonds, Series 2005, dated October 8, 2005;
- $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;
- $7,355,000 Airport System Revenue Refunding Bonds, Series 2004, dated August 31, 2004;
- $49,165,000 Capital Bonds, Series 2012, dated November 27, 2012;
- $26,975,000 Capital Bonds, Series 2009, dated April 24, 2009;
- $9,400,000 Capital Bonds, Series 2008, dated December 11, 2008;
- $117,015,000 Consolidated Utility System Revenue Bonds, Series 2010A, dated September 21, 2010;
- $25,820,000 Consolidated Utility System Revenue Bonds, Series 2010B, dated September 21, 2010;
- $164,460,000 Consolidated Utility System Revenue Bonds, Series 2007, dated November 8, 2007;
- $36,110,000 Consolidated Utility System Refunding Revenue Bonds, Series 2005, dated July 29, 2005;
- $23,900,000 Consolidated Utility System Refunding Revenue Bonds, Series 2001, dated May 1, 2001.

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) 891-8389
treasury@talgov.com

Table of Contents

OVERVIEW

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.

Borrowing in Fiscal Year 2012

The City did not issue any debt during fiscal year (FY) 2012. Subsequent to the end of FY 2012, on November 27, 2012, the City issued $49,165,000 in Capital Refunding Revenue Bonds, Series 2012, to advance refund the outstanding Capital Bonds, Series 2004. The advance refunding provided a present value savings of 11.66% of the refunded bonds, issued at a true interest cost of 1.93%. The bonds will mature on October 1, 2024, the same original maturity date as the 2004 Capital Bonds that were refunded.

Ratings

Certain of the City's outstanding bonds were issued with insurance to enhance the credit rating associated with the debt. In recent years, most of the monoline insurers have seen their credit ratings downgraded or withdrawn by various rating agencies. As a result, Tallahassee's underlying credit is often stronger than that of the surety. The insurer, if any and underlying credit ratings are provided in the details of this document for each of the City's outstanding bonds.

Tallahassee's underlying ratings are summarized as follows:

	Moody's Investors Service, Inc.	**Standard & Poor's Rating Services**	**Fitch Ratings, Inc.**
Capital Bonds	Aa3	NR	AA
Consolidated Utility System Bonds	Aa1	AA+	AA+
Energy System Bonds	Aa3	AA	AA-
Airport System Bonds	NR	NR	NR

Significant Revenue Factors

Funding for the City's governmental activities comes from property taxes and a limited number of other taxes as authorized by the State Legislature (sales, gasoline, utility services, telecommunications and business) and other fees to recover the costs of services provided. Revenue is also received from state-shared revenues and grants from state and federal governments.

As a result of the recent recession, revenues for the State of Florida budget decreased in both FY 2009 and FY 2010; however, this trend reversed itself in FY 2011, and the outlook for the near future is for slight to moderate increases. State shared revenues were $13,923,000 in FY 2012.

Revenues for the business-type activities and certain governmental activities (permitting, recreational programs, etc.) come from user fees or service charges. The City experienced a significant decrease in the volume of building-related fees due to economic conditions. To mitigate this, budgeted expenditures for this function were significantly reduced and a fee increase of 30% was implemented for FY 2010. Building-related fees appear to have bottomed out in FY 2011 and were higher in FY 2012. Projections for FY 2013 through FY 2017 expect these fees to remain relatively flat with FY 2012 levels.

The consumption of the City's utilities is impacted by local weather patterns and the growth of new homes and businesses in the market. In recent years, there has been a decreasing consumption trend in all of the utilities due to a combination of demand side management programs, decreased growth, and economic conditions. This slower growth and reduced demand has allowed the City to defer adding generating capacity for its utilities. The cost of fuel is recovered from customers through cost recovery adjustments that are not part of base rates to customers. The Electric Fund maintains a reserve account that 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 as of September 30, 2012, was approximately $86 million.

Pension

Based on the City's most recent actuarial report, the City of Tallahassee Pension Plan was fully funded at September 30, 2010. Additional information on the City's Pension Plan can be found in the City's Comprehensive Annual Finance Report.

Rate Increases

A series of scheduled rate increases was approved by the City Commission in 2007 for several of the City's utilities. The last of these increases was implemented on October 1, 2010. Following the scheduled increases, City ordinance provides for automatic rate adjustments for each of the utilities effective October 1 of each year equal to the 12-month increase in the Consumer Price Index.

Ad-Valorem Millage Rate

Property taxes can significantly impact the citizen's perception of economic success. The City's millage rate of 3.7000 mills is the lowest of the ten largest cities in Florida. However, not all of the comparable cities have implemented a separate fire service fee to cover the cost of fire protection as the City of Tallahassee has done.

		Millage Rates			
City	**2012 Population**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**
Miami	414,751	7.64	7.67	7.67	7.57
Tampa	341,771	5.73	5.73	5.73	5.73
St. Petersburg	247,673	5.91	5.91	5.91	5.91
Orlando	245,402	5.65	5.65	5.65	5.65
Hialeah	227,395	6.54	6.54	6.54	6.54
Tallahassee	**183,643**	**3.21**	**3.70**	**3.70**	**3.70**
Fort Lauderdale	168,615	4.12	4.12	4.12	4.11
Pembroke Pines	155,239	5.69	6.05	6.05	5.63
Hollywood	142,374	4.43	5.12	5.12	7.44

(Jacksonville was not included in the table since it is a consolidated city/county with varying millage rates for different sections of the county.)

Property Tax Revenues

Property taxes, which provide 25% of governmental revenues (including transfers), decreased in FY 2008 as a result of statutorily mandated millage rate roll-back and restrictions on increasing millage rates in the future. However, provisions in the legislation allow for overriding millage caps by a super majority of the City Commission or by referendum. A constitutional amendment was passed in January 2008 led to a reduction in taxable values for local governments. The amendment provided for an increase in the homestead exemption, a cap of 10% on increases in the assessment of non-homesteaded properties and for portability of the homestead exemption for those individuals moving within the state. Since FY 2009, weaker economic conditions due to the Great Recession have led to further declines in taxable values. The FY 2012 taxable property values for Tallahassee decreased by 4.3%. It is expected that property values will decline again for FY 2013. However, taxable values are expected to stabilize in FY 2014 and then increase through the remainder of the decade.

To partially compensate for the decrease in property values, the millage rate for FY 2010 was increased from 3.21 mills to 3.70 mills. The rate increase, coupled with declining assessed values, provided approximately the same amount of revenue in FY 2012 as budgeted for FY 2008.

The City Commission maintained the millage rate at 3.700 mills for FY 2012, the same as FY 2010. As a result of reduced property values, property taxes totaled $33,055,000 for FY 2012 after reaching a high of $35,442,000 in FY 2007. Property taxes provide approximately 25% of general fund revenues (including transfers).

Property Tax Levies and Collections (in 000s)

Fiscal Year	Total Assessed Valuation	Taxable Assessed Valuation	Levy	Collection	Percentage (1)
2003	11,718,893	6,335,214	20,363	19,503	96
2004	12,561,990	6,734,959	24,988	24,053	96
2005	13,321,051	7,370,184	27,306	26,349	96
2006	14,983,276	8,600,518	31,875	30,191	95
2007	17,643,758	10,083,178	37,370	35,492	95
2008	19,251,581	11,162,814	35,416	33,592	95
2009	19,580,463	10,791,427	34,704	33,100	95
2010	17,774,239	9,919,935	36,704	35,114	96
2011	17,337,336	9,671,794	35,959	34,224	95
2012	17,095,072	9,260,104	34,707	33,332	95

(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.

General Fund Transfers

Since FY 2005, 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 FY 2011 percentages for water, sewer, and solid waste were 20%, 4.5% and .0075%, respectively. In FY 2005, the base for Electric Fund transfers was set at an amount comparable to 8.3 mills of kilowatt hour (kWh) retail sales. The transfer for the gas utility was set at a fixed annual amount of $2,323,000.

The methodology for calculating transfers was changed by the City Commission for FY 2012. The new methodology calculates a three-year average of retail revenues and then multiplies this average by 6.99% to arrive at the transfer amount. This new methodology is applied to water, sewer, solid waste, electric and gas. The FY 2012 utility transfer to the general fund is $34,437,385. For FY 2013, the transfer for electric was changed to a fixed amount of $23.9 million. This amount will be adjusted annually by the change in the Consumer Price Index.

For FY 2013, the total utility transfer from the water, sewer, solid waste, electric and gas utilities to the general fund is $35,243,135.

Previous transfers from utilities to the General Fund totaled $33.3 million to FY 2009, $34.5 million for FY 2010 and $34.6 million in FY 2011.

FY 2013 Capital Budget

The City's FY 2013 Capital Budget is appropriated at $135.1 million with $39.1 million budgeted in the General Fund and $96 million in the Enterprise and other funds. Some of the capital projects include funding for park and stormwater improvements. The City has a five-year plan for capital improvements for all projects planned through FY 2017 that totals $738 million with appropriations made on an annual basis.

The City continues to expand its distribution, transmission and substation facilities to meet the system-load growth and reliability requirements. Over the next five years (2013 – 2017), the City's capital budget includes plans to add three new substations to the electric system, refurbish and expand capacity at two existing substations, and replace one temporary substation with a permanently located substation. New distribution circuits from each of these substations will relieve loading on existing circuits and increase system reliability. Plans also include adding an auto-transformer with associated 230kV bus work at two substations that are to be expanded.

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

The City continues to recover from the Great Recession of 2007- 2009. While the City saw its unemployment increase during the recession, the presence of two state universities, a community college and the state government provided a stabilizing influence. Unemployment has decreased from its peak, and Leon County's unemployment has consistently been lower than both the state and national levels.

As with any capital city, the health of the state government will continue to have a substantial impact on the economic or financial health of the City of Tallahassee. With the state government now seeing increases in revenues, it appears that the City will not endure additional hardships resulting from a potential need to shrink the state government. The cost of a college education has come under more scrutiny of late, and reductions in college funding could negatively impact the City as a result. However, tuition at the state universities remain affordable compared to most public universities in other states.

The City continues to be actively involved in recruiting new businesses and employers to the area. The City provides a number of incentives and funding for eligible businesses as well as planning tools designed to promote economic development. The City has been successful in attracting new businesses as well as help existing businesses remain in the City.

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, www.talgov.com, and www.dacbond.com the website of DAC.

The September 30, 2012 Comprehensive Annual Financial Report (CAFR), which includes audited financial statements in accordance with generally accepted accounting principles, is available on the City's website. The website also has other useful information available, including the City's budget for FY 2013.

DAC

The DAC website hosts a variety of debt information. DAC acts as a disclosure dissemination agent for insuers 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 2012 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 email 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*.

Contact

You may contact the City Treasurer-Clerk's Office at the address and phone number below:

City Treasurer-Clerk
City of Tallahassee
300 South Adams Street, Box A-32
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8389

THE CITY OF TALLAHASSEE

General

The City of Tallahassee (hereinafter referred to as "Tallahassee" or the "City") was established in 1825 following a decision by the Legislature to locate the capital of the new Florida Territory midway between the population centers of St. Augustine and Pensacola. The capital city of Florida, Tallahassee, is located in the north central portion (the panhandle or the big bend area) of Florida, midway between Jacksonville and Pensacola. The Georgia state line is less than 20 miles to the north and the Gulf of Mexico is 25 miles to the south at St. Marks, Florida on Apalachee Bay. The City covers an area of 103.06 square miles.

Since 1919, when the State Legislature passed the Charter Act, the City has been governed by a modified Commission-Manager form of government with five Commissioners, each selected at-large for four year overlapping terms. Until 1996, when the Charter was amended to provide for direct election of a Mayor with four Commissioners, the position of Mayor rotated annually among the Commissioners. The City Manager, the City Treasurer-Clerk, the City Auditor and the City Attorney are appointed by the City Commission. Collectively, the appointed officials are responsible for all administrative functions of the government, with most of the administrative and operations functions falling under the purview of the City Manager. The remaining administrative functions are the responsibility of the other appointed officials as indicated by their titles.

Tallahassee, the county seat, is the only incorporated municipality in Leon County, Florida (the "County"), and is located approximately in the center of the County. With an estimated 2012 population of 183,643, Tallahassee is the largest city in the Tallahassee Metropolitan Statistical Area ("MSA"), which consists of Leon, Gadsden, Jefferson and Wakulla counties.

The City of Tallahassee is a full-service city providing citizens with a full complement of municipal services. The City owns and operates five utilities, including an electric generation, transmission and distribution system serving an average of 114,625 customers in the City and the adjacent urban area through August during FY 2012; a natural gas distribution system serving 27,999 customers; a water production and distribution system serving 82,520 water customers within the corporate City limits and the adjacent urban areas; a sewage collection and treatment system serving 70,569 customers, principally within the City limits; and a stormwater drainage utility system serving the area within the corporate City limits serving 88,420 customers. Additional enterprise activities owned and operated by the City include the Tallahassee Regional Airport and a public transit system.

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

The Tallahassee economy can be characterized as stable, but growing, with increasing elements of diversification. The major economic factor historically has been the State government. However, the City also services as an educational center, with three institutions of higher learning, and as the financial, trade and health center for a surrounding 13-county geographic region serving a population of over 560,000. With over 290,000 acres of commercial forest in Leon County, forest and timber products add significantly to the economic diversification of the City.

Climate/Geography

Tallahassee has the mild, moist climate characteristic of the states located on the Gulf of Mexico and experiences a subtropical summer similar to the rest of Florida. However, in contrast to the Florida peninsula itself, the panhandle (which includes Tallahassee), experiences four seasons. Prevailing winds average 6.5 miles per hour. They are from a southerly direction in the spring and summer and then shift to a more northerly direction near the end of the year. The City's average temperature and rainfall are shown below.

TEMPERATURE AND RAINFALL

Annual Average Temperature:	68.1 Degrees
Annual Average Rainfall:	63.2 Inches

Tallahassee's rolling landscape, typical of regions further north, is unique among the major cities of Florida. Some areas of Leon County exceed elevations of 200 feet. However, south of the City, the hills yield to the terrain that is typical in the rest of Florida. The northern portion of the county consists of a thick layer of sand, silt and clay overlying limestone forms while most of the southern area is characterized by flat, sandy lowlands.

The Tallahassee-Leon County area possesses excellent wildlife reserves located in the terrain north of Tallahassee and in the Apalachicola National Forest south of Tallahassee. Numerous lakes are available for fresh water fishing, including: Lake Iamonia, Lake Jackson, Lake Miccosukee and Lake Talquin.

Population

The 2011 American Community Survey (the "Survey") results show a racially diverse community, with minorities accounting for 37% of the Leon County population. The population is young, with a median age of 26.1. Tallahassee residents have historically attained a comparatively high level of education. According to the Survey, 47% of area residents age 25 or older have completed at least four years of college, compared to 25.9% for the State of Florida. These population characteristics largely reflect the influence of the two major universities, a large community college, State government, and the resulting high level of professional employment.

The City and Leon County have generally experienced and are expected to continue to experience a steady increase in population as depicted in the following table:

POPULATION

	Tallahassee		Leon County		Florida		United States	
Year	Population	Annual Change	Population	Annual Change	Population	Annual Change	Population	Annual Change
1950(1)	27,237	-	51,590	-	2,771,000	-	151,326,000	-
1960(1)	48,174	5.9%	74,225	3.7%	4,952,000	6.0%	179,323,000	1.7%
1970(1)	72,624	4.2%	103,047	3.3%	6,791,000	3.2%	203,304,000	1.3%
1980(1)	81,548	1.2%	148,655	3.7%	9,740,000	3.7%	226,505,000	1.1%
1990(1)	124,773	5.3%	192,493	2.9%	12,938,000	3.3%	248,710,000	1.0%
2000(1)	150,624	1.9%	239,452	2.2%	15,982,400	2.1%	281,422,500	1.2%
2010(1)	181,376	0.6%	275,487	1.5%	18,801,310	1.8%	308,745,538	0.9%
2011(2)	182,482	-	276,278	-	18,905,048	-	311,591,917	-
2015(2)	188,000	-	283,200	-	19,664,672	-	325,540,000	-
2025(2)	209,700	-	308,700	-	22,329,543	-	157,452,000	-

Source: (1) U.S. Census Report
(2) Tallahassee-Leon County Planning Department

Employment

Tallahassee's employment is non-agrarian in nature and heavily oriented toward governmental employment. Historically this concentration of government employment, representing 36% 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 the County enjoy relatively high income levels, especially when compared to surrounding counties.

Nationally, there is a trend to limit the scope and resources of government at all levels. Therefore, state government may in the future not fuel the local economy to the same extent as it has in the past. In an effort to diversify the area's economy, the local government and the Chamber of Commerce are working closely together to attract additional employers to the area and to assist the expansion of existing local industries. Since 1992 the Economic Development Council of Tallahassee-Leon County has marketed 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 United States averages as shown in the table below:

AVERAGE ANNUAL UNEMPLOYMENT RATE

Year	Leon County	Florida	United States
2003	4.1	5.3	6.0
2004	3.7	4.7	5.5
2005	3.1	3.8	5.1
2006	2.7	3.4	4.6
2007	3.1	4.1	4.6
2008	4.4	6.2	5.8
2009	6.8	10.2	9.3
2010	7.9	11.3	9.4
2011	8.0	10.5	8.7
2012	7.0	8.7	8.1

Source: **Year 2003:** State of Florida, Department of Labor and Employment Security; Bureau of Labor Market Information as reported on the Florida Research & Economic Database.
Years 2004 – 1012: Florida Agency for Workforce Innovation, Labor Market Statistics, Local Area Unemployment Statistics.

The table below depicts the employment distribution within Leon County.

EMPLOYMENT DISTRIBUTION

	2011	Percent
State Government	35,075	25.47%
Trade, Transportation and Utilities	18,384	11.35%
Education and Health Services	18,230	13.24%
Professional and Business Services	15,954	11.59%
Leisure and Hospitality	14,756	10.72%
Local Government	12,212	8.87%
Financial Activities	6,486	4.71%
Other Services and Not Classified	5,657	4.11%
Construction	4,541	3.30%
Information	2,863	2.08%
Manufacturing	1,695	1.23%
Federal Government	1,692	1.23%
Natural Resources and Mining	153	.11%
TOTAL	**137,698**	**100.00%**

Source: City of Tallahassee, Florida
Note: The above figures are non-agricultural employment and do not include self-employment, unpaid family or domestic personnel.

Taxpayers Principal Property Table

The following table shows the top nine principal taxpayers in Leon County for fiscal year ended September 30, 2012.

CITY OF TALLAHASSEE, FLORIDA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(thousands)

		2012			2003		
Taxpayer	**Type of Business**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**
Smith Interest General Partnership	Retail	$ 123,896	1	17.89%	$ 108,557	2	18.74%
Century Link (aka Embarq, Sprint)	Communications	119,969	2	17.32%	154,415	1	26.66%
Florida Gas Transmission Company	Utilities	83,849	3	12.11%	27,411	7	4.73%
Tallahassee Medical Center, Inc.	Medical	65,333	4	9.43%	--	--	--
DRA CRT Tallahassee Center	Real Estate	59,944	5	8.66%	--	--	--
Talquin Electric Coop	Utilities	64,676	6	9.34%	86,922	3	15.01%
Walmart Stores, Inc	Retail	52,455	7	7.57%	28,896	6	4.99%
St. Joe Company	Communications	45,737	8	6.60%	--	--	--
Capital City Bank	Banking	37,513	9	5.42%	26,919	10	4.65%
Comcast Cablevision, Inc.	Communications	39,172	10	5.66%	27,208	9	4.70%
Koger Properties	Retail	-	--	-	46,747	4	8.07%
Stiles, J.A. III Etal, Trust	Real Estate	-	--	-	44,841	5	7.74%
Blairstone Properties	Real Estate	-	--	-	27,285	8	4.71%
Total		**$ 692,544**		**100%**	**$ 579,201**		**100%**

Source: Leon County Property Appraiser

Education

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. Its undergraduate and graduate colleges, schools and divisions were attended by approximately 41,000 students in the 2011-12 school year. FSU is nationally known for its outstanding programs in business, education, fine arts, law and natural sciences. A medical school was recently added, which now enrolls a full complement of 480 students.

The other 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 approximately 12,000 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 14,000 students. TCC offers the same curriculum for college transfer as that offered at the universities for the first two years. Associate degrees are awarded in over 30 fields, some through special cooperative programs with the local universities. TCC formed the first University Partnership with Flagler College in Fall 2000 and has since partnered with Embry-Riddle Aeronautical University in 2001, Barry University in 2003 and St. Leo University in 2006. TCC students can pursue bachelor and graduate degrees on TCC's campus through the programs of its four University Partners.

Enrollment at the universities and the community college has increased steadily as shown in the following table:

Students Enrolled in
Tallahassee Area Universities and the Community College

Year	FSU	FAMU	TCC	Total
2002	36,720	12,468	11,968	61,156
2003	37,328	13,023	12,572	62,923
2004	38,886	13,070	12,784	64,740
2005	39,652	12,176	13,439	65,267
2006	40,474	11,913	13,526	65,913
2007	41,065	11,567	13,891	66,523
2008	39,136	11,848	14,024	65,008
2009	40,255	12,261	14,497	67,013
2010	40,838	13,277	14,770	68,885
2011	41,710	13,204	15,410	70,324
2012(1)	41,136	12,049	14,173	67,358

Source: Florida Department of Education and State of Florida Student Database Reports. All figures are for Fall semesters.
(1) Information provided by registrar for each respective university. Enrollments are preliminary.

