



**ANNUAL REPORT  
TO  
BONDHOLDERS**

**February 2015**

# 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

**T. Bert Fletcher**  
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 2015 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 2014 Annual Report to Bondholders is available on the City's website at [www.talgov.com](http://www.talgov.com), and can also be found on the DAC website at [www.dacbond.com](http://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 as well as on the DAC site. The current auditors for the City are Thomas Howell Ferguson, P.A. and Law, Redd, Crona & Munroe, P.A., 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:

- \$40,225,000 Capital Bonds, Series 2014, dated May 20, 2014;
- \$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;
- \$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;
- \$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; and
- \$23,900,000 Consolidated Utility System Refunding Revenue Bonds, Series 2001, dated May 1, 2001.

The release of this report in conjunction with the City's CAFR 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](mailto:treasury@talgov.com)

# Table of Contents

<b>OVERVIEW .....</b>	<b>1</b>
<b>THE CITY OF TALLAHASSEE .....</b>	<b>6</b>
<b>GENERAL GOVERNMENT DEBT .....</b>	<b>15</b>
Capital Bonds, Consolidated Debt Service .....	18
Capital Bonds, Principal Outstanding .....	19
Capital Bonds, Series 2014 .....	20
Capital Bonds, Series 2012 .....	22
Capital Bonds, Series 2009 .....	24
Capital Bonds, Series 2008 .....	26
<b>ENERGY SYSTEM .....</b>	<b>28</b>
<b>UTILITY SERVICES DEPARTMENT .....</b>	<b>29</b>
<b>ELECTRIC UTILITY .....</b>	<b>32</b>
<b>GAS UTILITY .....</b>	<b>42</b>
Energy System Consolidated Debt Service .....	50
Energy System Principal Outstanding .....	51
Energy System Refunding Revenue Bonds, Series 2011 .....	52
Energy System Revenue Bonds, Series 2010C .....	54
Energy System Revenue Bonds, Series 2010B .....	56

Energy System Refunding Revenue Bonds, Series 2010A.....	60
Energy System Refunding Revenue Bonds, Series 2010.....	62
Energy System Revenue Bonds, Series 2007 .....	64
Energy System Revenue Bonds, Series 2005 .....	67
Energy System Refunding Revenue Bonds, Series 2001.....	70
Energy System Refunding Revenue Bonds, Series 1998A.....	72
Energy System Master Equipment Lease Purchase Agreement (AMI Loans) .....	76
<b>THE CONSOLIDATED UTILITY SYSTEM .....</b>	<b>79</b>
<b>WATER SYSTEM.....</b>	<b>83</b>
<b>WASTEWATER SYSTEM .....</b>	<b>85</b>
<b>STORMWATER SYSTEM .....</b>	<b>89</b>
Consolidated Utility System Consolidated Debt Service.....	95
Consolidated Utility System Principal Outstanding.....	96
Consolidated Utility System Revenue Bonds, Series 2010A (BABs) .....	97
Consolidated Utility System Revenue Bonds, Series 2010B.....	102
Consolidated Utility System Refunding Revenue Bonds, Series 2007.....	105
Consolidated Utility System Refunding Revenue Bonds, Series 2005.....	108
Consolidated Utility System Refunding Revenue Bonds, Series 2001.....	111
Consolidated Utility System Master Equipment Lease Purchase Agreement (AMI Loans).....	113



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## OVERVIEW

The City's 2015 Annual Report to Bondholders is designed to provide a reader, with no prior background, general information regarding the City and its debt as of September 30, 2014. 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 2014

On June 12, 2014, the City issued \$40,225,000 in Capital Bonds, Series 2014, to finance various capital projects, including the construction of a new public safety complex, fire station and various road and sidewalk improvements. The City did not issue any debt for the Energy System, the Consolidated Utility System or the Airport in FY 2014.

### 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 insured rating, 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:

	<b>Moody's Investors Service, Inc.</b>	<b>Standard &amp; Poor's Rating Services</b>	<b>Fitch Ratings, Inc.</b>
Capital Bonds	Aa2	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.