Medical Facilities

Tallahassee also provides Northwest Florida and South Georgia with extensive medical facilities. There are currently two full service acute care facilities: Tallahassee Memorial Healthcare, Inc. ("TMH"), a 772-bed hospital, and Capital Regional Medical Center ("CRMC"), a 242-bed hospital. Founded in 1949, TMH is the largest general hospital in the Big Bend area of Florida and is the seventh largest hospital in Florida. TMH's primary service area is defined as the Florida counties of Leon, Gadsden, Wakulla and Jefferson. The secondary service area is comprised of six other adjacent Florida counties. In addition to TMH and CRMC, medical care treatment is provided to the regional area through outside public and private facilities, including a number of skilled nursing, convalescent and extended care facilities.

Annexation - Process and History

The City of Tallahassee has had a long history of annexation activity as a means of achieving growth. During its first 150 years, Tallahassee expanded from one-quarter of a square mile in size to 28.12 square miles in 1980. During the last 25 years, the City embarked on an aggressive annexation program to ensure its economic stability and better manage the developing urban area. The City has successfully annexed numerous parcels of developed and undeveloped land since 1979. Fourteen of these annexations were passed through a double referendum as set forth by Florida law, requiring passage by the majority of the City residents and the residents in the affected area. Since 1985 virtually all of the City's annexations occurred when all of the property owners in the affected areas requested incorporation of their property into the City. Since 1980 these annexed areas have added 74.94 square miles to the City, swelling its size to 103.06 square miles.

City Investment Policy

The City Treasurer-Clerk administers the City's investment program and is responsible for insuring the proper management, internal controls, safekeeping, and recording of all investment assets held or controlled by the City. The City has promulgated a non-pension investment policy to govern the investment of all non-pension financial assets held or controlled by the City, not otherwise classified as restricted assets requiring separate investing (the "Investment Policy"). The Investment Policy sets forth standards for investing, safekeeping and custody requirements, and reporting requirements. Individual criteria consisting of, at a minimum, objectives, authorized investments and performance evaluation criteria are established on an individual basis for specialized portfolios governed under specific legal constraints. Criteria for the City's core portfolio are also set forth in the Investment Policy. A copy of the Investment Policy may be obtained from the City Treasurer-Clerk's Office.

GENERAL GOVERNMENT DEBT

Capital Bonds

The City's Capital Bonds are supported by three revenue sources: 1) the Local Government Half-Cent Sales Tax, 2) the Guaranteed Entitlement Revenues, and 3) the Local Communications Services Tax. The following provides a discussion of each of these revenues.

Local Government Half-Cent Sales Tax. The State of Florida levies and collects a sales tax on, among other things, the sales price of each item or article of tangible personal property sold at retail in the State of Florida, subject to certain exceptions and dealer allowances. In 1982, the Florida legislature created the Local Government Half-Cent Sales Tax Program (the "Half-Cent Sales Tax Program") which distributes sales tax revenue and money from the State's General Revenue Fund to counties and municipalities that meet strict eligibility requirements. In 1982, when the Half-Cent Sales Tax Program was created, the general rate of sales tax in the State was increased from 4% to 5%, and one-half of the fifth cent was devoted to the program, thus giving rise to the name "Half-Cent Sales Tax." Although the amount of sales tax revenue deposited into the Half-Cent Sales Tax Program is no longer one-half cent on every dollar of the sales price of an item subject to sales tax, the name "Half-Cent Sales Tax" has continued to be utilized.

Effective July 1, 2004, the proportion of sales tax revenues deposited in the Local Government Half-Cent Sales Tax Trust Fund in the State Treasury (the "Trust Fund") was reduced to 8.714% of the sales tax remitted to the State of Florida by each sales tax dealer located within a particular county (the "Half-Cent Sales Tax Revenues"). Such proportion of the Half-Cent Sales Tax Revenues is deposited in the Trust Fund and is earmarked for distribution to the governing body of such county and each participating municipality within that county pursuant to a distribution formula. The Half-Cent Sales Tax Revenues are distributed from the Trust Fund on a monthly basis to participating units of local government in accordance with Part VI, Chapter 218, Florida Statutes (the "Sales Tax Act"). The general rate of sales tax in the State is currently 6%.

The amount of Half-Cent Sales Tax Revenues distributed to the City varies due to changes in sales within Leon County, as well as changes in the relative population of Leon County and the City.

In order to be eligible to receive distributions of the Local Government Half-Cent Sales Tax, each participating county and eligible municipalities must satisfy the conditions for eligibility for distribution of certain revenue-sharing monies pursuant to Section 218.23, Florida Statutes. Failure by the City to meet these eligibility requirements results in the deposit of the City's share of the Local Government Half-Cent Sales Tax into the General Fund of the State for the 12-month period following the determination of noncompliance. Historically, the City has consistently complied with all the requirements for participation in the Local Government Half-Cent Sales Tax distribution as set forth in Chapter 218, Florida Statutes.

The Local Government Half-Cent Sales Tax collected within a county is distributed to each participating county and municipality in accordance with the formula set forth In Section 218.62, Florida Statutes. The distribution is as follows:

$$\text{County's share (percentage of total Local Government Half-Cent Sales Tax receipts)} = \frac{\text{unincorporated area population} + \text{2/3 incorporated area population}}{\text{total county population} + \text{2/3 incorporated area population}}$$

$$\text{Municipality's share (percentage of total Local Government Half-Cent Sales Tax receipts)} = \frac{\text{municipality population}}{\text{total county population} + \text{2/3 incorporated area population}}$$

As used in the above formula, “population” means the latest official state estimate of population certified pursuant to Section 186.901, Florida Statutes, prior to the beginning of the local government fiscal year. Revenues are distributed on a monthly basis to eligible cities and counties. For the fiscal year ended September 30, 2011, the City received 45.55% of the Half-Cent Sales Tax Revenues distributed within Leon County.

Guaranteed Entitlement Revenues. The definition of Guaranteed Entitlement, as it applies to Florida municipalities, was amended in 2003 and is currently defined in the Florida Revenue Sharing Act of 1972, which is contained in Chapter 218, Part II, Florida Statutes (the “Revenue Sharing Act”) to mean the amount of revenue which must be shared with an eligible unit of local government so that no eligible municipality will receive less funds from the Revenue Sharing Trust Fund for Municipalities established by the Revenue Sharing Act in any State fiscal year, to the extent available, than the amount received by that municipality in the aggregate from certain State taxes in the State 1971 - 1972 fiscal years.

The guaranteed entitlement portion of State revenue sharing which accrues annually to the City totals $1,251,000, and this amount is received by the City in substantially equal monthly payments.

Local Communications Services Tax. The City levies a Local Communications Services Tax pursuant to Chapter 202, Florida Statutes. Communications services means the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method.

Purchases by the United States Government, the State of Florida, other public bodies and any religious institution or educational institution that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code are exempt from the Local Communications Services Tax.

If actual revenues do not reach expectations, as measured by comparing actual revenues to previously collected revenues increased by the average five-year growth rates, Section 202.20 (2), Florida Statutes, authorizes local governments to adjust its Local Communications Services Tax. In March 2006, based upon a study that documented that the City was experiencing a revenue shortfall in Local Communications Services Tax, the City increased its rate from 5.1% to 5.37% (neither rate includes the add-on of 0.12%).

Beginning July 1, 2007, a government may make an adjustment in its rate only if the Department reallocates other Local Communication Services Tax revenues away from the local government. In July of 2008, the Department determined the State had remitted more funds to the City that should have been during fiscal years 2002 - 2006. After the adjustment for such reallocation, it was determined that in 2008, the City's Local Communication Service Tax revenues were well below expectations and another increase in rate was necessary. In October 2008, the City authorized an increase in the tax rate from 5.37% to 5.98% (none of the rates include the add-on of 0.12%).

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

For Fiscal Years Ending September 30	**2008**	**2009**	**2010**	**2011**	**2012**
Communication Services Tax	9,140	9,557	9,319	8,447	8,942
Half Cent Sales Tax	9,658	8,569	7,738	8,619	8,786
Guaranteed Entitlement	1,251	1,251	1,251	1,251	1,251
Total Revenue	20,049	19,377	18,308	18,317	18,979
Debt Service (with 2008 Capital Bonds)	7,672	8,170	10,014	10,471	9,542
Debt Service (without 2008 Capital Bonds)	7,672	7,734	8,008	8,007	7,080
Debt Service Coverage with 2008 Cap Bonds)	**2.61x**	**2.37x**	**1.83x**	**1.75**	**1.99x**
Debt Service Coverage without 2008 Cap Bonds)	**2.61x**	**2.51X**	**2.29x**	**2.29x**	**2.68x**

2008 Capital Bonds have a pledge to budget and appropriate and not a specific pledge on any revenues thus the reason for the split comparison.

CAPITAL BONDS (GENERAL GOVERNMENT DEBT)
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE

Bond Year Ending October 1	Total	$49,165,000 Series 2012	$26,975,000 Series 2009	$9,400,000 Series 2008
2013	$ 8,179,969	$ 4,328,713	$ 2,461,664	$ 1,389,592
2014	9,101,432	5,248,750	2,459,521	1,393,161
2015	9,096,455	5,246,200	2,460,060	1,390,195
2016	9,098,252	5,249,200	2,458,187	1,390,865
2017	8,245,810	5,787,000	2,458,810	-
2018	7,999,836	5,543,000	2,456,836	-
2019	7,851,541	6,498,500	1,353,041	-
2020	7,849,825	6,496,750	1,353,075	-
2021	7,849,309	6,497,500	1,351,809	-
2022	7,849,246	6,500,000	1,349,246	-
2023	5,423,791	4,073,500	1,350,291	-
2024	5,418,602	4,068,750	1,349,852	-
2025	1,347,929	-	1,347,929	-
2026	1,349,429	-	1,349,429	-
2027	1,349,260	-	1,349,260	-
2028	626,055	-	626,055	-
2029	625,279	-	625,279	-
2030	623,761	-	623,761	-
2031	626,408	-	626,408	-
TOTALS	**$100,512,186**	**$ 65,537,863**	**$ 29,410,511**	**$ 5,563,812**

$49,165,000
City of Tallahassee, Florida
Capital Bonds, Series 2012

Dated: November 27, 2012

Purpose

To advance refund the Capital Bonds, Series 2004.

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; the proceeds from the City's Local Communications Services Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

Form

$49,165,000 Serial Bonds Series 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, 2013.

Agents

Registrar:	US Bank, Jacksonville, Florida.
Paying Agent:	US Bank, Jacksonville, Florida.
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida.

Ratings

Moody's:	Aa3
Fitch:	AA
Standard & Poor's:	N/A

Call Provisions

Optional Redemption

The Series 2012 Bonds maturing on or prior to October 1, 2022 are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing after October 1, 2022 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, 2022 at a redemption price of 100% of the principal amount of the Series 2012 Bonds to be redeemed, plus accrued interest to the date of redemption.

$49,165,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2012

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	2.000%	$ 2,460,000	$ 1,868,713	$ 4,328,713
2014	3.000%	3,085,000	2,163,750	5,248,750
2015	4.000%	3,175,000	2,071,200	5,246,200
2016	4.000%	3,305,000	1,944,200	5,249,200
2017	4.000%	3,975,000	1,812,000	5,787,000
2018	5.000%	3,890,000	1,653,000	5,543,000
2019	4.000%	5,040,000	1,458,500	6,498,500
2020	5.000%	5,285,000	1,211,750	6,496,750
2021	5.000%	5,550,000	947,500	6,497,500
2022	5.000%	5,830,000	670,000	6,500,000
2023	5.000%	3,695,000	378,500	4,073,500
2024	5.000%	3,875,000	193,750	4,068,750
TOTALS		**$ 49,165,000**	**$ 16,372,863**	**$ 65,537,863**

$26,975,000
City of Tallahassee, Florida
Capital Bonds, Series 2009

Dated: April 24, 2009

Purpose

To repay a portion of the outstanding principal amount of the obligation evidenced by a loan agreement between the City of Tallahassee and the Sunshine State Governmental Financial Commission dated, and to pay for costs associated with the bond issue.

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; the proceeds from the City's Local Communications Services Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

Form

$26,975,000 Capital Improvement Refunding Revenue Bonds Series 2009 due October 1, 2031. These bonds were issued as a private placement. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2009.

Agents

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida.

Optional Redemption

The Series 2009 Bonds may be prepaid at the option of the City in whole, or in part, on any date, with 3-days prior written notice to the Owner by payment in an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus the prepayment fee.

$26,975,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2009

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	3.710%	$ 1,645,000	$ 816,664	$ 2,461,664
2014	3.710%	1,705,000	754,521	2,459,521
2015	3.710%	1,770,000	690,060	2,460,060
2016	3.710%	1,835,000	623,187	2,458,187
2017	3.710%	1,905,000	553,810	2,458,810
2018	3.710%	1,975,000	481,836	2,456,836
2019	3.710%	925,000	428,041	1,353,041
2020	3.710%	960,000	393,075	1,353,075
2021	3.710%	995,000	356,809	1,351,809
2022	3.710%	1,030,000	319,246	1,349,246
2023	3.710%	1,070,000	280,291	1,350,291
2024	3.710%	1,110,000	239,852	1,349,852
2025	3.710%	1,150,000	197,929	1,347,929
2026	3.710%	1,195,000	154,429	1,349,429
2027	3.710%	1,240,000	109,260	1,349,260
2028	3.710%	550,000	76,055	626,055
2029	3.710%	570,000	55,279	625,279
2030	3.710%	590,000	33,761	623,761
2031	3.710%	615,000	11,408	626,408
TOTALS		**$ 22,835,000**	**$ 6,575,511**	**$ 29,410,511**

$9,400,000
City of Tallahassee, Florida
Capital Bonds, Series 2008

Dated: December 11, 2008

Purpose

To repay a portion of the outstanding principal amount of the obligation evidenced by a loan agreement between the City of Tallahassee and the Sunshine State Governmental Financial Commission dated November 16, 1996, amended and restated on April 25, 2001, in the original principal amount of $18,200,000, and to pay for costs associated with the bond issue.

Security

The bonds are secured by a covenant to budget and appropriate in its annual budget an amount legally available from all non-ad valorem revenues of the City.

Form

$9,400,000 Capital Improvement Refunding Revenue Bonds Series 2008 due October 1, 2016. These bonds were issued as a private placement. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2009.

Agents

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida.

Optional Redemption

The Series 2008 Bonds may be prepaid at the option of the City in whole, but not in part, on any scheduled payment date, at a prepayment price equal to 101% the principal amount thereof to be paid, plus accrued interest to the redemption date.

$9,400,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2008

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	3.410%	$ 1,215,000	$ 174,592	$ 1,389,592
2014	3.410%	1,260,000	133,161	1,393,161
2015	3.410%	1,300,000	90,195	1,390,195
2016	3.410%	1,345,000	45,865	1,390,865
TOTALS		**$ 5,120,000**	**$ 443,812**	**$ 5,563,812**

$86,210,000
City of Tallahassee, Florida
Capital Bonds, Series 2004 (Refunded in November 2012)

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; the proceeds from the City's Local Communications Services Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund. The Bonds are secured on parity with the Capital Refunding Bonds, Series 2001.

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:	US Bank, NA, Jacksonville, Florida.
Paying Agent:	US Bank, NA, Jacksonville, Florida.
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida.

Ratings

Moody's:	Aa3
Fitch:	AA
Standard & Poor's:	N/A

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.

Defeasance

In November 2008, the City of Tallahassee defeased $5 million.
In December 2011, the City of Tallahassee defeased $6 million.

Refunding

In November 2012, the City of Tallahassee refunded the remaining outstanding bonds.

$86,210,000

CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2004 (Refunded in November 2012)
(After December 2011 Defeasance)

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	(1)	$ 2,640,000	$ 3,067,493	$ 5,707,493
2014	5.000%	3,815,000	2,947,943	6,762,942
2015	3.850%	4,005,000	2,757,192	6,762,192
2016	5.000%	4,160,000	2,603,000	6,763,000
2017	5.000%	4,365,000	2,395,000	6,760,000
2018	5.000%	4,585,000	2,176,750	6,761,750
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		**$ 62,520,000**	**$ 23,040,878**	**$ 85,560,877**

(1) Bonds maturing 2013 are in two issues: $830,000 at 3.50% interest rate and $3,500,000 at 5.00% interest rate.

ENERGY SYSTEM

The Energy System is the City's Electric and Gas Systems 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 through 2017 are:

Issue	Amount	Projected Date
Gas System Revenue	$ 4,200,000	2016
Electric System Revenue	$ 70,000,000	2016

Administration

The City has consolidated all of its utility operations under a single Assistant City Manager for Utilities Services. The Utility Services area consists of the Electric Utility, Underground Utility (formerly Water and Sewer Utility, Gas Utility and Stormwater Utility), Solid Waste Utility, and two support departments - Utility Business and Customer Services, and Energy Services. 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 three utilities. Utility Business and Customer Services provides centralized support to all three 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, and the management of off-system purchases and sales of electric energy and capacity. In addition, Energy Services provides residential and commercial Demand-Side Management programs, energy audits and 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 City's Energy Services Department (ESD) is comprised of two Divisions: the Wholesale Energy Services Division and the Retail Energy Services Division. The primary purpose of the Wholesale Energy Services Division is to manage the fuels and energy supply portfolios for the City's Electric and Gas Utilities (Energy System). Recently, focus has been placed on acquisition of energy from renewable resources. The City signed contracts with SunnyLink LLC and SDA LLC for a total of 3 MW of electric energy derived by solar photovoltaic (PV). ESD continues to pursue other alternative energy opportunities as they arise.

Beginning August 1, 2006 the City signed a 20-year agreement with the Tennessee Energy Acquisition Corporation (TEAC) to provide discounted natural gas supplies to the City. The agreement commits the City to purchase 4,000 MMBtu of natural gas daily for a period of 20 years at a discount to the market estimated to be $0.45/MMBtu. The discount is achieved through the use of a prepaid natural gas contract. This will result in savings to the customers of the electric and gas utilities of $657,000 annually or approximately $13 million dollars over the life of the contract. This supply will represent about 6% of our current requirements for the Electric and Gas Utilities. More recently, a 30-year Agreement began June 1, 2010 with Royal Bank of Canada (RBC) through MainStreet, providing natural gas supplies to the City. Under this agreement the City will purchase between 4,000 and 6,000 MMBtu of natural gas daily for a period of 30 years at an average discount to the market estimated to be $0.65/MMBtu. The discount is achieved through the use of a prepaid natural gas contract. This will result in variable savings to the customers of the Electric and Gas utilities of no less than $365,000 annually (based on 5,000 MMBtu per day) but forecast to be about $35 million over the life of the contract. This supply will represent about 7% of current gas requirements for the Electric and Gas utilities. The ESD continues to pursue pre-pays and other opportunities for long term discounted fuel supplies.

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. In an effort to diversify the City's credit risk, the City began utilizing financial contracts for the purchase of natural gas on the New York Mercantile Exchange (NYMEX) and with various counterparties using the Over-the-Counter International Swap Dealers Association (ISDA) agreement. These instruments stabilize the City's budget and protect its customers against future adverse price movements. 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. The City Commission has approved utilization of budgeted fuel and energy expense accounts for (NYMEX related) financial trades for the current fiscal year, and up to $30 million from the Electric Operating Reserve for financial trades beyond the current fiscal year. All trading is consistent with the approved policy, pre-established market risk tolerances, and the City's budgetary or utility rate objectives. Financial contracts using ISDA agreements for the purchase of natural gas are individually negotiated with each counterparty. Credit thresholds are based on the individual company's credit risk profile and established in consultation with our risk management consultant.

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; and
- Wholesale market trading partners' credit worthiness determination including trade limits, is performed by an independent consultant on a continuous basis.

ESD's Wholesale Division purchases fuel oil to hedge against volatile natural gas prices and provides 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 Gas. When available, ESD re-markets excess capacity in the secondary market to help reduce the City's total transportation costs. Fuel is acquired mostly through short-term contracts, and deliveries are made by barge or truck. The Wholesale Division also hedges motor fuels on behalf of other City Departments. ESD purchases diesel fuel oil for StarMetro and both diesel and gasoline for Fleet consumption. ESD's role in hedging the cost of commodities consumed by the City is likely to continue to expand in the future.

The ESD Retail Energy Services Division includes Energy Conservation and Customer Services functions that are responsible for direct services to customers. In February 2008, the City Commission adopted a Demand Side Management (DSM) plan that identifies several programs and strategies designed to achieve aggressive demand and energy savings throughout the community. To help implement the plan, the City contracted with a DSM Program Manager in June 2010 to develop and deploy a combination of automated commercial demand response, residential smart thermostats, and a variety of demand reduction and energy efficiency measures. Supporting the commercial demand response efforts is an award of $8.9 million from the U.S. Department of Energy (DOE) under the Smart Grid Investment Grant program. The award, which was received in April 2010, also provides for enhanced electric transmission and distribution capabilities. The City received a second DOE award, in September 2009, for $1.78 million under the Energy Efficiency and Conservation Block Grant program to further support DSM efforts. With this funding the City has enhanced its energy audit program, implemented new financial incentives for energy efficiency and demand reduction, developed new innovative rate options that take advantage of the City's emerging smart grid infrastructure, and provided energy retrofits for City buildings, installed LED streetlights and demonstrated new solar water heating technologies. Work was substantially complete in 2012.

Energy Services continues to offer various incentives under the Energy Smart PLUS (e+) program as follows:

- Energy Star appliance rebates for the purchase of energy efficient appliances. Local retailers have partnered with the City to promote the program with in-store displays and distribution of rebate application forms;
- Energy Star Homes incentives for new or renovated homes achieving Energy Star qualification;
- Solar water heating rebates;
- Ceiling insulation grant program for all customers and a special insulation grant program for low-income customers;
- Net-metering for Photovoltaic (PV) installations allowing customers to sell excess power back to the City;
- Low-income programs targeting HVAC repairs that lower operating cost, as well as hot water leak repairs;
- Neighborhood REACH program which provides energy and weatherization assistance to residential customers using a whole-neighborhood, door-to-door delivery strategy;

- Energy assistance programs that provide home and business energy audits, investigations of high utility bills, low interest loans assistance for energy efficiency improvements, and related customer services;
- Customer Retention/Key Accounts programs that establish and maintain communication with high-use utility customers, including development and administration of long-term contracts; and
- The Gas Marketing programs. The Underground Utilities Department manages the Gas Sales program that promotes the City of Tallahassee natural gas system's residential and non-residential customer growth as well as fuel switching to achieve DSM savings.

With respect to the Neighborhood REACH program, Tallahassee was recognized as "Most Livable City in America" by the U.S. Conference of Mayors in 2011 for its work in REACH, and in 2012 the REACH program won the "Energy Innovator Award" from the American Public Power Association. Since launching the program in December 2010, REACH has served customers in the Bond, Frenchtown, Indianhead Acres, South City, Apalachee Ridge Estates, Seminole Manor and Mabry Manor neighborhoods.

ELECTRIC SYSTEM

The City owns, operates and maintains an electric generation, transmission and distribution system that presently supplies electric power and energy to 114,790 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, 2012, the City sold 2,606,900 MWh of electric energy to ultimate customers and 91,117 MWh to other utilities and received total operating revenues of approximately $298,408,975. The City experienced modest growth in customers of 0.6% from 114,093 in FY 2011 to 114,790 in FY 2012, while retail sales decreased slightly during FY 2012 to 2,606,900 MWh, a reduction of 0.2% from FY 2011. The City's ten-year forecasts project an average annual growth in customers of approximately 1.6% and an average annual growth in retail energy sales of 1% when including the forecasted impact of the City's aggressive energy efficiency and Demand Side Management program.

The current installed capacity at the Sam O. Purdom Generating Station (the Purdom Station) is 326 MW (winter rating). The Purdom Station includes a 250 MW class advanced combined cycle generating unit added in 2000. The current installed capacity at the Arvah B. Hopkins Generating Station (the Hopkins Station) is 544 MW (winter rating). The Hopkins Station includes the repowered Unit 2 which was converted from a conventional steam unit to a combined cycle unit in 2008. 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 on October 1, 1999. The terms of the transfer included purchasing equivalent replacement electric capacity (11.4 MW) through 2016. The purchased power contract was mutually terminated on December 31, 2012 for economic savings expected to exceed $1 million per year for each of the remaining four years of the contract.

Management Discussion of Operations

During the last several years, the City has aggressively addressed positioning all phases of its electric utility infrastructure for changing business requirements, environmental requirements, and customer needs. These efforts have included, but not been limited to, a new Energy Management System/Supervisory Control and Data Acquisition (EMS/SCADA) system, a new Outage Management System (OMS), conversion to solid state relays, new substation facilities, new transmission facilities, new gas turbine peaking generators and repowering Hopkins Unit No. 2 to a combined-cycle generating unit. While many of these types of improvements are ongoing, including the initial phases of deployment of a comprehensive "Smart Grid Program", these initiatives have already improved system reliability, efficiency, and customer service.

Based on the decisions made by the City Commission during the past five years, the City's power supply portfolio is well positioned to meet the near term (10+ years) resource requirements, while providing for an efficient, economic and environmentally responsible generation fleet. The highlights of the power supply portfolio include:

- With completion of the Hopkins Repowering in 2008, the weighted average age of 78% of the City's natural gas generating fleet is eight years and the weighted average heat rate of that portion of the natural gas generating fleet is 7,932 btu/kwh;
- The City's Demand Side Management (DSM) program is projected to delay the need for additional power supply resources to meet planning reserve margins until at least 2020; and

- The DSM program will increase the City's load factor approximately 6% over a ten-year time frame, and the efficiency of the generating fleet, coupled with the Energy Risk Management Program, will provide competitive, environmentally responsible production costs.

In addition to these initiatives, the City continues to monitor changes in the electric utility industry to position itself for the various forms of regulation and legislative initiatives. 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 a portion of existing indebtedness and directly fund certain capital projects that would otherwise be debt-financed. The Electric Operating Reserve had a balance of $86 million at September 30, 2012 with $30 million of this amount committed to supporting financial trades through the City's Energy Risk Management Program. The City's residential base rates are among the lowest in Florida and the predominant use of abundant and affordable natural gas for its generating units has allowed the City's total rates to remain competitive and below State averages. The City continues to be an active participant in State and Federal legislative and regulatory activities related to electric industry restructuring, electric reliability, electric transmission facilities, climate change and financing issues that may have an impact on the City and its customers.

General Electric Long Term Services Agreement

In 1999, the City entered into a Long Term Services Agreement (LTSA) with General Electric International, Inc. (GE) for Purdom Unit 8 (PP8). With the repowering of Hopkins Unit 2 in 2008, it was modified to include HP2A 7FA gas turbine. Under the terms of the LTSA, GE performs all of the scheduled preventative maintenance work on the city's PP8 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.

The modified LTSA between the City and GE provides for the following major changes to the PP8 LTSA.

- Extends the PP8 term to 18 years and adds the HP2 combustion turbine generator to the LTSA for a term of 12-years;
- Includes compressor and rotor coverage as "Planned Maintenance"; and
- Includes provisions for GE to compensate the City up to $1 million per year per unit for compressor or rotor failures.

Future Power Supply Resources

The City's DSM portfolio is projected to significantly reduce future load and energy requirements and as such has delayed any capacity need. Notwithstanding the absence of capacity need, the City has continued to pursue opportunities to diversify its power supply portfolio and provide for continued long term reliability and cost effectiveness. Toward this end the City negotiated renewable energy purchases with SunnyLink LLC and SDA LLC for a total of 3 MW of electric power generated by Solar photovoltaic (PV). ESD continues to pursue other alternative energy opportunities as they arise.

The City also continues to monitor changing regulatory and legislative trends that could potentially impact the selection of future resources. The electric utility regularly evaluates the current resource plan for risk exposure, primarily through the use of sensitivity cases that are analyzed to determine if the resource plan is sufficiently robust to remain stable (reliable service at the lowest cost) for variations in key assumptions. While there are several assumptions that are routinely tested in the resource planning process (such as load growth and fuel prices), there continues to be significant areas of uncertainty that represent potential near-term risk to the City; continued changing environmental regulations, and the evolving mandatory reliability standards framework.

In addition to these industry-wide areas of risk, the City is also monitoring the risk associated with the aggressive DSM portfolio that is currently part of the preferred resource plan. Based on the projected impacts associated with this portfolio, the City's need for new capacity has been deferred. However, implementation of the portfolio has proceeded more slowly than anticipated in the IRP study, and uncertainty remains about how responsive the City's customers will be to adopting DSM measures that can achieve the capacity and energy savings identified in the portfolio. The electric utility continues to assess the risk exposure related to this DSM portfolio, and to identify options the City could consider should the anticipated savings not be achieved as planned.

Environmental

The City's Electric Utility operates under numerous state and federal environmental laws, rules and regulations. The United States Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP) are the main environmental regulatory agencies that the City interacts with on these laws, rules and regulations. The City's Electric Utility is in compliance with all its current operating permits. All required environmental permits are current or have been applied for in a timely manner.

Air: The City renewed Title V Air Operation Permits for Hopkins and Purdom generating stations during 2012 which included minor revisions and the inclusion of some additional requirements concerning stationary engines located at both facilities. Both facilities reported no instances of permit violations or noncompliance.

The City continues to monitor new and pending legislation and regulations targeting the electric utility sector. In particular, the City has paid close attention to the following rules which are explained further below: the clean Air Interstate Rule and the Best Available Retrofit Technology Rule.

The City continues to comply with the Clean Air Interstate Rule (CAIR), which was reinstated after the repeal of the Cross State Air Pollution Rule (CSAOR) last year. Under CAIR, a cap and trade program for NOx and SO_2 was established in 2006, with the target of reducing emissions of these two pollutants by 70% by a deadline of 2015. The City is required to hold a sufficient number of emissions "allowance" to cover its emissions of the two target pollutants annually and each ozone season (May 1 to September 30). New generation unites in the program commenced operation after 2005, yet before 2008, must request additional allowances each year from the New Unit Set-asides Pool until they are properly accounted for in the state's reallocation of allowances for a number of years. Starting in 2013, the City will automatically receive allowances for unites Hopkins Units HC3 and HC, while needing to request allowances for Hopkins 2A. The City will continue to be allocated allowances for Hopkins 2 and Purdom 7, upon its retirement at the end of 2013. As such, the City of Tallahassee held and will continue to hold a sufficient number of allowances to meet the requirements of the CAIR program from 2012 through 2018.

Due to the repeal of CSAPR, an earlier interpretation of the impact of that rule and CAIR on the Best Available Retrofit Technology Risk requirements were also repealed, thus elevating the need for the state and EPA to address it in 2012. Best Available Retrofit Technology (BART) requirements are designed to reduce emissions specifically from large sources that, due to age, were exempted from currently promulgated new source performance standards. Three units, Hopkins Units 1 and 2 and Purdom 7, were explicitly named due to their age and proximity to the St. Marks National Wilderness Area. In order to avoid costly retrofits, the City agreed to retire Purdom 7 prior to December 31, 2013. Hopkins Unit 2 was repowered in 2008, leaving Hopkins Unit 1 as a possible target by regulators for upgrades and retrofits. In response to FDEP inquiry, the City submitted modeling that shows Hopkins Unit 1 as being exempt from these technology upgrades. The City is still waiting for a response from EPA on whether this modeling has been accepted.

Water: The City is operating in compliance with all of the NPDES permit conditions for both facilities. However, the Hopkins Permit was issued with an Administrative Order (AO) attached to it due to removal of the Copper Mixing Zone (MZ) from the previous permit. The MZ had provided relief from the Water Quality Standard (WQS) limit for copper. To achieve compliance with the WQS limit for copper, the City has conducted a metal translator study and depending on the final result of the study provided the necessary relief from the WQS limit for revision was submitted to and approved by FDEP and the City obtained a final permit limit of 50 ppb in the NPDES permit and the Administrative Order is closed.

Another rule that needs to be followed very closely, which may have significant impacts on the operations of the two generating stations, TP Smith WWRF and the City's Municipal Separate Sewer System Permit (MS4), if it is promulgated by the FDEP, is the proposed Numeric Nutrient Criteria Rule (NNCR). The proposed NNCR is still being litigated by EPA and FDEP. If it is adopted by FDEP as its current form, it may have negative effects on the ability of municipalities to use re-use water (TP Smith and Purdom currently use re-use water in their respective permits). Also, the Total Phosphorous (TP) limit for Hopkins in the Site Certification is 1.65 mg/L. If the NNC Rule passes without any relief, we may have it inserted in our NPDES permit and have to comply with a value of 0.18 mg/L for TP.

Electric Rates

Under existing Florida law, the City Commission has the exclusive authority to establish the level of electric rates. Rate level refers to the total amount of revenue to be recovered by the Electric System. The Florida PSC has jurisdiction over the City's rate structure. Rate structure addresses how the total revenue requirements are allocated to and recovered from the Electric System's various rate classes.

The City's current electric rates include a customer charge that varies by customer class, a demand charge (for large commercial customers), a non-fuel energy charge, and an Energy Cost Recovery Charge (ECRC). In November 2010, an optional residential time-of-use rate (referred to as Nights and Weekends pricing) was introduced as a 2,000 customer pilot. Under this rate schedule, the non-fuel energy charge and the ECRC vary by time of day. The program is fully subscribed and is expected to become permanent in April 2012.

Electric rate revenues are composed of two categories: energy cost recovery revenues (often referred to as fuel cost of ECRC recovery), and base rate revenues. The ECRC is a pass-through charge that recovers the cost of fuel used in the City's power generating facilities, and the cost of wholesale power purchased from other utilities. The City reviews the actual over or under-recovery of these costs on a monthly basis and modifies the ECRC charge, if required, on at least a semi-annual basis. All other rates (referred to as base rates) are reviewed and adjusted periodically to ensure rate level sufficiency and equitable rate structure.

The City continues to place emphasis on managing the cost of fuel and purchased power passed onto its customers through the ECRC. The City actively manages its fuel supply and energy supply portfolio to minimize the impact of natural gas price volatility. Due to the declining cost of natural gas, ECRC rates were lowered in October 2010, April 2011 and October 2011, February 2012 and October 2012. As a result of the decline, the City has been able to reduce the overall cost of electricity (1,000 kWh monthly bill) $115.48, which is below the statewide average. In addition to competitive rates, the city also offers a Preferred Customer Electric Service Agreement to our largest customers, which further reduces their rates and ensures that they remain City customers in the long term.

It is the City's policy to transfer any excess revenues to electric system reserves and similarly use electric system reserves to make up any shortfalls. In order to adjust rates over time to reflect the cost of service, while avoiding undue rate shock, Section 21-241 of the Tallahassee Code of Ordinances requires an increase to electric base rates on October 1 of each year equal to the most recently available 12-month change in the Consumer Price Index. Pursuant to this ordinance, base rates were increased on October 1, 2011 by 3.8% and on October 1, 2012 by 1.7%.

For FY 2012, a $17.4 million revenue deficit was projected and approved to be funded from system reserves. Due to a combination of higher rates and lower one-time expenses than anticipated, the actual transfer was lower than expected, at $9.4 million. The City has engaged SAIC, Inc., (formerly known as R.W. Beck) to perform a 2013 rate study. Based on the result of this study, base rates will be increased effective April 1, 2013. This base rate change, when combined with the change to the ECRC effective the same date, will result in a net rate reduction.

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 approved program additions for FY 2012 are $52 million with the total five-year plan totaling $304.9 million. Funding sources include charges to customers (1%), existing and future bond funds (49%) and deposits to the renewal and replacement fund (50%).

The Capital Improvement Program includes conceptual plans for the construction of additional peaking generating units in 2017. The city estimates the direct construction costs of such peaking units and related transmission and fuel storage facilities to be about $74 million. These generating units are included in the Capital Improvement Program to address electric transmission deficiencies in the City's service territory and to provide a greater flexibility in dispatching generating units to meet the demand. The City is currently in the process of constructing a new 230 kV transmission line connecting the Hopkins facility with the eastern portion of the service territory. (See discussion in Transmission and Distribution Section). This 230 k V transmission line will provide the requisite voltage system support and defer the need for the additional capacity.

The Electric Utilities has completed the construction of several major substation projects including BP14 located on Centerville Road in the NE portion of the service territory, BP-21 located on Mahan on the eastern portion of the service territory, and the rebuilding of BP3 located near the FSU campus on Lipona Road. Substation BP17, located at the intersection of I-10 and Highway 90 on the eastern portion of the service territory is under construction and expected to be completed in 2013. These substations have been located and designed to provide greater reliability and capacity in the eastern and northeastern part of the electric system by alleviating loading problems in the area that have been problematic over the last few years, and provide backup for several substations in the area.

The City has been installing underground electric feeders for over 30 years. Being that we have been on the forefront of this practice of installing such underground distribution feeders, therefore, much of our system is 20 to 30 years in age. These feeders that are now serving both our residential, as well as commercial load, have aged and starting to show signs of deterioration. System Refurbishment funding provides for the replacement of these underground feeders and associated costs. We prioritize these refurbishments on the worst performing feeder segments. During the FY 2012 budget year, we were able to refurbish the following areas: Remington Green, Royal Oaks Subdivision, Settlers Springs, Brittany Estates, and various other smaller loops. This increases the reliability for the customers that are served off of these circuits. This is a recurring project so that we can continue to maintain our system to the utmost performance.

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 2,150 demand metered electric accounts are eligible. These accounts represent around 2,500 demand-metered service points;
- 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;
- Of the City's 20 largest Electric Utility customers, 18 have executed PCES Agreements; and
- Overall, 287 demand-metered utility customers have executed PCES Agreements.

Transmission and Distribution

The City's existing transmission system includes approximately 194-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. The Electric System has substations at 23-locations, one each at the Hopkins and Purdom stations, 18-bulk power substations, one transmission substation and three 12.47 kV distribution step-down substations. At the 18-bulk power substations the power is transformed 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 Supervisory Control and Data Acquisition/energy Management System (SCADA/EMS).

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

The City continues to evaluate its transmission system to maintain the reliability of its grid and to ensure compliance with the North American Electric Reliability Corporation (NERC) standards. Recent contingency analysis indicated that additional transmission facilities are needed in the future to address projected limitations related to the transfer of power from the west side of the system (Hopkins Plant) to loads on the east side. Several alternatives were reviewed to address this concern. The best decision to address this concern is to construct an eastern 230kV transmission loop around the City electric system. The first phase will be to construct a new 230kV line from the southwest side of Tallahassee to the southeast side of Tallahassee. Once complete, two existing 115kV lines will be upgraded to 230kV to complete the loop. The construction work associated with both phases of the project has commenced and the 230kV loop is expected to be complete during 2015.

The City is also pursuing the final routing for a new transmission line (Line 55) that will connect the new substation BP14 to an existing substation BP7. This connecting will close the loop and connect the eastern transmission line to BP7. The route for this new line will be totally within the I-10 rights-of-way (ROW). There are routing options that utilize the northern, southern and a combination of the northern and southern sides of the I-10 ROW. The City expects to make a final decision on the routing in the spring of 2013 with construction to commence in early 2014.

Awards

In 2012, the City of Tallahassee Utilities received national acclaim as recipient of the prestigious 2012 E.F. Scattergood System Achievement Award from the American Public Power Association (APPA). This highly coveted designation recognizes the top public utility in the country for enhancing the prestige of public power utilities nationwide through sustained achievement, exemplary leadership and customer service excellence.

The City also received APPA's 2012 energy Innovator Award for its innovative and successful Neighborhood REACH Program along with active community involvement. This national honor recognizes a utility that has demonstrated advances in the development and application of creative, energy-efficient technologies, customer service enhancements and operational efficiencies.

Out of thousands of utility systems throughout the nation, the City of Tallahassee has become a leading authority on smart grid innovation and adaptive strategies to meet rapidly changing customer needs.

THE GAS SYSTEM

The City owns, operates and manages a natural gas distribution system, which currently provides firm and interruptible gas service to approximately 26,835 customers in Leon County and the surrounding counties of Wakulla and Gadsden.

The Gas Utility management team is responsible for administration, engineering, business development, and field operations of the City's Gas System. Activities include sales and marketing, customer service, dispatching and controlling the delivery of gas, maintaining above ground facilities and infrastructure, managing new facility construction, maintaining system maps, ensuring operating of system valves and performing periodic leak surveys. The success of the Gas Utility and its ability to meet future challenges is the direct result of the talent, skills and dedication of the Gas Utility employees.

The Gas Utility has two pipeline suppliers: Kinder Morgan and Florida Gas Transmission. The Gas Utility operates four main gate stations strategically located throughout its service area and has over 869 miles of gas main infrastructure. The Gas Utility has 34 full-time employees who maintain and operate the gas system. Annual system sales for FY 2012 were 2,505,171 Mcf (a measure of volume of natural gas; one Mcf equals 1,000 cubic feet of natural gas. The "M" stands for Roman numeral 1,000, the "C" stands for cubic and the "F" stands for feet), annual revenues exceeded $29 million and the number of service connections at the end of the fiscal year was 28,334.

Financial Results

The challenges faced by the economic downturn in the housing market continued through 2012. Since new housing growth remains slow, the Gas Utility continued its marketing and sales efforts to retrofit existing customers from other fuel sources to natural gas. Some new construction was occurring in both the business and residential sectors, and these areas were targeted to ensure that developers and builders knew the economic and environmental benefits of natural gas. Due to these marketing and sales efforts, the City of Tallahassee Gas Utility achieved customer growth during this weakened economy.

In addition to the economic downturn, 2012 was the warmest winter on record, which resulted in abnormally low gas sales. Due to the low gas sales in FY 2012, expenses exceeded revenues by $978,969. Despite lower than normal gas sales, the Gas Utility was able to meet its financial commitments to the City and transferred $2,512,094 to the City's general fund in accordance with the City's budgetary policy.

As part of its annual budget process, the Gas Utility management team developed a five-year capital improvement program totaling $27,725,044 that consists of funding for high pressure system upgrade projects, gas system expansion projects, gas system relocation projects, gas meter service projects and gas service tap projects. The majority of these projects are funded as master projects where subprojects can be issued as new development occurs during the fiscal year. This financial mechanism gives Gas Utility staff the flexibility to meet developers' tight deadlines in receiving services and improves customer services. Approximately 80% of the capital budget appropriations are geared towards system expansion and the remaining 20% are allocated to upgrading the distribution system, enhancing system integrity, as well as providing funding for alternative fuel initiatives, system automation, and smart metering initiatives. The first year of this financial program allocation becomes an appropriation and the remaining four years constitute a planning document that identifies anticipated capital expenditures and the associated funding sources for appropriate capital projects.

Management Discussion of Operations

The Gas Utility has continued to use technology enhancements to improve efficiency and enhance work effectiveness, resulting in reduced operational costs and improved customer service. Increased use of technology and customer expectations has necessitated additional operational and customer service training. Technology enhancements and staff training have had the direct result of three consecutive years of flawless Florida Public Service Commission safety audits, as well as a continued high customer retention rate.

The Gas Utility continues to refine its residential conversion program, and for the last two years has been a major partner in the City's award winning Neighborhood Reach Program. Through this program, low-income families are able to switch out their electric and propane water heaters with the more economical and energy efficient natural gas water heaters.

Two years ago, the Gas Utility partnered with the Leon County School System (LCSS) in the establishment of their first compressed natural gas (CNG) fueling station for their school bus fleet. This program was such a success LCSS has expanded its fleet from 14 buses to 44 buses with plans to increase their fleet by 15 buses per year. Because of this fleet expansion, the school system needed a larger CNG fueling station. The Gas Utility partnered with the LCSS and a local Tallahassee business, Nopetro, in the establishment of Tallahassee's first public access CNG fueling station, which opened in August of 2012. In order to take advantage of the economic savings that CNG offers, the City has purchased eleven garbage/trash trucks which will be put into operation in 2013.

Furthermore, through sales and marketing efforts the Gas Utility expanded its gas service further west into Gadsden County and provided natural gas service to a new prison being built and two existing educational facilities: Pat Thomas Law Enforcement Academy and East Gadsden High School. The Gas Utility sales and marketing team is working with other potential customers in Gadsden County to encourage them to take advantage of the benefits that natural gas has to offer.

Gas Rates

The Gas Utility's retail rate structure includes a base rate and a fuel recovery charge. The base rate is comprised of a fixed customer charge and a variable consumption charge. The base rate is designed to recover the operating expenses exclusive of fuel, plus scheduled transfers for debt service; renewal, replacement and investment; and a transfer to the City's general fund. The fuel recovery charge, officially called the Purchased Gas Recovery Charge (PGRC), is a pass-through recovery mechanism designed to recover fuel and other related costs on a dollar-for-dollar basis.

SELECTED ENERGY SYSTEM STATISTICS

Electric System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ended September 30	2008	2009	2010	2011	2012
Residential					
Average Annual Customers	94,406	94,803	95,111	95,681	96,340
Energy Sales (MWh)	1,059,465	1,047,163	1,128,804	1,133,280	1,028,273
Average Annual Use Per Customer (kWh)	11,222	11,046	11,868	11,844	10,673
Average Annual Revenue per Customer	**$ 1,628**	**$ 1,665**	**$ 1,555**	**$ 1,504**	**$ 1,274**
Commercial and Industrial					
Average Annual Customers	14,255	14,195	14,113	14,115	14,178
Energy Sales (MWh)	1,604,760	1,585,051	1,588,044	1,576,644	1,547,776
Average Annual Use Per Customer (kWh)	112,575	111,663	112,523	111,700	109,167
Average Annual Revenue Per Customer	**$ 13,109**	**$ 13,464**	**$ 11,506**	**$ 10,985**	**$ 9,822**
Public Street Lighting					
Average Annual Customers	4,341	4,324	4,312	4,298	4,272
Energy Sales (MWh)	29,881	30,421	30,409	30,678	30,850
Average Annual Use Per Customer (kWh)	6,883	7,035	7,052	7,138	7,221
Average Annual Revenue per Customer	**$ 992**	**$ 783**	**$ 924**	**$ 906**	**$ 857**
Total Sales to Ultimate Customers					
Average Annual Customers	113,002	113,323	113,535	114,094	114,790
Energy Sales (MWh)	2,694,106	2,662,634	2,747,257	2,740,602	2,606,900
Average Annual Use Per Customer (kWh)	**23,841**	**23,496**	**24,197**	**24,021**	**22,710**
Off System Sales					
Sales for Resale (MWh)	31,257	130,157	91,382	108,288	91,117
Total Sales (MWh)	**2,725,363**	**2,792,791**	**2,838,640**	**2,848,890**	**2,698,016**

Electric System - Selected Operating Costs and Ratios

For Fiscal Years Ended September 30	2008	2009	2010	2011	2012
Revenue per kWh					
Residential Customers	0.145	0.151	0.131	0.127	0.119
Commercial and Industrial Customers	0.116	0.121	0.102	0.098	0.090
Public Street Lighting	0.144	0.111	0.131	0.127	0.119
Expenses Per kWh					
Total Operating Expense per kWh	0.1201	0.1043	0.1026	0.0894	0.0918
Financial Ratios					
Debt to Total Assets	0.643	0.626	0.586	0.647	0.634
Operating Ratio	0.888	0.799	0.775	0.778	0.873
Current Ratio	4.510	3.507	5.819	5.44	5.25

Electric System - General Statistics For Fiscal Years Ended September 30	**2008**	**2009**	**2010**	**2011**	**2012**
Generating Capacity (MW) (Summer)	812	794	794	794	794
Capacity Purchases (MW) (Summer)	11	11	11	11	11
Net System Energy Generated (MW)	2,325,306	2,657,425	2,639,322	2,798,795	2,425,758
Net Peak Demand (MW) Summer	587	605	633	590	557
Net Peak Demand (MW) Winter	526	579	601	584	516
Average Residential Monthly Bill ($)	149	153	143	138	118
Number of Street Lights	17,497	17,670	17,971	17,998	18,040
Average Residential Monthly Bill ($) - Service Points [4]	135	137	129	125	106

Electric System - Summary of Projected Demand and Energy Requirements (MW) For Fiscal Years Ending September 30	**2013**	**2014**	**2015**	**2016**	**2017**
Annual 60-Minute Peak Demand [1]					
Summer - MW	576	562	550	540	532
Winter - MW	547	543	540	536	531
Annual Energy Sales - GWh [2]	2,723	2,726	2,727	2,727	2,733
Sales to Talquin Customers Served by the City - GWh	24	24	24	24	24
Purchases from Talquin	24	24	25	25	25
Losses and Unaccounted for Energy - GWh	162	162	162	153	162
Annual Energy System Requirements - GWh	2,864	2,888	2,889	2,889	2,896
Annual System Load Factor [3]	56.76%	58.66%	59.96%	61.07%	62.14%

(1) Includes estimated reduction in seasonal peak demands associated with demand-side management (DSM) program and coincident demand of approximately 5 MW associated with sales to Talquin.

(2) Includes estimated reduction in sales associated with DSM program.

(3) Annual Energy Requirements divided by the product of 8,760 hours multiplied by the peak demand.

(4) Average bill per service point. Previous years' reports presented average bill per customer.

Gas System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ended September 30	2008	2009	2010	2011	2012
Residential (firm)					
Average No. of Customers	24,753	24,759	25,227	25,905	26,234
Usage (Mcf)	617,233	642,902	745,138	710,240	563,107
Average Sales Per Customer (Mcf)	25	26	30	27	21
Non-residential (firm)					
Average No. of Customers	1,669	1,663	1,697	1,723	1,759
Usage (Mcf)	689,177	686,135	738,382	752,451	721,886
Average Sales Per Customer (Mcf)	413	413	435	437	410
Special Contract Interruptible					
Average No. of Customers	6	6	6	6	6
Usage (Mcf)	724,275	822,034	839,445	854,338	859,315
Average Sales Per Customer (Mcf)	120,713	137,006	139,907	142,390	143,219
Flexible Contract Interupptible					
Average No. of Customers	4	4	4	4	4
Usage (Mcf)	237,055	220,904	211,318	199,372	199,042
Average Sales Per Customer (Mcf)	59,264	55,226	52,830	49,843	49,761
Standard Interruptible					
Average No. of Customers	15	15	16	16	15
Usage (Mcf)	170,730	177,598	265,015	179,460	161,821
Average Sales Per Customer (Mcf)	11,382	11,840	16,563	11,216	10,788
Total Gas System					
Average No. of Customers	26,447	26,447	26,948	27,654	28,018
Usage (Mcf)	2,438,470	2,549,572	2,792,202	2,695,860	2,505,171
Average Sales Per Customer (Mcf)	92	96	104	97	89
Miles of Gas Lines	818	834	850	860	869
Heating Degree Days (HDD)	1,389	1,605	1,964	1,801	1,057

Gas System - Projected Sales Volumes in MCF*

For Fiscal Years Ending September 30	2013	2014	2015	2016	2017
Residential	692,134	708,923	726,009	743,429	761,144
Commercial	753,863	767,716	781,796	796,107	810,652
Contract Interruptible	870,652	870,652	870,652	870,652	870,652
Small Interruptible	199,042	199,042	199,042	199,042	199,042
Flexible Interruptible	189,434	189,434	189,434	189,434	189,434
Total	2,705,125	2,735,767	2,766,933	2,798,664	2,830,924

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

Electric System Ten Largest Retail Customers

Fiscal Year Ended September 30, 2012

			Percent of Total Retail Sales	
Customers	***Revenue***	***kWh***	***Revenue***	***kWh***
Florida State University	$ 19,599,176	257,667,898	7.38%	9.88%
State of Florida	12,661,996	146,600,927	4.77%	5.62%
City of Tallahassee	8,951,368	92,583,866	3.37%	3.55%
Florida A & M University	5,109,934	66,329,515	1.92%	2.54%
Leon County School Board	4,734,400	45,631,521	1.78%	1.75%
Tallahassee Memorial HealthCare	3,929,326	51,024,330	1.48%	1.96%
Wal-Mart	2,312,380	28,614,791	0.87%	1.10%
Publix Markets	2,490,383	29,026,120	0.94%	1.11%
Leon County	2,343,845	26,758,756	0.88%	1.03%
Federal Government	2,309,514	25,903,982	0.87%	0.99%
TOTAL	**$ 64,442,322**	**770,141,706**	**24.26%**	**29.53%**

Gas System Five Largest Customers by Consumption

Fiscal Year Ended September 30, 2012

			Percent of Total Retail Sales	
Customers	***Revenue***	***Gas Usage***	***Revenue***	***Gas Usage***
Florida State University	$ 4,133,598	498,064	12.10%	18.47%
St Marks Powder, Inc.	1,571,492	244,076	4.60%	9.05%
Florida A & M University	1,475,265	172,466	4.32%	6.40%
Tallahassee Memorial HealthCare	1,275,037	134,726	3.73%	5.00%
Peavy & Son Construction Co.	806,561	63,957	2.36%	2.37%
TOTAL	**$ 9,261,953**	**1,113,289**	**27.11%**	**41.29%**

Electric Rates (effective 10/01/12)

	Current (1)
Residential	
Customer Charge - Single Phase Service	$6.74
Customer Charge - Three Phase Service	$23.61
Energy Charge per kWh	$0.06241
General Service Non - Demand	
Customer Charge - Single Phase Service	$8.44
Customer Charge - Three Phase Service	$30.94
Energy Charge per kWh	$0.04540
General Service Demand	
Customer Charge	$56.24
Demand Charge per kW	$10.40
Energy Charge-The first 500 kWh per kW	$0.01775
Excess kWh per kW @	$0.00249
General Service Large Demand	
Customer Charge	$56.24
Demand Charge per kW	$10.40
Energy Charge-The first 500 kWh per kW	$0.01730
Excess kWh per kW @	$0.00249

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

Gas Rates

Residential	
Customer Charge (per month)	$10.13
Energy Charge (per 100 cubic feet)	$0.72383
Commercial	
Customer Charge (per month)	$18.14
Energy Charge (per 100 cubic feet)	$0.56409
Commercial Small Interruptible	
Customer Charge (per month)	$160.09
Energy Charge (per 100 cubic feet)	$0.23363
Commercial Interruptible	
Customer Charge (per month)	$240.13
Energy Charge (per 100 cubic feet)	$0.18026
Commercial Large Interruptible	
Customer Charge (per month)	$240.13
Energy Charge (per 100 cubic feet)	$0.08741

(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	**2008**	**2009**	**2010**	**2011**	**2012**
Electric Operating Revenues					
Retail Sales	$ 353,939	$ 345,680	$ 317,798	$ 297,355	$ 274,226
Sales for Resale	3,185	6,836	5,086	5,080	3,655
Other Operating Revenues	11,440	12,149	11,469	12,421	5,769
Transfers (to) from	(873)	(60)	(8,297)	8,668	9,423
Total Electric Operating Revenue	367,691	364,605	326,056	323,524	293,073
Electric Operating Expenses					
Fuel	197,300	212,677	177,857	160,268	127,367
Purchased Power	39,009	14,093	13,533	9,707	14,660
Other	61,247	64,533	67,563	75,118	72,509
Total Electric Operating Expenses	297,556	291,303	258,953	245,093	214,536
Net Electric Revenues	70,135	73,302	67,103	78,431	78,537
Non-Operating Revenues:					
Other Income & Deductions	3,763	1,336	3,159	2,644	3,942
Total Net Electric Revenues	**73,898**	**74,638**	**70,262**	**81,075**	**82,479**
Gas Operating Revenues					
Total Gas Operating Revenues	34,815	39,280	36,163	33,564	29,072
Gas Operating Expenses	29,159	32,500	28,785	26,306	22,085
Net Gas Revenues	5,656	6,780	7,378	7,258	6,987
Non-Operating Revenues	330	159	263	208	175
Total Net Gas Revenues	5,986	6,939	7,641	7,466	7,162
Total Available for Debt Service	**$ 79,884**	**$ 81,577**	**$ 77,903**	**$ 88,541**	**$ 89,641**
Existing Debt Service	$ 33,695	$ 33,686	$ 32,716	$ 42,623	$ 43,531
Coverage	2.40x	2.42x	2.63x	2.08x	2.06x

ENERGY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE
PRINCIPAL ONLY

Bond Year Ending				43,245,000	77,845,000	$203,230,000	$128,920,000	$17,680,000	$143,800,000
October 1	**Total**	**Series 2010C**	**Series 2010B**	**Series 2010A**	**Series 2010**	**Series 2007**	**Series 2005**	**Series 2001**	**Series 1998 A**
2013	$ 11,730,000	$ 1,095,000	$ -	$ 195,000	$ -	$ 2,725,000	$ 2,940,000	$ 1,140,000	$ 4,730,000
2014	12,315,000	1,145,000	-	205,000	-	2,865,000	3,065,000	1,200,000	4,980,000
2015	12,650,000	1,485,000	-	210,000	-	3,100,000	3,100,000	1,000,000	5,240,000
2016	13,090,000	1,735,000	-	215,000	5,380,000	3,165,000	3,325,000	1,005,000	-
2017	12,635,000	1,815,000	-	220,000	5,610,000	3,315,000	3,490,000	-	-
2018	13,220,000	1,885,000	-	230,000	5,850,000	3,485,000	3,655,000	-	-
2019	13,855,000	1,980,000	-	235,000	6,135,000	3,645,000	3,840,000	-	-
2020	14,510,000	3,325,000	-	240,000	6,435,000	3,825,000	4,010,000	-	-
2021	15,210,000	3,485,000	-	250,000	6,755,000	4,020,000	4,185,000	-	-
2022	16,140,000	3,465,000	-	7,550,000	-	4,220,000	4,370,000	-	-
2023	16,655,000	3,835,000	-	7,845,000	2,005,000	2,235,000	4,570,000	-	-
2024	17,395,000	4,040,000	-	8,155,000	3,775,000	670,000	4,795,000	-	-
2025	20,950,000	1,430,000	-	8,485,000	3,960,000	3,490,000	5,015,000	-	-
2026	22,470,000	910,000	-	8,825,000	4,155,000	4,245,000	5,245,000	-	-
2027	23,515,000	935,000	-	-	13,560,000	4,445,000	5,510,000	-	-
2028	24,685,000	975,000	-	-	14,225,000	4,675,000	5,785,000	-	-
2029	17,840,000	900,000	930,000	-	-	11,770,000	6,070,000	-	-
2030	18,730,000	-	1,855,000	-	-	12,355,000	6,375,000	-	-
2031	19,665,000	-	1,930,000	-	-	12,970,000	6,695,000	-	-
2032	21,415,000	-	1,240,000	-	-	14,380,000	7,035,000	-	-
2033	22,490,000	-	1,280,000	-	-	15,110,000	7,380,000	-	-
2034	23,610,000	-	1,335,000	-	-	15,860,000	7,750,000	-	-
2035	24,795,000	-	1,385,000	-	-	16,655,000	8,140,000	-	-
2036	18,360,000	-	9,110,000	-	-	18,360,000	-	-	-
2037	19,275,000	-	9,465,000	-	-	19,275,000	-	-	-
2038	-	-	30,070,000	-	-	-	-	-	-
2039	-	-	31,235,000	-	-	-	-	-	-
2040	-	-	32,445,000	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-
TOTALS	**$ 447,205,000**	**$ 34,440,000**	**$ 122,280,000**	**$ 42,860,000**	**$ 77,845,000**	**$ 190,860,000**	**$ 116,345,000**	**$ 4,345,000**	**$ 14,950,000**

$3,440,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2011

Dated: August 9, 2011

Purpose
To repay a portion of the outstanding principal amount of the Energy System Refunding Revenue Bonds, Series 2001, and to pay for costs associated with the bond issue.

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 parity with its Energy System Refunding Revenue Bonds, Series 1998A, Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005, Energy System Revenue Bonds, Series 2007 and Energy System Refunding Revenue Bonds, Series 2010, Energy System Refunding Revenue Bonds, Series 2010A, Energy System Revenue Bonds, Series 2010B (Federally Taxable-Build America Bond) and Energy System Revenue Bonds, Series 2010C.

Form
$3,440,000 Energy System Refunding Revenue Bonds, Series 2011 due October 1, 2019. These bonds were issued as a private placement. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2011.

Agents
Registrar:	US Bank, NA, Jacksonville, Florida.
Paying Agent:	US Bank, NA, Jacksonville, Florida.
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida.

Ratings
Moody's:	AA3
Standard & Poor's:	AA
Fitch:	AA-

Redemption Provisions
The Series 2011 Bond is subject to redemption prior to its maturity, at the option of the issuer, (i) in whole, but not in part, on any Debt Service Payment Date through the fifth anniversary of the date of closing or (ii) in whole on any date or in part on any Interest Payment Date after the fifth anniversary of the date of closing, at the redemption prices (expressed as a percentage of the principal amount of such Series 2011 Bond to be redeemed) set forth below, together with accrued interest to the date fixed for redemption.

Redemption Period (Both Dates inclusive)	Redemption Price
Date of Closing through the Fifth Anniversary	101%
After the Fifth Anniversary	100%

Notice of such redemption shall be mailed, postage prepaid, to the Original Purchaser at least 15-days prior to the date of redemption.

$3,440,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2011

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	5.000%	$ 21,000	$ 81,315	$ 102,315
2014	5.000%	22,000	80,817	102,817
2015	5.000%	23,000	80,296	103,296
2016	5.000%	23,000	79,751	102,751
2017	4.000%	1,084,000	79,205	1,163,205
2018	5.000%	1,116,000	53,515	1,169,515
2019	5.000%	1,142,000	27,065	1,169,065
TOTALS		**$ 3,431,000**	**$ 481,963**	**$ 3,912,963**

$35,485,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 2010C

Dated: November 22, 2010

Purpose
The Series 2010C Bonds are being issued to (i) finance the acquisition and construction of the Series 2010 Project and (ii) refund the Refunded Sunshine State Loans.

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 parity with its Energy System Refunding Revenue Bonds, Series 1998A, Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2010A, Energy System Revenue Bonds, Series 2010B.

Form
$35,485,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semiannually on each April 1 and October 1, commencing April 1, 2011.

Agents
Registrar:	US Bank, NA, Jacksonville, Florida.
Paying Agent:	US Bank, NA, Jacksonville, Florida.
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida.

Ratings
Moody's:	Aa3
Standard & Poor's:	AA
Fitch:	AA-

Call Provisions
Optional Redemption

The Series 2010C Bonds maturing on or prior to October 1, 2021 or thereafter may be redeemed prior to their stated dates of maturity at the option of the City, in such manner as the City shall determine, as a whole or in part at any time on or after October 1, 2020 and if in part, in any order of maturity selected by the City and by lot within a maturity if less than a full maturity is to be redeemed, at par, plus accrued interest to the redemption date.

$35,485,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2010C

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	5.000%	$ 1,095,000	$ 1,658,163	$ 2,753,163
2014	5.000%	1,145,000	1,603,413	2,748,413
2015	5.000%	1,485,000	1,546,163	3,031,163
2016	5.000%	1,735,000	1,471,913	3,206,913
2017	4.000%	1,815,000	1,385,163	3,200,163
2018	5.000%	1,885,000	1,312,563	3,197,563
2019	5.000%	1,980,000	1,218,313	3,198,313
2020	5.000%	3,325,000	1,119,313	4,444,313
2021	5.000%	3,485,000	953,063	4,438,063
2022	5.000%	3,465,000	778,813	4,243,813
2023	5.000%	3,835,000	605,563	4,440,563
2024	5.000%	4,040,000	413,813	4,453,813
2025	4.000%	1,430,000	211,813	1,641,813
2026	4.000%	910,000	154,613	1,064,613
2027	4.000%	935,000	118,213	1,053,213
2028	4.250%	975,000	80,813	1,055,813
2029	4.375%	900,000	39,375	939,375
TOTALS		**$ 34,440,000**	**$ 14,671,083**	**$ 49,111,083**

$122,280,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 2010B
(Federally Taxable Build America Bonds)

Dated: November 22, 2010

Purpose

The Series 2010B Bonds are being issued to finance the acquisition and construction of the Series 2010 Project.

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 parity with its Energy System Refunding Revenue Bonds, Series 1998A, Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2010A, Energy System Revenue Bonds, Series 2010C.

Form

$122,280,000 Term Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semiannually on each April 1 and October 1, commencing April 1, 2011.

Agents

Registrar:	US Bank, NA, Jacksonville, Florida.
Paying Agent:	US Bank, NA, Jacksonville, Florida.
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida.

Ratings

Moody's:	AA3
Standard & Poor's:	AA
Fitch:	AA-

Optional Redemption

The Series 2010B Bonds are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2010B Bonds, or portions thereof, to be redeemed or (ii) the Discounted Value thereof, except for the purposes of calculating such Discounted Value, the Discounted Yield shall be equal to the Blended Treasury Yield plus 0.3%, plus unpaid accrued interest thereon to the redemption date. All calculations and determinations referred to in this subsection will be made by a financial advisor selected by City.

"Discounted Value" means, with respect to the Series 2010B Bonds of each maturity thereof to be redeemed, the sum of the amounts obtained by discounting all remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) on such Series 2010B Bonds from their respective scheduled payment dates to the applicable redemption date, at a yield (computed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months) equal to the applicable Discount Yield.

"Blended Treasury Yield" means, with respect to the Series 2010B Bonds of each maturity to be redeemed, the yield computed by the linear interpolation of two Market Treasury Yields such that the theoretical maturity that corresponds to the interpolated Market Treasury of such maturity to be redeemed. The first Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no earlier than the date corresponding to the remaining average life of the Series 2010B Bonds of such maturity to be redeemed. Notwithstanding the foregoing, if the date that corresponds to the remaining average life of the Series 2010B Bonds of a particular maturity to be redeemed is later than the latest maturity of any actively traded U.S. Treasury security or U.S. Treasury index having such latest maturity.

"Market Treasury Yield" means, with respect to the Series 2010B Bonds, that yield, assuming semiannual compounding based upon a 360-day year consisting of twelve 30-day months, which is equal to: (i) the yield for the applicable maturity of an actively traded U.S. Treasury security, reported, as of 11:00 a.m., New York City time, on the Valuation Date on the display designated as "Page PX1" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in U.S. Treasury securities); or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation date or (iii) if the yields described in (i) and (ii) above are not reported as of such time or the yields reported as of such time are not ascertainable, the yield for the applicable maturity of an actively traded U.S. Treasury security shall be based upon the average of yield quotations for such security (after excluding the highest and lowest quotations) as of 3:30 p.m. New York City time, on the Valuation Date received from no less than five primary dealers in U.S. government securities selected by the City.

Each yield quotation for each actively traded U.S. Treasury security required in (i) and (iii) above shall be determined using the average of the bid and ask prices for that security.

"Valuation Date" means, with respect to the Series 2010B Bonds to be redeemed, the Business Day preceding the date on which notice of such redemption is given.

Extraordinary Optional Redemption. The Series 2010B Bonds are subject to redemption prior to their stated maturities, at the option of City, whole or in part on any date following the occurrence of an Extraordinary Event, at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2010B Bonds, or portions thereof, to be redeemed or (ii) the Discounted Value thereof, except that for purposes of calculating such Discounted Value, the Discount Yield shall be equal to the Blended Treasury Yield plus 1.00%, plus unpaid accrued interest thereon to the redemption date. All calculations and determinations referred to in this subsection will be made by a financial advisor selected by City.

"Extraordinary Event" means that a material adverse change has occurred to Section 54AA or Section 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 pertaining to "Build America Bonds") or there is any guidance published by the IRS or the U.S. Treasury with respect to such Sections or any other determination by the IRS or the U.S. Treasury, which qualify to receive the 35% Direct Subsidy Payments from the U.S. Treasury, pursuant to which the City's 35% Direct Subsidy Payments from the U.S. Treasury is reduced or eliminated.

Mandatory Redemption

The Series 2010B Bonds are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2029 and thereafter, at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

October 1	Amount
2029	$930,000
2030	$1,855,000
2031	$1,930,000
2032	$1,240,000
2033	$1,280,000
2034	$1,335,000
2035	$1,385,000
2036	$9,110,000
2037	$9,465,000
2038	$30,070,000
2039	$31,235,000
2040*	$32,445,000

$122,280,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2010B

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	5.969%	$ -	$ 7,298,893	$ 7,298,893
2014	5.969%	-	7,298,893	7,298,893
2015	5.969%	-	7,298,893	7,298,893
2016	5.969%	-	7,298,893	7,298,893
2017	5.969%	-	7,298,893	7,298,893
2018	5.969%	-	7,298,893	7,298,893
2019	5.969%	-	7,298,893	7,298,893
2020	5.969%	-	7,298,893	7,298,893
2021	5.969%	-	7,298,893	7,298,893
2022	5.969%	-	7,298,893	7,298,893
2023	5.969%	-	7,298,893	7,298,893
2024	5.969%	-	7,298,893	7,298,893
2025	5.969%	-	7,298,893	7,298,893
2026	5.969%	-	7,298,893	7,298,893
2027	5.969%	-	7,298,893	7,298,893
2028	5.969%	-	7,298,893	7,298,893
2029	5.969%	930,000	7,298,893	8,228,893
2030	5.969%	1,855,000	7,243,382	9,098,382
2031	5.969%	1,930,000	7,132,657	9,062,657
2032	5.969%	1,240,000	7,017,455	8,257,455
2033	5.969%	1,280,000	6,943,439	8,223,439
2034	5.969%	1,335,000	6,867,036	8,202,036
2035	5.969%	1,385,000	6,787,350	8,172,350
2036	5.969%	9,110,000	6,704,679	15,814,679
2037	5.969%	9,465,000	6,160,903	15,625,903
2038	5.969%	30,070,000	5,595,938	35,665,938
2039	5.969%	31,235,000	3,801,059	35,036,059
2040	5.969%	32,445,000	1,936,652	34,381,652
TOTALS		**$ 122,280,000**	**$ 190,271,731**	**$ 312,551,731**

$43,245,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2010A

Dated: July 23, 2010

Purpose

The Series 2010A Bonds are being issued to (i) refund on a current basis the Refunded Bonds, (ii) fund a deposit to the Reserve Fund in the amount of the debt service requirement applicable to the Series 2010A Bonds, and (iii) pay certain costs of issuance in connection with the Series 2010A 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 on a parity with its Energy System Refunding Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 1998A.

Form

$43,245,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semiannually on each April 1 and October 1, commencing October 1, 2010.

Agents

Registrar:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings

Moody's:	AA3
Standard & Poor's:	AA
Fitch:	AA-

Call Provisions

Optional Redemption

The Series 2010A Bonds maturing on or prior to October 1, 2020, are not subject to optional redemption prior to the maturity thereof. The Series 2010A Bonds maturing on or after October 1, 2021, are subject to redemption prior to maturity on or after October 1, 2020, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest on the principal amount, if any).

$43,245,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2010A

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	3.000%	$ 195,000	$ 1,696,675	$ 1,891,675
2014	4.000%	205,000	1,690,825	1,895,825
2015	3.000%	210,000	1,682,625	1,892,625
2016	2.500%	215,000	1,676,325	1,891,325
2017	2.750%	220,000	1,670,950	1,890,950
2018	3.000%	230,000	1,664,900	1,894,900
2019	3.000%	235,000	1,658,000	1,893,000
2020	3.250%	240,000	1,650,950	1,890,950
2021	3.500%	250,000	1,643,150	1,893,150
2022	4.000%	7,550,000	1,634,400	9,184,400
2023	4.000%	7,845,000	1,332,400	9,177,400
2024	4.000%	8,155,000	1,018,600	9,173,600
2025	4.000%	8,485,000	692,400	9,177,400
2026	4.000%	8,825,000	353,000	9,178,000
TOTALS		**$ 42,860,000**	**$ 20,065,200**	**$ 62,925,200**

$77,845,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2010

Dated: April 7, 2010

Purpose

The Series 2010 Bonds are being issued to (i) refund on a current basis the Refunded Bonds, (ii) fund a deposit to the Reserve Fund in the amount of the debt service requirement applicable to the Series 2010 Bonds, and (iii) pay certain costs of issuance in connection with the Series 2010A 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 on a parity with its Energy System Refunding Revenue Bonds, Series 2010A, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 1998A.

Form

$77,845,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semiannually on each April 1 and October 1, commencing October 1, 2010.

Agents

Registrar:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings

Moody's:	Aa3
Standard & Poor's:	AA
Fitch:	AA-

Call Provisions

Optional Redemption

The Series 2010 Bonds maturing on or prior to October 1, 2020, are not subject to optional redemption prior to the maturity thereof. The Series 2010 Bonds maturing on or after October 1, 2021, are subject to redemption prior to maturity on or after October 1, 2020, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest on the principal amount, if any).

$77,845,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2010

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013		$ -	$ 3,777,244	$ 3,777,244
2014		-	3,777,244	3,777,244
2015		-	3,777,244	3,777,244
2016	(1)	5,380,000	3,777,244	9,157,244
2017	(2)	5,610,000	3,557,644	9,167,644
2018	(3)	5,850,000	3,307,819	9,157,819
2019	5.000%	6,135,000	3,036,319	9,171,319
2020	5.000%	6,435,000	2,729,569	9,164,569
2021	5.000%	6,755,000	2,407,819	9,162,819
2022		-	2,070,069	2,070,069
2023	5.000%	2,005,000	2,070,069	4,075,069
2024	(4)	3,775,000	1,969,819	5,744,819
2025	5.000%	3,960,000	1,790,563	5,750,563
2026	5.000%	4,155,000	1,592,563	5,747,563
2027	5.000%	13,560,000	1,384,813	14,944,813
2028		14,225,000	706,813	14,931,813
TOTALS		**$ 77,845,000**	**$ 41,732,855**	**$ 119,577,855**

(1) Bonds maturing 2016 are in two issues: $2,470,000 at 3.00% interest rate and $2,910,000 at 5.00% interest rate.

(2) Bonds maturing 2017 are in two issues: $2,045,000 at 3.50% interest rate and $3,565,000 at 5.00% interest rate.

(3) Bonds maturing 2018 are in two issues: $1,400,000 at 3.50% interest rate and $4,450,000 at 5.00% interest rate.

(4) Bonds maturing 2028 are in two issues: $710,000 at 4.375% interest rate and $13,515,000 at 5.00% interest rate.

$203,230,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 2007
Dated: October 1, 2007

Purpose

To fund a portion of the costs of construction of certain capital improvements to the City's Electric System and Gas 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 parity with its Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 1998A.

Form

$203,203,000 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:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida
Insurance:	MBIA

Ratings

Moody's:	Aa3 underlying
Fitch:	AA- underlying
Standard & Poor's:	AA underlying

Redemption Provisions

Optional Redemption

The Series 2007 Bonds maturing on and prior to October 1, 2017 are not subject to optional redemption. The Series 2007 Bonds maturing after October 1, 2018 are subject to redemption prior to maturity on or after October 1, 2017, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest to the redemption date on the principal amount, if any).

Mandatory Redemption

The Series 2007 Bonds maturing on October 1, 2027 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, 2026 and on each October 1 thereafter in the following principal amounts in the year specified:

Year	Amount
2026	$4,245,000
2027 (final maturity)	$4,445,000

The Series 2007 Bonds that mature on October 1, 2032, 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, 2028 and on each October 1 thereafter in the following principal amounts in the year specified:

Year	Amount
2028	$4,675,000
2029	$11,770,000
2030	$12,355,000
2031	$12,975,000
2032 (final maturity)	$14,380,000

The Series 2007 Bonds that mature on October 1, 2037, 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, 2033 and on each October 1 thereafter in the following principal amounts in the year specified:

Year	Amount
2033	$15,110,000
2034	$15,860,000
2035	$16,655,000
2036	$18,360,000
2037 (final maturity)	$19,275,000

$203,230,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2007

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	5.000%	$ 2,725,000	$ 9,539,650	$ 12,264,650
2014	5.000%	2,865,000	9,403,400	12,268,400
2015	5.000%	3,100,000	9,260,150	12,360,150
2016	5.000%	3,165,000	9,105,150	12,270,150
2017	5.000%	3,315,000	8,946,900	12,261,900
2018	5.000%	3,485,000	8,781,150	12,266,150
2019	5.000%	3,645,000	8,606,900	12,251,900
2020	5.000%	3,825,000	8,424,650	12,249,650
2021	5.000%	4,020,000	8,233,400	12,253,400
2022	5.000%	4,220,000	8,032,400	12,252,400
2023	5.000%	2,235,000	7,821,400	10,056,400
2024	4.500%	670,000	7,709,650	8,379,650
2025	5.000%	3,490,000	7,679,500	11,169,500
2026	4.640%	4,245,000	7,505,000	11,750,000
2027	4.640%	4,445,000	7,292,750	11,737,750
2028	4.710%	4,675,000	7,070,500	11,745,500
2029	4.710%	11,770,000	6,836,750	18,606,750
2030	4.710%	12,355,000	6,248,250	18,603,250
2031	4.710%	12,970,000	5,630,500	18,600,500
2032	4.710%	14,380,000	4,982,000	19,362,000
2033	4.750%	15,110,000	4,263,000	19,373,000
2034	4.750%	15,860,000	3,507,500	19,367,500
2035	4.750%	16,655,000	2,714,500	19,369,500
2036	4.750%	18,360,000	1,881,750	20,241,750
2037	4.750%	19,275,000	963,750	20,238,750
TOTALS		**$ 190,860,000**	**$ 170,440,550**	**$ 361,300,550**

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

Dated: October 1, 2005

Purpose

To fund 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 on a parity with its Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2007, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 1998A.

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:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida
Insurance:	MBIA

Ratings

Moody's:	Aa3 underlying
Fitch:	AA- underlying
Standard & Poor's:	AA underlying

Redemption Provisions

Optional Redemption

The Series 2005 Bonds maturing on and prior to October 1, 2015 are not subject to optional redemption. The Series 2005 Bonds maturing on after October 1, 2016 are subject to redemption prior to maturity on or after October 1, 2015, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest to the redemption date on the principal amount, if any).

Mandatory Redemption
The Series 2005 Bonds maturing on October 1, 2035 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, 2031 and on each October 1 thereafter in the following principal amounts in the year specified:

Year	Amount
2031	$6,695,000
2032	$7,035,000
2033	$7,380,000
2034	$7,750,000
2035 (final maturity)	$8,140,000

$128,920,000
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
2013	(1)	$ 2,940,000	$ 5,610,875	$ 8,550,875
2014	(2)	3,065,000	5,480,425	8,545,425
2015	4.000%	3,100,000	5,344,475	8,444,475
2016	(3)	3,325,000	5,220,475	8,545,475
2017	(4.)	3,490,000	5,057,425	8,547,425
2018	5.000%	3,655,000	4,891,175	8,546,175
2019	4.375%	3,840,000	4,708,425	8,548,425
2020	4.400%	4,010,000	4,540,425	8,550,425
2021	4.500%	4,185,000	4,363,985	8,548,985
2022	4.500%	4,370,000	4,175,660	8,545,660
2023	5.000%	4,570,000	3,979,010	8,549,010
2024	4.600%	4,795,000	3,750,510	8,545,510
2025	4.600%	5,015,000	3,529,940	8,544,940
2026	5.000%	5,245,000	3,299,250	8,544,250
2027	5.000%	5,510,000	3,037,000	8,547,000
2028	5.000%	5,785,000	2,761,500	8,546,500
2029	5.000%	6,070,000	2,472,250	8,542,250
2030	5.000%	6,375,000	2,168,750	8,543,750
2031	5.000%	6,695,000	1,850,000	8,545,000
2032	5.000%	7,035,000	1,515,250	8,550,250
2033	5.000%	7,380,000	1,163,500	8,543,500
2034	5.000%	7,750,000	794,500	8,544,500
2035	5.000%	8,140,000	407,000	8,547,000
TOTALS		**$ 116,345,000**	**$ 80,121,805**	**$ 196,466,805**

(1) Bonds maturing 2013 are in two issues: $1,655,000 at 4.00% interest rate and $1,285,000 at 5.00% interest rate.
(2) Bonds maturing 2014 are in two issues: $1,730,000 at 4.00% interest rate and $1,335,000 at 5.00% interest rate.
(3) Bonds maturing 2016 are in two issues: $320,000 at 4.00% interest rate and $3,005,000 at 5.00% interest rate.
(4) Bonds maturing 2017 are in two issues: $825,000 at 4.00% interest rate and $2,665,000 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 parity with its Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2005, and Energy System Revenue Bonds, Series 1998A.

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 semiannually on each April 1 and October 1, commencing October 1, 2001.

Agents

Registrar:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida
Insurance:	Ambac

Ratings

Moody's:	Aa3 underlying
Fitch:	AA- underlying
Standard & Poor's:	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
2013	5.500%	$ 1,140,000	$ 238,975	$ 1,378,975
2014	5.500%	1,200,000	176,275	1,376,275
2015	5.500%	1,000,000	110,275	1,110,275
2016	5.500%	1,005,000	55,275	1,060,275
TOTALS		**$ 4,345,000**	**$ 580,800**	**$ 4,925,800**

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

Dated: November 1, 1998

Purpose
To refund the City's outstanding Electric System Revenue Bonds, Series 1992B 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 Energy System on a parity with its Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2005, and Energy System Refunding Revenue Bonds, Series 2001.

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:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Trustee:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida
Insurance:	FSA

Ratings
Moody's:	Aa3 underlying
Fitch:	AA- underlying
Standard & Poor's:	AA underlying

Call Provisions
Optional Redemption
The Series 1998A Bonds maturing prior to October 1, 2016 are not subject to optional redemption prior to the maturity thereof. The Series 1998A 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 1998A 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 1998A 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 1998A 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 1998A Bonds, adversely affect the exclusion of interest on the Series 1998A Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998A 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 1998A 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 1998A Official Statement plus accrued interest to the redemption date. In the event less than all of the Series 1998A Bonds are subject to such special mandatory redemption, the City shall select the Series 1998A Bonds to be subject to redemption in such a manner, as it shall so determine. In the event the Series 1998A 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 1998A

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	5.250%	$ 4,730,000	$ 784,875	$ 5,514,875
2014	5.250%	4,980,000	536,550	5,516,550
2015	5.250%	5,240,000	275,100	5,515,100
TOTALS		**$ 14,950,000**	**$ 1,596,525**	**$ 16,546,525**

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 (the Water System and the Sewer System) and the Stormwater Drainage System.

While the City's Water System and Sewer System comprise two separate utilities for accounting and rate setting purposes, operationally they are very similar and are under the direction of the same General Manager. Billing, rate setting and, to some extent, territory served are determined in a similar manner for each 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 103.10 square miles within the City limits.

Other Service Providers

Talquin Electric Cooperative (Talquin), a member-owned utility, has been providing limited water and sanitary sewer services to specific developments in the unincorporated areas of the County since 1963. According to Florida Department of Environmental Protection (DEP) records, Talquin owns 12-water systems within the County, with total design capacity of 11.6 million gallons per day (mgd). Talquin also owns 4 sewer systems in the County and is permitted for approximately 1 mgd of wastewater. A local drilling company owns 6-water systems with design capacity of 1.5 mgd. There are 8 very small sanitary sewer systems with total capacity of 0.14 mgd.

Water Quality Division

The City of Tallahassee Underground Utilities operates and maintains its own water-quality testing laboratory (the "Laboratory") in compliance with Section 403.850, Florida Statutes, and the "Florida Safe Drinking Water Act". The Laboratory has become certified under the National Environmental Laboratory Accreditation Program administered through the Florida Department of Health's Environmental Certification Program, Chapter 64E, and FAC. The Laboratory performs compliance environmental testing for drinking water facilities and the wastewater treatment plants. The Laboratory has a high level of sophistication, providing for the testing of complex organic, inorganic, and microbiological organisms.

The Water Quality Division also administers: the Cross Connection Control Program, mandated by DEP, which identifies and prevents potential contamination sources to the Water System; the Aquifer Wellhead Protection Program, which is administered under a joint agreement between the County and the City and is designed to prevent contamination to the area's drinking water source, the Floridan Aquifer; and the Industrial Pretreatment Program, which monitors and regulates the introduction of certain substances into the Sewer System.

The Water Quality Division supports the Utility System through the use of a Supervisory Control and Data Acquisition System (SCADA). SCADA remotely monitors and controls water production wells and elevated storage tanks, maintaining optimal pressure and availability of potable water. The SCADA system also monitors the sewer pumping stations and controls operations in some of the larger stations. In a lesser role, the Water Quality Division assists and provides similar services to other City departments. Water Quality Division staff assists the

Stormwater Drainage System in investigations and in identifying potential discharges not in compliance with the National Pollution Discharge Elimination System.

Rate Setting

The City 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 may be 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 SAIC (formerly 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 improvements.

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 ensure 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 water and sewer rates and charges for the Utility 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 the first, second, and third year of the study period. The most recent rate study also provided for adjustments based on CPI in years beyond the three-year study period.

Water and Sewer Rates

Effective March 12, 2008, following a comprehensive rate study by R.W. Beck, the Commission adopted water and sewer rate increases pursuant to Ordinance Nos. 08-O-09 (water) and 08-O-10 (sewer) (the "Rate Ordinance") that implemented a series of rate increases as well as a three-tiered inverted water rate structure in January 2009. The last of the scheduled increases was effective October 1, 2010.

These water and sewer rates are increased by 50% for customers outside the City limits in both Leon County and Wakulla County. Commencing October 1, 2012, both water and sewer rates will be automatically adjusted annually by the Consumer Price Index.

In May 2005, the County and the City executed a new Water and Sewer Franchise Agreement (the "Franchise Agreement") that grants the City the exclusive water and/or sewer franchise for all remaining un-franchised areas in the unincorporated area of the County. The Franchise Agreement includes criteria that require undeveloped property to connect to the City's Water System and Sewer System if available within specified distances.

The financial requirements of the planned Advanced Wastewater Treatment Improvements were revised in the latest (2011) Wastewater and Reclaimed Water Rate Study that is discussed in detail herein under the section entitled Wastewater System.

Financial Update

The Water and Wastewater Utilities, along with the rest of the nation, felt the effects of a sluggish economy and stagnant new housing market. However, despite this economic environment, both utilities maintained their RR&I and transfers to General Fund in accordance with the City's financing policy.

The comparison of revenues from FY 2011 to FY 2012 indicates that Water revenue increased from $28.78 to $28.97 million and Wastewater increased from $52.19 million to $55.95 million, respectively.

Water and Sewer System Development Charges

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. In April 2006, the System Development Charge for the Water System (the "Water System Development Charges") was increased to $630 per residential equivalent unit within the incorporated area, and for the Sewer System (the "Sewer System Development Charges") was increased to $3,000 within the incorporated area for the same standard residential connection. For customers located outside the City limits, these System Development Charges are increased by 50% in Leon County and in Wakulla County. The System Development Charges were not included as part of the most recent (2011) rate study and remain unchanged.

Rebates to Developers

The City provides for the rebate of on-site costs to developers in the case of certain approved developments within the City where water and sewer lines are financed and installed by the developer to the City's specifications. This policy is designed to encourage developers to install water and sewer lines at the initial stage of a development, thereby providing additional customers for the City, and as a means of preventing the much higher future cost associated with retrofitting existing developments with either water or sewer mains. It also encourages annexation into the City. The on-site rebate must be approved in advance by the City and is limited to the maximum limit. The maximum limit is $1,080 per residential equivalent unit for sewer lines and $540 per residential equivalent unit for water lines. Further, the rebate is paid to the developer only as the customers are connected to the Utility System and will be discontinued after 20 years even if the developer has not received full reimbursement. An additional maximum of $120 per residential equivalent unit for sewer and $60 for water is paid to the City's Affordable Housing Trust Fund. Off-site costs of master plan projects within the City limits, which will serve more than a single development, are funded directly to the City; refunded to the developer as funds become available; or for projects outside the City limits, refunded by System Charges to developers as customers connect to the project. The on-site rebates are not applicable to commercial and multi-family residential developments.

WATER SYSTEM

General

The City owns, operates and maintains the Water System, which currently serves approximately 75,000 customers and is comprised of 27 water supply wells, 8 elevated storage tanks with a combined capacity of 5.3 million gallons, approximately 1,200 miles of water mains, and 6,400 fire hydrants. Twenty-one of the 27 wells are equipped with standby generators or engines that provide pumping capacity during emergency situations. The wells have an aggregate total production capacity of approximately 76 mgd. The wells vary in depth from 200 - 483 feet and extend into the Floridan Aquifer, which is a series of consolidated water-bearing strata that underlies the state of Florida and portions of Georgia, Alabama and South Carolina. The Floridan Aquifer is one of the most abundant groundwater sources in the world.

The Water System provides treated water to all developed areas of the City and certain contiguous unincorporated urbanized areas of Leon County. The City also provides water service to the City of St. Marks and portions of Wakulla County, including the City of St. Marks by means of a master meter.

Consumptive Use Permit (CUP)

Ground water from the Upper Floridan Aquifer (UFA) is the sole source of potable water supply for Tallahassee and the surrounding area. With an estimated flow of 130 billion gallons annually, the UFA offers an abundant source of drinking water for the community. The City of Tallahassee public water supply is the single largest withdrawal in the region, with a total of approximately 9.95 billion gallons pumped in 2012, or approximately 7.7% of the total available water supply. A significant portion of this water is returned to the aquifer as treated wastewater effluent applied through spray irrigation at the City's Southeast Farm.

The withdrawal of ground water for public supply is regulated by the Northwest Florida Water Management District (NWFWMD) via the Consumptive Use Permitting program. In 2011, the City applied for and received a renewal/modification for its Consumptive Use Permit (Permit No.: 19830061). The City's permitted annual average daily withdrawal capacity remained unchanged at 33.7 MGD (million gallons per day); however, the combined maximum daily withdrawal rate was adjusted to 61.5 MGD (an increase of approximately 3.7%), and a total monthly maximum withdrawal rate was adjusted to 1.470 billion gallons (an increase of approximately 3.9%). The City's new Consumptive Use Permit is scheduled to expire in July 2016.

Current Planning and Major Capital Projects

The 2030 Water Master Plan (WMP) was adopted by the City Commission on August 25, 2010. Based on the WMP evaluation of the City's downtown water system, approximately $15.3 million will be needed through the year 2023 for upgrades, rehabilitation, and replacement of existing aging pipes and water valves.

In 2012, the City continued to make significant progress towards the implementation of the recommendations presented in the Water Master Plan. Such progress includes the execution of additional services contracts for the replacement of water distribution piping in the downtown area; implementing the first water main replacement construction contract funded by the Water Master Plan downtown budget; the strategic replacement of multiple water system valves in the downtown area using Insert Value™ equipment.

Advanced Metering Infrastructure (AMI)

A significant portion of the Water Capital Improvement Program comprises the Water System's efforts to implement Advanced Metering Infrastructure. The AMI program has resulted in upgrade and replacement of the City's meters. Additionally, each existing gas and water meter will be outfitted with a radio module to provide for remote automated reading of gas, water, and electric metered services. The AMI program will eliminate the costs, errors and liabilities associated with manual reading of meters, as well as provide detailed consumption data for all three services. The AMI program also enhances customer service by allowing a service representative to remotely poll a water meter at a specific location and review recent and past consumption history to verify a reading. The system will also allow for the eventual creation of a proactive water leak detection process. The final installation of the gas and water radio modules is expected to continue through calendar year 2013. All electric meters have been installed and for those gas and water modules that have been installed, so far they are now being utilized to gather billing and consumption data. Further refinements and upgrades to the Wide Area Network (WAN) and the wireless radio communications continue.

WASTEWATER SYSTEM

General

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 one treatment plant and one screening facility having a combined treatment design capacity of 31.0 mgd,, approximately 900 miles of gravity mains, 110 pumping stations, and approximately 125 miles of force (pressurized) main. There are approximately 70,000 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 the 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.

Treatment Plants

The City operates two sewage treatment plants (the "Plants"): the Thomas P. Smith Treatment Plant ("TPS Plant") and the Lake Bradford Road Wastewater Treatment Plant ("LBR Plant"). Note that the LBR Plant is currently offline and is being re-permitted to serve soley as a contingent screening facility. Permitting of these Plants is carried out by the Florida Department of Environmental Protection (DEP). The operational permits for the TPS Plant (the "DEP Operation Permits") set forth certain general and specific conditions, effluent limitations and disposal requirements. The sampling, monitoring, and reuse water restrictions for these Plants are set in the DEP Operating Permits, which include permitted flow, pH, chlorine residual, total suspended solids (TSS), Biochemical Oxygen Demand (BOD), and fecal coliform. The biosolids generated by the Sewer System are required to be treated and disposed of as set out by the DEP Operating Permits. In addition, EPA has regulatory authority over biosolids in the state of Florida.

The TPS Plant consists of activated sludge facilities with a total capacity of 26.5 mgd. One treatment train has biological nutrient removal capability. The TPS Plant also has digestion, dewatering, and drying facilities to produce Class AA biosolids that are sold to wholesale distributors or large commercial customers for use as fertilizers and soil conditioners.

The LBR Plant is currently offline and is being re-permitted as a contingent screening facility with no other associated treatment capabilities. Any future capacity needs will be constructed at the TPS facility. It is anticipated that we will not exceed the capacity at the TPS facility until after 2030.

Advanced Wastewater Treatment Improvements

In January 2008 the DEP renewed the operating permits for the LBR Plant and the TPS Plant for five-year periods. The TPS permit also includes the Southwest Spray Field (located on the TPS site) and the Southeast Spray Field located on Tram Road. The DEP permits included upgrading each plant to advanced wastewater treatment (AWT) standards in accordance with phased construction and nitrogen reduction schedules and also upgrading the solids treatment facilities at TPS to reliably produce Class AA biosolids.

In March 2010, the City applied for a minor permit modification: 1) to indefinitely defer the LBR AWT improvements and 2) to extend the construction schedules by six months for the

Biological Nutrient Reduction (BNR) upgrades to each of the three aeration treatment trains at TPS. In April 2011, an individual citizen filed a challenge against the proposed permit modifications, and in August 2011 a hearing was held before an Administrative Law Judge, who subsequently issued the permit modifications in November 2011.

The City has continued to move forward with construction of the Capital Improvement Program for the TPS AWT and Biosolids improvements. The work is being performed in three major phases or work packages (WP): (WP1) is the liquids upgrades; (WP2) is the solids upgrades; and (WP3) is the NBR upgrades. WP2 is further broken down into three sub packages: 2A – Solids Dewatering; 2B – Solids Digestion; and 2C – Biosolids Drying. WP3 is also broken down into 3A – Early Electrical and Structural and 3B – Aeration Train Upgrades. The design plans and specifications are 100% complete for all work packages in the project. The City has executed contracts with MWH Constructors to build the various improvements under a modified Construction Manager at Risk (CMAR) project delivery method. The modified CMAR has incentives to meet the accelerated construction schedule, control costs and minimize risk. The table below depicts the current status of the construction activities:

Work Package	Start Date	Completion Date
1	Completed	April 2011
2A	Completed	August 2011
2B	Completed	March 2012
2C	Completed	January 2013
3A	Completed	August 2012
3B	Underway	January 2015

As noted above, WP1, WP2A, WP2B, WP2C, and WP3A has been completed. All of these WP's have been placed into service with the exception of one of the two new anaerobic digesters in WP2B. During the startup of these digesters, a rapid rise of digester gas and foam resulted in excessive tilting and damage to one of the digester floating covers. The damaged digester has been placed out of service and the second one is operating in limited capacity because its cover also tilted during startup, although no damage apparently resulted. Repair of the damaged cover is underway, and expected to be complete in April 2013, at which time the City will re-commence startup and place the digester back into service. When the repaired digester is placed into service, the second digester will be placed out of service and thoroughly inspected for any damage. The City retained an engineering consultant with expertise in digester construction and operation to investigate and report on the incident that resulted in the cover damage. The engineer consultant's report findings indicated several contributing factors and have been provided to the insurance company. The report also included recommendations for proper installation and startup to preclude a recurrence of the incident.

The remaining construction of the AWT improvements entails the upgrading of Aeration Trans 2 and 3 to provide biological nutrient removal (BNR). Train 3 will be upgraded in 2013, followed by the BNR upgrade of Train 2 in 2014.

The City has budgeted $227 million for the AWT improvements project. The City implemented sewer rate increases in three phases to support the bond financing for the project. Rate increases were effective April 2008, January 2009 and October 2010. Funding for the project was provided by the proceeds of bond issuances in 2007 and 2010. As of the end of 2012, the project is on schedule to meet the permit conditions and additional funding of up to $2 million may be needed in 2014 to complete the project, depending on the use of contingency funding during 2013.

Master Sewer Plan and Master Treatment Plan

The 2030 Master Sewer Plan includes a Capital Improvement Program (CIP) which focuses on capacity and operational improvements. The planning period for these improvements is from 2011 to 2030, with an estimated cost of $28.6 million. It is anticipated the funding for these improvements will be generated from revenues based on current rates. The proposed phasing will allow funding to be available for the other programs and costs in the utility system's sewer collection/transmission budget. The FY 2012 appropriation for Master Sewer Plan implementation was $2 million, while $2 million has been appropriated in FY 2013.

Sewer System Recent Capital Improvement Projects

During 2012, the City replaced approximately four miles of deteriorating gravity sewer mains and manholes, upgraded two sewage pumping stations, abandoned three aging pump stations, constructed two new pump stations, replaced hundreds of sewer services in advance of roadway resurfacing projects and constructed approximately 1.5 miles of new gravity sewer mains to previously unsewered areas. A system-wide evaluation of the clay gravity sewer system was initiated in 2011 using a closed circuit television (CCTV) inspection process to identify piping infrastructure that requires rehabilitation or replacement. Significant projects identified as a result of the inspection process will be included in future Capital budgets for implementation. Projects identified for 2013 include the abandonment of two aging pumping stations, construction of two new pumping stations, rehabilitation of two other pumping stations, rehabilitation or replacement of four miles of clay gravity collection system piping, construction of approximately 9,000 feet of large diameter sewer force main to improve the reliability of the system, completion of hundreds of repairs to the clay collection system identified during the CCTV inspections noted above and the replacement of hundreds of sewer services in advance of roadway resurfacing projects.

The City's utility infrastructure asset management plan was further developed in 2011 to establish procedures and guidelines for ensuring that the wastewater system is operated and maintained in an appropriate fashion, providing for reliable, cost effective and code compliant operations. The plan will continue to be developed and refined over the next several years.

Environmental Management System

The City received certification in August 2007 from the International Organization of Standardization (ISO) for the Environmental Management System (EMS) that was developed for the City's wastewater treatment facilities, including the TPS and LBR Plants and the Southwest and Southeast Spray Fields. The certification affirms that the City's EMS meets ISO Standard 14001:2004, which establishes a framework and criteria for a management system that allows an organization to analyze, control and reduce the environmental impact of its activities, products and services and operate with greater efficiency and control. Three semi-annual surveillance audits by the ISO independent auditor have indicated only one minor non-conformance issue that was readily resolved to maintain certification. The ISO certification was the first for a wastewater utility in Florida. The development of an EMS in the Wastewater Collection Systems and Water Quality was completed and fully certified in July 2011 and converted into one EMS under Underground Utilities.

Asset Management (AM)

This program was fully implemented in the wastewater treatment plants and over 100 wastewater pumping stations in 2011. The goal of the program is to incorporate the framework of the EMS into a sustainable continuous improvement program. This program would safeguard the $227 million investment by rate payers to upgrade the Thomas P. Smith Water Reclamation Facility and meet AWT standards by 2014. Phase 1 and 2 of the AWT project is online with all assets fully implemented into the AM Program. The AM business plan has six elements that embody “best practices”. They are asset criticality, service levels, asset condition, planned maintenance and business case evaluations for new asset purchases versus continued maintenance.

STORMWATER MANAGEMENT SYSTEM

The City operates and maintains the Stormwater Drainage System (i.e. a network of pipes, channels, and stormwater management facilities) to serve the 103.4 square miles within the City's incorporated limits. The Stormwater Drainage System consists of approximately 420 stormwater management facilities, 33,276 drainage structures, 493 miles of enclosed storm drains, 313 miles of roadside ditches, 59 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 storm water 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. 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 2012, the actual operating revenue from the stormwater utility fee was $16.5 million. Operating expenditures were $10.1 million and capital project appropriations totaled $6.4 million, bringing total uses to $16.5 million. For the fiscal year, the Stormwater Fund broke even as compared to a projected budgetary deficit of $755,656. The revenues were within 3% of the estimates and expenditures were within 1% of the projection.

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 2012, the cost for those activities was approximately $5.9 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 2013 Five-Year Capital Improvement Program includes 21 projects. The total cost of these projects is approximately $33.9 million. At this time, no debt funding is anticipated for any ongoing or future stormwater projects.

During FY 2012 the base stormwater fee was $7.95 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 $7.95 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 ($7.95 per ERU) to get the monthly fee for that specific non-residential site.

The Stormwater Drainage System has approximately 78,350 customers. While approximately 92% of the customer base is residential, the 8% nonresidential customer base generates approximately 53% of the annual revenue. This again reflects the higher density of impervious area on nonresidential sites.

In 2005, the City Commission adopted a resolution to increase the base stormwater fee by a total of $1.70 per ERU over five years to fund a program to reduce stormwater pollution. The fifth and final step increase of 34-cents was implemented in October 2009, resulting in the current monthly stormwater fee of $7.95 per ERU. The stormwater fee was not changed since that last increase. The projected FY 2013 annual stormwater fee revenue for residential and non-residential services is $15.8 million.

Pollution from stormwater is referred to as “non-point source pollution” 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 pipe, or a municipal sewage treatment plant discharging into a stream.

Due to its ubiquitous nature, non-point source (stormwater) pollution is very difficult to manage and it is becoming an issue nationally. The US EPA is proposing a variety of new regulations to try to control these sources. Total maximum daily load (TMDL) regulations are one such example. These rules are aimed at entities that operate storm sewer systems (e.g. cities, counties, universities, state highway departments, etc.) and will limit the amount of pollution that can be discharged from storm sewers. That will in turn require that those entities take steps to regulate private property discharging into their systems and will also require the construction of infrastructure to try to remove pollutants that get in the water from older areas that were constructed before modern regulations were in effect.

Another noteworthy regulatory development is the US EPA Numeric Nutrient Rule that was finalized in November 2010. This rule will limit the amount of nutrients (primarily nitrates and phosphorous) that can be in runoff. Once again, this will require cities and counties to develop both structural and non-structural techniques to try to comply with these limits. Structural methods involve the construction of ponds and other treatment systems to remove pollutants. Non-structural methods include programs such as public education and regulations such as fertilizer ordinances to try to prevent nutrients from getting into the water. The new Numeric Nutrient Rule is being widely criticized by state and local government as well as the private sector, and multiple lawsuits have been filed to block EPA’s implementation of the rule. The State of Florida has filed suit claiming the rule is not based on sufficient science, that it is too costly, and that it does not comply with the intent of the Clean Water Act which allows individual states to be responsible for control of water quality. Although the final outcome of these lawsuits is uncertain, one can expect that stormwater regulatory compliance will continue to be more complicated and more expensive in the coming decade. Tallahassee is fortunate to have already taken steps to develop a funding source for stormwater pollution reduction.

SELECTED CONSOLIDATED UTILITY SYSTEM STATISTICS

Water System

Fiscal Year Ended September 30	2008	2009	2010	2011	2012
Miles of Water Mains	1,181	1,224	1,191	1,197	1,103
Plant Capacity	74	74	74	72	74
Daily Avg. Consumption (MGD)(1)	28	27	26	27	26
Residential					
Avg. No. of Customers(2)	68,754	68,368	68,164	68,392	68,382
Avg. No. of Service Points(3)	73,530	73,476	73,472	73,652	74,053
Water Sold (000)	5,462,313	5,264,552	4,791,257	5,491,089	5,186,764
Avg. Sales Per Customer	74,287	71,650	65,212	74,555	70,041
Commercial					
Avg. No. of Customers(2)	7,076	7,031	6,935	6,904	6,894
Avg. No. of Service Points(3)	8,539	8,540	8,473	8,481	8,554
Water Sold (000)	4,698,880	4,289,036	3,963,410	4,390,206	4,166,295
Avg. Sales Per Customer	550,285	502,229	467,769	517,652	487,058

(1) Daily Average Consumption represents water produced, not a representation of amounts billed.

(2) Number of customers reflects bill recipients. Customer number represents actual values.

(3) Service points reflects meters in service. Multiple service points may be consolidated into a single bill. Therefore, service points are greater than customers billed.

Sewer System

Fiscal Year Ended September 30	2008	2009	2010	2011	2012
Miles of Sanitary Sewers	1,008	1,030	1,019	1,017	1,034
Annual Flow-Millions of Gallons	6,335	6,253	6,011	5,922	5,886
Daily Average Treatment (MGD)	17.31	17.14	16.47	15.00	16.30
Rainfall (fiscal year totals)	57.73	58.11	68.98	38.30	58.27
Gallons Treated Per Customer	90,619	89,372	85,850	84,264	83,300
Avg. No. of Customers					
Residential	63,573	63,648	63,708	63,968	64,343
Commercial	6,340	6,318	6,307	6,311	6,317
Rated Capacity	32	31	31	31	31

Water Rates (Effective October 1, 2012)

Monthly Rate:	
Customer Charge	$ 6.10
Usage Charge:	
Residential	$ 0.145
First 7,000 gallons	$1.45/1000 gallons
Next 13,000 gallons	$1.97/1000 gallons
Additional gallons	$2.48/1000 gallons
Commercial	
Up to monthly usage allowance	$1.45/1000 gallons
Additional gallons	$1.71/1000 gallons
Irrigation	
Up to monthly usage allowance	$1.45/1000 gallons
Additional gallons	$2.48/1000 gallons
Monthly Minimum Charge:	
Nominal Meter Size (inches)	Amount
5/8 or Smaller	$ 9.73
1	$ 24.23
1 1/2	$ 48.44
2	$ 77.59
3	$ 155.02
4	$ 242.16
6	$ 484.31
8	$ 774.89

Sewer Rates (Effective October 1, 2012)

Monthly Minimum Charge:	
Nominal Meter Size (inches)	Amount
5/8 or Smaller	$ 16.50
1	$ 41.23
1 1/2	$ 82.42
2	$ 131.89
3	$ 263.77
4	$ 412.13
6	$ 824.27
8	$1,318.85
Monthly Usage Charge:	
Usage Charge Per 1000 Gallons Per Month	$ 5.270

Water System Ten Largest Customers by Consumption (as of September 30, 2012)

Customer	Water Usage	Billed Amount	Percentage of Revenues
Florida State University	3,105,762	$ 640,495	3.32%
State of Florida	2,241,953	490,424	2.40%
City of Tallahassee	1,829,471	501,078	1.96%
Florida A & M University	1,316,193	279,258	1.41%
Tallahassee Memorial HealthCare	1,215,402	241,882	1.30%
Leon County School Board	951,645	209,528	1.02%
Federal Government	913,748	169,848	0.98%
Leon County	796,288	171,208	0.85%
St. Joe/Arvida	327,015	44,112	0.35%
Tallahassee Community College	322,682	77,805	0.35%
TOTAL	**13,020,159**	**$ 2,825,638**	**13.94%**

Sewer System Ten Largest Customers by Consumption (as of September 30, 2012)

Customer	Sewer Usage	Billed Amount	Percentage of Revenues
Florida State University	2,048,635	$ 1,343,663	2.77%
Florida A & M University	1,239,741	803,130	1.66%
State of Florida	1,099,539	832,908	1.72%
Leon County	925,053	622,825	1.28%
Federal Government	892,770	536,679	1.11%
Tallahassee Memorial HealthCare	741,225	434,453	0.90%
Leon County School Board	600,355	459,804	0.95%
City of Tallahassee	387,071	313,036	0.65%
Blairstone Apartments	237,951	126,371	0.26%
Capital Regional Medical Center	165,437	94,353	0.19%
TOTAL	**8,337,777**	**$ 5,567,222**	**11.49%**

Consolidated Utility System Debt Service Coverage (in 000s)

Fiscal Year Ended September 30	2008	2009	2010	2011	2012
Operating Revenues					
Water	$ 24,650	$ 24,741	$ 24,050	$ 29,357	$ 28,764
Sewer	41,309	44,924	47,196	53,299	53,801
Total Operating Revenues	65,959	69,665	71,246	82,656	82,565
Operating Expenses					
Water	17,295	18,474	17,428	21,815	20,412
Sewer	27,492	30,365	33,522	31,813	33,456
Total Operating Expenses	44,787	48,839	50,950	53,628	53,868
Net Operating Revenue	21,172	20,826	20,296	29,028	28,697
Gross Stormwater Revenue	16,516	18,417	21,050	16,378	16,530
Other Revenue	1,398	801	872	503	492
Total Available for Debt Service excluding system charge	39,086	40,044	42,218	45,909	45,719
System Development Charges[1]	2,673	2,673	2,673	2,673	2,673
Total Pledged Revenue Available for Debt Service	**$ 41,759**	**$ 42,717**	**$ 44,891**	**$ 48,582**	**$ 48,392**
Existing Debt Service	$ 12,929	$ 14,036	$ 14,036	$ 20,953	$ 22,949
Coverage	3.23x	3.04x	3.20x	2.32x	2.11x

(1) Actual System Development Charges were greater than $2.673 million from 2008 through 2012. However, the amount shown is the amount that can legally be used to make debt service payments.

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
CONSOLIDATED DEBT SERVICE

Bond Year Ending October 1	Total	$ 117,015,000 Series 2010A	$ 25,820,000 Series 2010B	$ 164,460,000 Series 2007	$ 36,110,000 Series 2005	$ 23,900,000 Series 2001
2013	$ 22,948,640	$ 6,084,303	$ 1,169,450	$ 9,610,025	$ 4,158,813	$ 1,926,050
2014	22,946,990	6,084,303	1,169,450	9,605,425	4,161,063	1,926,750
2015	22,818,190	6,084,303	2,289,450	11,458,025	752,813	2,233,600
2016	22,815,940	6,084,303	2,290,850	11,458,425	752,813	2,229,550
2017	22,818,190	6,084,303	2,293,100	11,457,425	752,813	2,230,550
2018	22,813,390	6,084,303	2,293,800	11,456,425	752,813	2,226,050
2019	22,817,290	6,084,303	2,294,200	11,459,925	752,813	2,226,050
2020	22,814,790	6,084,303	3,415,500	11,457,175	1,857,813	-
2021	22,817,650	6,084,303	3,422,500	11,457,235	1,853,613	-
2022	22,818,150	6,084,303	3,419,750	11,457,735	1,856,363	-
2023	22,814,050	6,084,303	3,415,750	11,457,885	1,856,113	-
2024	22,814,080	6,084,303	3,415,250	11,456,665	1,857,863	-
2025	22,817,130	6,084,303	3,417,750	11,458,715	1,856,363	-
2026	22,815,915	6,084,303	3,417,750	11,457,250	1,856,613	-
2027	22,815,915	9,499,303	-	11,458,250	1,858,363	-
2028	22,755,843	9,441,231	-	11,458,250	1,856,363	-
2029	22,694,443	9,382,330	-	11,456,500	1,855,613	-
2030	22,630,461	9,312,348	-	11,457,250	1,860,863	-
2031	22,561,038	11,101,538	-	11,459,500	-	-
2032	22,459,014	11,001,764	-	11,457,250	-	-
2033	22,346,304	10,891,554	-	11,454,750	-	-
2034	22,236,908	10,780,908	-	11,456,000	-	-
2035	22,119,054	10,664,304	-	11,454,750	-	-
2036	22,001,481	10,546,481	-	11,455,000	-	-
2037	21,877,418	10,421,918	-	11,455,500	-	-
2038	21,745,354	21,745,354	-	-	-	-
2039	21,403,805	21,403,805	-	-	-	-
2040	21,054,122	21,054,122	-	-	-	-
TOTALS	**$ 630,391,555**	**$ 262,427,195**	**$ 37,724,550**	**$ 282,731,335**	**$ 32,509,875**	**$ 14,998,600**

$117,015,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility System Revenue Bonds, Series 2010A
(Federally Taxable Build America Bonds)

Dated: October 1, 2010

Purpose

To pay the cost of acquisition and construction of certain capital improvements to the Utility System, funding capitalized interest through October 1, 2011.

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 2010B Bonds, Consolidated Utility System Revenue Bonds, Series 2007 Bonds, Consolidated Utility System Revenue Bonds, Series 2005 Bonds, and Consolidated Utility System Revenue Bonds, Series 2001 Bonds.

Form

$117,015,000 Serial Bonds due October 1, 2040, 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, 2010.

Agents

Registrar:	US Bank National Association, Jacksonville, Florida
Paying Agent:	US Bank National Association, Jacksonville, Florida
Bond Counsel:	Squire, Sanders & Dempsey L.L.P., Miami, Florida

Ratings

Moody's:	Aa1
Standard & Poor's:	AA+
Fitch:	AA+

Redemption Provisions

The Series 2010A Bonds are subject to make-whole optional redemption, extraordinary optional redemption and mandatory redemption.

Optional Redemption

The Series 2010A Bonds are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time, in the order directed by the City and in the event that less than all of such Series 2010A Bonds of any maturity are called for redemption, the particular Series 2010A Bonds of such maturity to be redeemed shall be selected as described below under *"Partial Redemption of Series 2010A Bonds"* at a redemption price equal to the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is equal to the greater of: (1) the Issue Price (as defined below) (but not less than 100%) of the principal amount of the Series 2010A Bonds to be redeemed, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A Bonds are to be redeemed, discounted to the date on which the Series 2010A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve

30-day months, at the Treasury Rate (as defined below), plus 25-basis points, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date.

"Issue Price" shall mean 100% of the Series 2010A Bonds to be redeemed.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2010A Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity, excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than for 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market date) most nearly equal to the period from the redemption date to the maturity date of the Series 2010A Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The redemption price of Series 2010A Bonds to be redeemed pursuant to the *Optional Redemption* provision described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense to calculate such redemption price. The Registrar and the City may conclusively rely on such determination of redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance. The Series 2010A Bonds are subject to optional redemption at the option of the City prior to their stated maturities in whole or in part at any time, in the order directed by the City and in the event that less than all of such Series 2010A Bonds of any maturity are called for redemption, the particular Series 2010A Bonds of such maturity to be redeemed at a redemption price equal to the Make-Whole Redemption Price. The Make-Whole Redemption Price is equal to the greater of any order of maturity selected by the City and by lot within a maturity if less than full maturity is to be redeemed, at par, plus accrued interest to the redemption date.

Extraordinary Optional Redemption. The Series 2010A Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the City and in the order directed by the City, in whole or in part at any time upon the occurrence of an Extraordinary Event (as defined below), from any source of available funds, and in the event that less than all of such Series 2010A Bonds of any maturity are called for redemption, the particular Series 2010A Bonds of such maturity to be redeemed shall be selected as described below under *"Partial Redemption of Series 201OA Bonds,"* at a redemption price equal to the Extraordinary Redemption Price (as defined below).

The "Extraordinary Redemption Price" is equal to the greater of: (1) the Issue Price (as described above) (but not less than 100%) of the principal amount of the Series 2010A Bonds to be redeemed, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date; or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010A Bonds to be redeemed to the maturity date of such Series 2010A Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A Bonds are to be redeemed, discounted to the date on which the Series 2010A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (described above) plus 100-basis points, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date. An "Extraordinary Event" will have occurred if a material adverse change has occurred to Sections 54AA or 6431 of the Code (as such Sections were added by the ARRA pertaining to Build American Bonds) pursuant to which the City's 35% Direct Subsidy Payments from the United States Department of the Treasury is reduced or eliminated. The redemption price of Series 2010A Bonds to be redeemed pursuant to the Extraordinary Optional Redemption provision described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense to calculate such redemption price. The Registrar and the City may conclusively rely on such determination of redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Mandatory Redemption

The Series 2010A Bonds maturing on October 1, 2030 are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2027 and thereafter, at redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

Year	**Amount**
2027	$3,415,000
2028	$3,530,000
2029	$3,650,000
2030 (final maturity)	$3,765,000

The Series 2010A Bonds maturing on October 1, 2040 are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2031 and thereafter, at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

Year	**Amount**
2031	$5,745,000
2032	$5,945,000
2033	$6,145,000
2034	$6,355,000
2035	$6,570,000
2036	$6,795,000
2037	$7,025,000
2038	$18,715,000
2039	$19,350,000
2040 (final maturity)	$20,010,000

Pursuant to the provisions of the Bond Resolution, the Registrar has been instructed to apply mandatory sinking fund redemption payments in the manner set forth under "*Partial Redemption of the Series 201OA Bonds"* herein.

Partial Redemption of Series 2010A Bonds. If less than all of the Series 2010A Bonds of a particular maturity are called for optional redemption as set forth under *"Optional Redemption"* above, extraordinary optional redemption as set forth under *"Extraordinary Optional Redemption"* above, or mandatory redemption as set forth under *"Mandatory Sinking Fund Redemption"* hereof, the City has directed the Registrar to treat as a return of principal on the Series 2010A Bonds within such maturity as a Pro Rata Pass-Through Distribution of Principal (as hereinafter defined); provided, however, that so long as the Series 2010A Bonds are held in book-entry form, the redemption of the Series 2010A Bonds as a Pro Rata Pass-Through Distribution of Principal shall be effected by the Registrar pursuant to the rules or procedures of DTC or any successor securities depository. Such payments are subject to rules and procedures of DTC and none of the City, the Underwriters or any affiliate thereof can provide assurance that DTC, the direct and indirect DTC participants or any other intermediaries will be able to allocate redemptions of the Series 2010A Bonds of a particular maturity among the Holders of the Series 2010A Bonds on such a pro rata basis. In any case, the Registrar will be directed to pay such amounts to the Holders of the Series 2010A Bonds using any method as it deems fair and appropriate, including by lot where required by DTC's governing procedures; however, it is the intent of the City that principal is paid to the Holders of the Series 2010A Bonds under the Pro Rata Pass-Through Distribution of Principal.

"Pro Rata Pass-Through Distribution of Principal" means a return of principal to Holders of the Series 2010A Bonds in an amount derived from applying a fraction to the amount of Series 2010A Bonds owned by a Holder of Series 2010A Bonds where the numerator is equal to the principal amount of the Series 2010A Bonds to be redeemed and the denominator is equal to the original principal amount of the Series 2010A Bonds of such maturity being redeemed.

$117,015,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SERVICES
SERIES 2010A BABS

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	5.200%	$ -	$ 6,084,303	$ 6,084,303
2014	5.200%	-	6,084,303	6,084,303
2015	5.200%	-	6,084,303	6,084,303
2016	5.200%	-	6,084,303	6,084,303
2017	5.200%	-	6,084,303	6,084,303
2018	5.200%	-	6,084,303	6,084,303
2019	5.200%	-	6,084,303	6,084,303
2020	5.200%	-	6,084,303	6,084,303
2021	5.200%	-	6,084,303	6,084,303
2022	5.200%	-	6,084,303	6,084,303
2023	5.200%	-	6,084,303	6,084,303
2024	5.200%	-	6,084,303	6,084,303
2025	5.200%	-	6,084,303	6,084,303
2026	5.200%	-	6,084,303	6,084,303
2027	5.068%	3,415,000	6,084,303	9,499,303
2028	5.068%	3,530,000	5,911,231	9,441,231
2029	5.068%	3,650,000	5,732,330	9,382,330
2030	5.068%	3,765,000	5,547,348	9,312,348
2031	5.218%	5,745,000	5,356,538	11,101,538
2032	5.218%	5,945,000	5,056,764	11,001,764
2033	5.218%	6,145,000	4,746,554	10,891,554
2034	5.218%	6,355,000	4,425,908	10,780,908
2035	5.218%	6,570,000	4,094,304	10,664,304
2036	5.218%	6,795,000	3,751,481	10,546,481
2037	5.218%	7,025,000	3,396,918	10,421,918
2038	5.218%	18,715,000	3,030,354	21,745,354
2039	5.218%	19,350,000	2,053,805	21,403,805
2040	5.218%	20,010,000	1,044,122	21,054,122
TOTALS		**$ 117,015,000**	**$ 145,412,195**	**$ 262,427,195**

$25,820,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility System Revenue Bonds, Series 2010B

Dated: October 1, 2010

Purpose
To pay the cost of acquisition and construction of certain capital improvements to the Utility System, funding capitalized interest through October 1, 2011.

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 2010A Bonds, Consolidated Utility System Revenue Bonds 2007 Bonds, Consolidated Utility System Revenue Bonds, Series 2005 Bonds, and Consolidated Utility System Revenue Bonds, Series 2001 Bonds.

Form
$25,820,000 Serial Bonds due October 1, 2040, 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, 2010.

Agents

Registrar:	US Bank National Association, Jacksonville, Florida
Paying Agent:	US Bank National Association, Jacksonville, Florida
Bond Counsel:	Squire, Sanders & Dempsey L.L.P., Miami, Florida

Ratings

Moody's:	Aa1
Standard & Poor's:	AA+
Fitch:	AA+

Redemption Provisions
The Series 2010B Bonds maturing on and prior to October 1, 2020 are not subject to optional redemption. The Series 2010B Bonds maturing after October 1, 2020 are subject to optional redemption, as described herein.

Optional Redemption
The Series 2010B Bonds maturing on October 1, 2021 or thereafter may be redeemed prior to their stated dates of maturity at the option of the City, in such manner as the City shall determine, as a whole or in part at any time on or after October 1, 2020 and if in part, in any order of maturity selected by the City and by lot within a maturity if less than a foil maturity is to be redeemed, at par, plus accrued interest to the redemption date.

Notice of Redemption
At least 30 but not more than 60 days prior to the redemption date, notice of redemption shall be mailed, postage prepaid, to all Holders of Series 2010B Bonds to be redeemed at their addresses as they appear on the registration books, but failure to mail such notice to one or more Holders of Series 2010B Bonds shall not affect the validity of the proceedings for such redemption with respect to Holders of Series 2010B Bonds to which notice was duly mailed. Each such notice shall set forth the date fixed for redemption, the redemption premium to be paid, if any, and if less than all of the Series 2010B Bonds of one maturity are to be called, the distinctive numbers

of such Series 2010B Bonds to be redeemed and in the case of Series 2010B Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Upon surrender of any Series 2010B Bond for redemption in part only, the Registrar shall authenticate and deliver to the Holder thereof, a new Series 2010B Bond of an authorized denomination equal to the unredeemed portion of the Series 2010B Bond surrendered. In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent or a fiduciary institution acting as escrow agent no later than the redemption date, or (2) the City retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in the Series 2010B Resolution. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the City Treasurer-Clerk delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any series 2010B Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the City to make such funds available shall constitute an Event of Default under the General Resolution and the Series 2010B Resolution. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Series 2010B Bonds called for redemption and not so paid remain Outstanding.

$25,820,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
REVENUE BONDS, SERIES 2010B

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	4.529%	$ -	$ 1,169,450	$ 1,169,450
2014	4.529%	-	1,169,450	1,169,450
2015	3.000%	1,120,000	1,169,450	2,289,450
2016	5.000%	1,155,000	1,135,850	2,290,850
2017	2.000%	1,215,000	1,078,100	2,293,100
2018	4.000%	1,240,000	1,053,800	2,293,800
2019	3.000%	1,290,000	1,004,200	2,294,200
2020	4.000%	2,450,000	965,500	3,415,500
2021	5.000%	2,555,000	867,500	3,422,500
2022	5.000%	2,680,000	739,750	3,419,750
2023	5.000%	2,810,000	605,750	3,415,750
2024	5.000%	2,950,000	465,250	3,415,250
2025	5.000%	3,100,000	317,750	3,417,750
2026	5.000%	3,255,000	162,750	3,417,750
TOTALS		**$ 25,820,000**	**$ 11,904,550**	**$ 37,724,550**

$164,460,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility System Refunding Revenue Bonds, Series 2007

Dated: October 1, 2007

Purpose
To pay the cost of certain capital improvements to the Utility System, funding a special account for the series 2007 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 2010A, Consolidated Utility System Revenue Bonds, Series 2010B Bonds, Consolidated Utility System Refunding Revenue Bonds, Series 2005 and Consolidated Utility System Revenue Bonds, Series 2001 Bonds.

Form
$164,460,000 Serial Bonds due October 1, 2037, 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, 2010.

Agents
Registrar:	US Bank National Association, Jacksonville, Florida
Paying Agent:	US Bank National Association, Jacksonville, Florida
Bond Counsel:	Squire, Sanders & Dempsey L.L.P., Miami, Florida

Ratings
Moody's:	Aa1
Fitch:	AA+
Standard & Poor's:	AA+

Redemption Provisions
Optional Redemption
The Series 2007 Bonds maturing on and prior to October 1, 2017 are not subject to optional redemption. The Series 2007 Bonds maturing after October 1, 2018 are subject to optional redemption at the option of the City, in such manner as the City shall determine, as a whole or in part at any time on or after October 1, 2017 and if in part, in any order of maturity selected by the City and by lot within a maturity if less than full maturity is to be redeemed, at par, plus accrued interest to the redemption date.

Mandatory Redemption
The Series 2007 Bonds maturing on October 1, 2032 are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2028 and thereafter, at redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

Year	Amount
2028	$7,035,000
2029	$7,385,000
2030	$7,755,000
2031	$8,145,000
2032 (final maturity)	$8,550,000

The Series 2007 Bonds maturing on October 1, 2037 are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2033 and thereafter, at redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

Year	Amount
2033	$8,975,000
2034	$9,425,000
2035	$9,895,000
2036	$10,390,000
2037 (final maturity)	$10,910,000

$164,460,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SERVICES
REFUNDING REVENUE BONDS, SERIES 2007

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2013	4.000%	$ 1,865,000	$ 7,745,025	$ 9,610,025
2014	4.000%	1,935,000	7,670,425	9,605,425
2015	4.000%	3,865,000	7,593,025	11,458,025
2016	5.000%	4,020,000	7,438,425	11,458,425
2017	5.000%	4,220,000	7,237,425	11,457,425
2018	5.000%	4,430,000	7,026,425	11,456,425
2019	5.000%	4,655,000	6,804,925	11,459,925
2020	4.400%	4,885,000	6,572,175	11,457,175
2021	4.500%	5,100,000	6,357,235	11,457,235
2022	4.500%	5,330,000	6,127,735	11,457,735
2023	4.600%	5,570,000	5,887,885	11,457,885
2024	4.600%	5,825,000	5,631,665	11,456,665
2025	4.700%	6,095,000	5,363,715	11,458,715
2026	5.000%	6,380,000	5,077,250	11,457,250
2027	5.000%	6,700,000	4,758,250	11,458,250
2028	5.000%	7,035,000	4,423,250	11,458,250
2029	5.000%	7,385,000	4,071,500	11,456,500
2030	5.000%	7,755,000	3,702,250	11,457,250
2031	5.000%	8,145,000	3,314,500	11,459,500
2032	5.000%	8,550,000	2,907,250	11,457,250
2033	5.000%	8,975,000	2,479,750	11,454,750
2034	5.000%	9,425,000	2,031,000	11,456,000
2035	5.000%	9,895,000	1,559,750	11,454,750
2036	5.000%	10,390,000	1,065,000	11,455,000
2037	5.000%	10,910,000	545,500	11,455,500
TOTALS		**$ 159,340,000**	**$ 123,391,335**	**$ 282,731,335**

$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.

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 2010A, Consolidated Utility System Revenue Bonds, Series 2010B Bonds, Consolidated Utility System Revenue Bonds, Series 2007, and Consolidated Utility System Revenue Bonds, Series 2001 Bonds.

Form

$36,110,000 Serial Bonds due October 1, 2030, 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:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida
Insurance:	Ambac

Ratings

Moody's:	Aa1 underlying
Fitch:	AA+ underlying
Standard & Poor's:	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

$36,110,000
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
2013	(1)	$ 3,140,000	$ 1,018,813	$ 4,158,813
2014	(2)	3,265,000	896,063	4,161,063
2015	(3)	-	752,813	752,813
2016	(3)	-	752,813	752,813
2017	(3)	-	752,813	752,813
2018	(3)	-	752,813	752,813
2019	(3)	-	752,813	752,813
2020	4.000%	1,105,000	752,813	1,857,813
2021	5.000%	1,145,000	708,613	1,853,613
2022	5.000%	1,205,000	651,363	1,856,363
2023	5.000%	1,265,000	591,113	1,856,113
2024	5.000%	1,330,000	527,863	1,857,863
2025	5.000%	1,395,000	461,363	1,856,363
2026	5.000%	1,465,000	391,613	1,856,613
2027	5.000%	1,540,000	318,363	1,858,363
2028	5.000%	1,615,000	241,363	1,856,363
2029	5.000%	1,695,000	160,613	1,855,613
2030	4.250%	1,785,000	75,863	1,860,863
TOTALS		**$ 21,950,000**	**$ 10,559,875**	**$ 32,509,875**

(1) Bonds maturing 2013 are in two issues: $1,140,000 at 3.75% interest rate and $2,000,000 at 4.00% interest rate.

(2) Bonds maturing 2014 are in two issues: $2,000,000 at 4.00% interest rate and $1,265,000 at 5.00% interest rate.

(3) 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 2010A, Consolidated Utility System Revenue Bonds, Series 2010B Bonds, Consolidated Utility System Revenue Bonds, Series 2007, and Consolidated Utility System Refunding Revenue Bonds, Series 2005

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:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Trustee:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida
Insurance:	FGIC

Ratings
Moody's:	Aa1 underlying
Fitch:	AA+ underlying
Standard & Poor's:	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
2013	5.500%	$ 1,260,000	$ 666,050	$ 1,926,050
2014	5.500%	1,330,000	596,750	1,926,750
2015	5.500%	1,710,000	523,600	2,233,600
2016	5.500%	1,800,000	429,550	2,229,550
2017	5.500%	1,900,000	330,550	2,230,550
2018	5.500%	2,000,000	226,050	2,226,050
2019	5.500%	2,110,000	116,050	2,226,050
TOTALS		**$ 12,110,000**	**$ 2,888,600**	**$ 14,998,600**

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 fixed base operator (FBO which provides aeronautical services such as fueling, tie-down and parking, etc.)-operational general aviation terminal and aircraft storage hangars that provides corporate and private flying services, and various facilities for government, civil and military training operations.

Air Service Discussion

The airline industry can 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) filed for and have come out of bankruptcy. Gulfstream International Airlines (a Continental affiliate) and American Airlines (AMR Corporation) entered into bankruptcy in 2010 and 2011, respectively. With Gulfstream being acquired in bankruptcy and reorganizing as Silver Airways (a United affiliate with UAL's acquisition of Continental), over capacity, higher fuel prices and the slowdown in the economy have continued the airlines' precarious financial position resulting in additional consolidations with United acquiring Continental and Southwest acquiring Air-Tran Airlines.

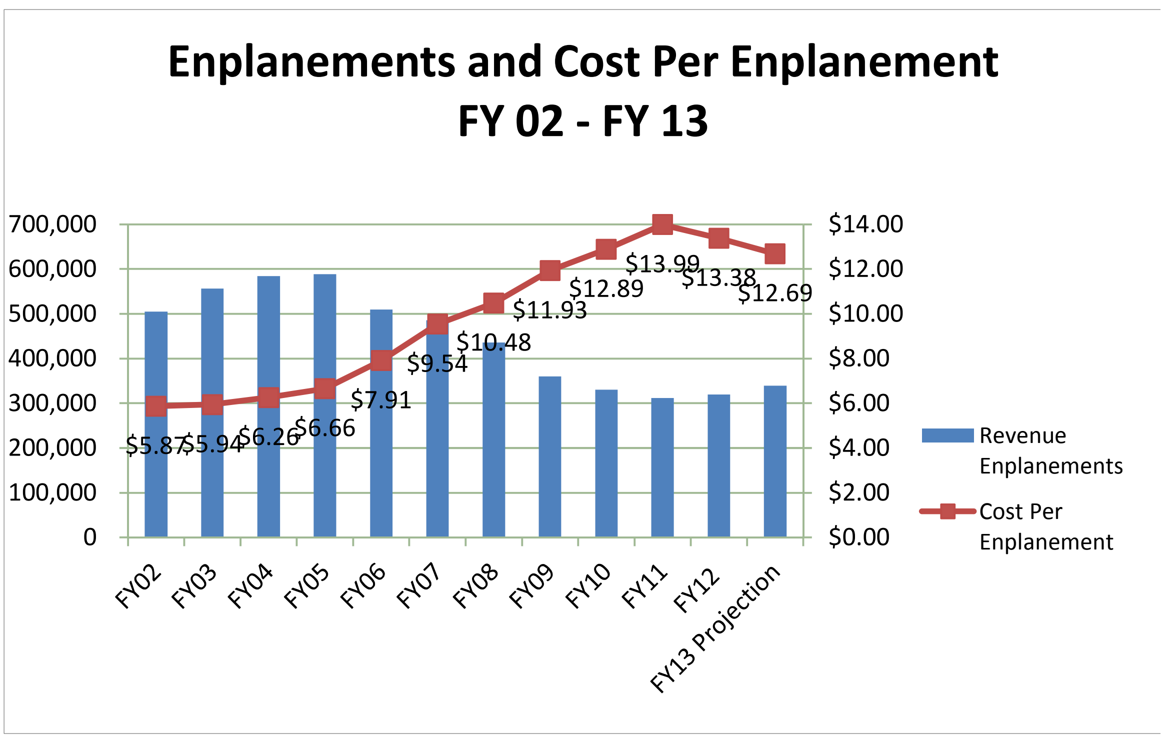
Tallahassee Regional Airport, not unlike other small non-hub commercial airports throughout the country, has experienced high airfares and limited air service. High airfares were determined to be one of the leading inhibitors to economic development. When combined with Tallahassee's dependence on state government employment and its recent employment downsizing and travel restrictions, 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 pursuing additional airline hubs.

Beginning March 2008, American Eagle, an affiliate of American Airlines, began offering two daily flights between Tallahassee and its Miami hub. In October 2008, Continental Connection (Gulfstream International Airlines) began service to Fort Lauderdale. In April 2009, Delta reinstated service to Fort Lauderdale, Tampa and Orlando using SAAB turbo prop aircraft. American Eagle added a third flight to Miami in March 2009. In February 2009, Continental Connection (Gulfstream International Airlines) reinstated non-stop service to Palm Beach International Airport. In June 2009, American Eagle began offering service to Dallas/Fort Worth and added an additional flight in August 2009. Delta Air Lines discontinued service to Orlando and Tampa effective October 1, 2009. Delta Air Lines and Northwest Airlines merged and received its single operating certificate in January 2010. Delta Air Lines discontinued service to Memphis in January 2011 as it significantly reduced the size of the Memphis Hub. US Airways commenced new direct service between TLH and Washington, D.C.'s Reagan National Airport in March 2012. Shortly thereafter, Silver Airways was created through the acquisition of assets of bankrupt Gulfstream Airlines and began service as a United Airlines code-share partner. Silver Airways replaced the 19-seat livery and started a new service on March 27, 2012 with introduction of the new 34-seat SAAB 340-B airplane, increasing capacity by nearly 79% on the former Gulfstream Airlines routes from Tallahassee to Fort-

Lauderdale and Tampa. Due to the high load factors and popularity of the daily direct service to Washington D.C., US Airways was persuaded through negotiations to add more seating capacity with a larger airplane. Due to gate constraints, a second daily 50-seat regional-jet service – this one enabling originating passengers to depart in the early morning and return the same day and avoid an overnight trip was discussed. US Airways announced a new seasonal direct flight with service now offered in the early morning which commenced October 28, 2012 and ending April 2013. Due to a significant customer demand for service to West Palm Beach (PBI), the Airport approached Silver Airways to provide direct daily to PBI and Orlando or through Orlando. Due to fleet and scheduling constraints, the airline could only accommodate a service to PBI through Tampa. On January 7, 2013, Silver Airways expanded "through-plane" intrastate service from West Palm Beach (PBI) to Tampa (TPA) to Tallahassee. Given the success of its direct service to Miami, American Airlines on November 15, 2012, added a fourth daily direct flight to Miami (MIA); and announced a second direct daily 50-seat regional jet flight to Dallas Fort-Worth (DFW) beginning on February 13, 2013.

Since June 2011, the Department of Aviation has increased the number of overall daily flights during peak months from 42 to 68; increased the number of cities served from TLH from 5 to 7; and the number of monthly departing airline seats available by an average of 14%; with airlines reducing average advance purchase round-trip Y fares by 23%.

TLH is primarily an origination/destination airport with the majority of passengers being on business-related travel rather than leisure-related travel. Passenger traffic increased in FY 2012, 664,075 passengers, a 2.97% increase. The calendar year 2012 growth was 8.1%. This growth was brought about by a new management business model which began with implementation of cost controls and measures to change course. The management team implemented an aggressive cost-reduction and revenue optimization strategy to stem a 7-year decline of passenger and flight service losses and reversed it by earning the trust of signatory customer airlines and committing to a 5-year strategy to systematically reduce their Cost per Enplanement at Tallahassee Regional Airport, in exchange for increased airline seat capacity at reduced fares.



The Department of Aviation launched its Air-Service Development plan in conjunction with a comprehensive Marketing & Communications effort to re-brand TLH as the region's airport of choice – exemplified by excellence in customer service and the closest gateway to the pristine gulf region. This was done through a revamped web-site and the advertisement of competitive fares through a social media campaign including Facebook and Twitter to the airport.

Financial Discussion

The Airport is self-supporting and does not receive a subsidy from any tax funds of the local City government nor make any payments other than for services received to the City. Citizens who do not use the airport do not contribute to the costs of its operations. Its operations are funded through non-aeronautical revenues such as food and beverage, retail concessions and parking fees, and aeronautical rates and charges from terminal and general aviation leases, and landing fees. Signatory airline agreements are structured on a residual basis whereby 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 2012, actual operating income was $3,143,716 or $1,545,818 more than budget. Actual expenditures were 10.06% below budget projections and revenues were 5.77% above.

The Airport's Capital Improvement Program (CIP) is primarily supported from Federal Aviation Administration (FAA) entitlement grant funding, Passenger Facility Charge (PFC) funds, and Florida Department of Transportation (FDOT) grants. Increased FAA grants and the availability of PFC funds with the successful completion of the Airport's Noise Mitigation Program have accelerated the Airport's implementation of many projects. In the past five fiscal years (FY 2008 - FY 2012), the Airport has accepted over $29.3 million in grant funds from FAA and FDOT. This includes approximately $4.8 million per year from the FAA and $1.03 million from FDOT. These funds have been used primarily for airfield improvement and refurbishment projects, including construction of two new aprons, overlay of all taxiways, refurbishment of existing aprons, and stormwater controls.

TLH currently has one PFC program open. The program began collections in May 2007 and extends over a nine-year period with estimated collections of $25.28 million. Terminal work will account for $14.9 million of program funds with the remainder going to airfield, security and planning projects. Over the past five years, several significant Terminal and Airfield projects have been completed or are very near completion.

(a) <u>Terminal Projects</u>: During FY 12, a Strategic Terminal Master Plan study was commenced. During the past five years, terminal projects have included the replacement of the older passenger information system with a Multi User Passenger Information Display System that offers a state of the art computer-based, internet-assisted system; replacement of the roof and weather proofing exterior wall coverings; replacement of automatic entrance doors; and replacement of carpet with tile flooring in the terminal. Future terminal projects include replacement of the outbound baggage handling system including space for the Transportation Security Administration's (TSA) baggage screening equipment; the flooring of a 1,200 square foot atrium; replacement/enhancement to terminal floors in the concourse with terrazzo; new ceilings; new seating; other passenger enhancements; and other general improvements to aesthetics and passenger convenience items.

(b) <u>Airfield Projects</u>: Four significant groups of projects have been the focus of airfield improvements. The first group consists of projects that enhance existing infrastructure and keep the Airport operationally viable and includes: the refurbishment of all existing taxiways (completed in 2006) enhanced the life of pavements and keeps the infrastructure viable for another 10 - 15 years; and a major stormwater control project that improved drainage along Runway 9-27, adjacent taxiways, and the terminal apron. The second group of projects was those that enhance the safety and security of the airfield and included: the construction of 10-miles of new wildlife fence to keep wildlife out of the airfield areas; and construction of a perimeter security road adjacent to the wildlife fence to allow monitoring of the perimeter in all weather conditions. The third group of projects focused on increasing cargo operations and included: expanding the existing cargo apron; adding a second cargo apron allowing for the addition of a second cargo carrier access road and security for the cargo apron and adjacent area; and infrastructure improvements for a new cargo sorting facility. In January 2012, the Airport commenced the first phase of a massive construction project to enhance the safety and operational capacity of its runways. The first phase included the lengthening of Runway 18-36 from 6,070 feet to 7,000 feet. The project was substantially funded by the FAA and completed in November 2012.

Going forward, the Capital Improvement Plan includes additional refurbishment of the terminal, continued rehabilitation of airfield pavements including the reconstruction of the North and South General Aviation aprons, reconstruction of Runway 9-27, enhancements to airport security systems, and other initiatives to support air service and general aviation in the Tallahassee region.

Management Discussion of Operations

The Aviation Department consists of six divisions. The Executive and Administration Division provide 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 Commercial Development 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 and Ground Transportation 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, Security and Information Technology Division is responsible for police and fire rescue services, safety, security, training, general aviation, ground transportation, and FAA compliance.

The Planning, Development and Environmental/Technical Services Division is responsible for identifying capital program needs, monitoring stormwater management and environmental compliance, and providing construction management and engineering liaison services that include design plans and specifications, monitoring on-going construction activities, and meeting other regulatory requirements of the City, FAA, and FDOT.

Airport Financial Statistics

For Fiscal Year Ended September 30	2008	2009	2010	2011	2012
Revenue Per Enplaned Passenger	$ 26.75	$ 29.79	$ 31.26	$ 32.40	$ 32.70
Debt Per Enplaned Passenger	11.60	13.66	10.15	8.22	5.43

Aircraft Operations - Landings and Take-offs

For Fiscal Year Ended September 30	2008	2009	2010	2011	2012
Air Carrier Operations (1)	4,679	3,454	4,627	3,776	3,453
Air Taxi Operations (2)	28,131	23,172	20,997	16,558	16,104
General Aviation					
Itinerant Operations	33,643	30,468	26,666	26,559	23,299
Local Operations	14,174	15,459	11,873	12,863	10,939
Military					
Itinerant Operations	8,672	11,448	11,667	13,517	9,770

(1) Consists of planes of 50 or more seats

(2) Consists of planes having less than 50 seats

Enplanements by Carrier

For Fiscal Year Ended September 30	2008	2009	2010	2011	2012
USAirways/ Piedmont	275	160	-	-	-
Mesa	15,149	94	316	326	885
PSA	55,790	70,268	60,582	64,338	62,821
Delta	93,661	21,165	29,291	58,188	72,343
Comair	171	-	3,019	-	32
Express Jet (formerly Atlantic Southeast)	90,632	114,833	143,504	124,802	108,836
Skywest	-	1,026	-	-	-
Freedom	74,544	-	-	-	-
Pinnacle	6,702	43,613	2,573	6,258	14,709
Shuttle America	1,678	6,042	2,746	-	-
Mesaba	-	13,822	-	-	-
Northwest/Pinnacle	-	-	15,877	6,851	-
Northwest Airlink	45,763	39,476	13,572	-	-
Mesaba	-	2,674	-	-	-
Continental Connection/Gulfstream	19,946	23,499	23,659	12,271	-
Express Jet Airlines/Continental Express	22,900	-	-	-	-
American Eagle	10,100	34,420	48,571	43,518	51,064
Silver Airways	-	-	-	6,366	22,558
Total Enplanements	**437,311**	**371,092**	**343,710**	**322,918**	**333,248**

SELECTED AIRPORT STATISTICS

Historical Operating Results in (000s)

For Fiscal Years Ended September 30	2008	2009	2010	2011	2012
Operating Revenues [1]	11,695	11,053	10,744	10,507	10,897
Prepaid Fees Credit [1]	1,018	1,150	985	991	763
Operating Expenses [2]	(9,323)	(9,150)	(8,398)	(8,791)	(7,933)
Non-operating Revenues	138	81	83	53	56
Revenues Available for Debt Service	$ 3,528	$ 3,134	$ 3,414	$ 2,760	$ 3,783
Sr. Lien Debt Service	$ 987	$ 959	$ 958	$ 959	$ 957
Sr. Lien Debt Service Coverage	3.57x	3.27x	3.56x	2.88x	3.95x

(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. In accordance with Generally Accepted Accounting Principles, such Prepaid Fees Credits are reflected as operating revenues in the City's Comprehensive Annual Financial Report.

(2) Excluding depreciation and amortization.

$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:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida
Insurance:	AMBAC Indemnity Corporation

Ratings

Fitch:	NR
Moody's:	NR
Standard & Poor's:	NR

$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
2013	4.000%	$ 925,000	$ 37,000	$ 962,000
TOTALS		**$ 925,000**	**$ 37,000**	**$ 962,000**

OTHER DEBT FINANCING

Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the "Commission") was created in 1985 through an interlocal agreement between the City of Tallahassee and the City of Orlando, Florida. Subsequently, other Florida governments joined the Commission, including 13 additional cities and four counties. The Commission was created to provide active and more sophisticated debt issuers the opportunity to work together to create low cost, flexible financing instruments.

Variable Rate Loans

In 1986, the Commission sold $300 million in multi-model variable rate revenue bonds and made the proceeds available to its members. As a multi-model program, the loan pool requires both supporting reimbursements (letter 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 a result of principal payments and refinancing transactions in recent years, the City had no debt outstanding under the program as of September 30, 2012, but maintains its membership on the Commission.

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., Florida State University Schools, Inc., and Tallahassee Community College Foundation, Inc. Tallahassee Memorial HealthCare, Inc. currently has four bond issues outstanding for which the City has acted as a conduit. Florida State University Schools, Inc. has one Lease Revenue bond issues outstanding.

- As of September 30, 2012, there were four series of Health Facilities Revenue Refunding Bonds outstanding. The original issue amounts totaled $161.4 million and the outstanding balance is $117,415,000; and
- As of September 30, 2012, there was one Lease Revenue Bonds outstanding. The original issue amounts totaled $18.1 million and the outstanding balance is $16,482,171.

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. Two series of bonds were issued for Rose Printing 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. During FY 2004, Rose Printing refinanced one of the two issues without City involvement; the refinancing paid off the conduit issue in full. During FY 2012, Rose Printing refinanced the remaining outstanding Industrial Development Revenue Bond. On August 15, 2011, additional conduit bonds were issued as $5,400,000 City of Tallahassee, Florida Industrial Revenue Bonds (SunnyLand Solar, LLC Project), Series 2011. Under the terms of the bond, the entity on whose behalf the bonds are issued (Tallahassee Economic Partners, LLC) is solely responsible for their repayment with no resulting liability on behalf of the City.

- As of September 30, 2012, the outstanding balance on the Series 2011 Industrial Revenue Bonds is $5,400,000.