Revenues for the business-type activities and certain governmental activities (permitting, recreational programs, etc.) come from user fees or service charges. Building-related fees have been trending upward since 2011 and have stabilized at levels 25% above the 2011 low. Projections for the next five years indicate these revenues are expected to remain fairly constant through FY 2019.

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 per capita in all of the utilities due mainly to the City's demand side management programs. The resulting slower growth in 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, 2014, was approximately \$82.3 million.

## Pension

Based on the City’s most recent actuarial report, dated October 1, 2014, the City of Tallahassee Pension Plan had a funded ratio of 94.2% at September 30, 2014. Additional information on the City’s Pension Plan can be found in the City’s Comprehensive Annual Finance Report.

## Rate 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. In addition to the CPI adjustment, effective November 1, 2014, electric rates for commercial customers were increased by 4.9% to 5.7% depending on the customer class; residential electric rates were not changed. Water rates for all customers were increased by 5.3%, also effective on November 1, 2014.

## 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.

<u>Millage Rates</u>					
<u>City</u>	<b>2014</b> <u>Population</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Miami	428,107	7.67	7.57	7.61	7.65
Tampa	352,741	5.73	5.73	5.73	5.73
St. Petersburg	252,372	5.91	5.91	6.77	6.77
Orlando	255,636	5.65	5.65	5.65	6.65
Hialeah	230,544	6.54	6.54	6.30	6.30
<b>Tallahassee</b>	<b>185,784</b>	<b>3.70</b>	<b>3.70</b>	<b>3.70</b>	<b>3.70</b>
Fort Lauderdale	171,544	4.12	4.11	4.12	4.12
Pembroke Pines	157,905	6.05	5.63	5.64	5.64
Hollywood	144,310	5.12	7.44	7.45	7.45

(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 approved 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 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. 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 2009.

The City Commission has maintained the millage rate at 3.700 mills since FY 2010. The FY 2013 taxable property values for Tallahassee decreased by 5.0% from FY 2012 values. However, taxable values stabilized in FY 2014 and are expected to increase modestly through the remainder of the decade.

As a result of reduced property values, property taxes totaled \$31,471,000 for FY 2014 after reaching a high of \$35,442,000 in FY 2007.

<b>Property Tax Levies and Collections (in 000s)</b>					
<b>Fiscal Year</b>	<b>Total Assessed Valuation</b>	<b>Taxable Assessed Valuation</b>	<b>Levy</b>	<b>Collection</b>	<b>Percentage <sup>(1)</sup></b>
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	35,442	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	33,055	95
2013	16,163,157	8,798,227	32,648	31,522	97
2014	16,160,618	8,818,107	32,702	31,471	96

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

### **General Fund Transfers**

After being unchanged since FY 2005, 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 was applied to water, sewer, solid waste, electric and gas. For FY 2013, the transfer for electric was changed to a fixed amount of \$23.9 million while the methodology for water, sewer, solid waste, and gas remains unchanged. This amount will be adjusted annually by the change in the Consumer Price Index.

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, \$34.4 million in FY 2012 and \$35.2 million in FY 2013 and \$38.0 million in FY 2014. For FY 2015, the total utility transfer from the water, sewer, solid waste, electric and gas utilities to the general fund will be \$41.7 million.

### **FY 2015 Capital Budget**

The City's FY 2015 Capital Budget is appropriated at \$116.3 million with \$10.8 million budgeted in the General Fund and \$105.5 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 2019 that totals \$720.6 million with appropriations made on an annual basis.

The City's Electric System continues to expand its distribution, transmission and substation facilities to meet the system-load growth and reliability requirements. Over the next five years (2015 – 2019), the City's capital budget includes plans for additional construction activities at two substations, upgrade of the southside distribution network, enhancement of smart grid capabilities, and initiation of a long-term project to convert service-critical sectors of the distribution system from overhead to underground. Funding for the largest single project in the five-year Capital Improvement Plan, construction of a distributed generation unit, is scheduled to begin with a \$2 million appropriation in FY 2015, a \$28 million appropriation in FY 2016, and the final appropriation of \$39.5 million in FY 2019.

Other projects in the five-year plan include investments in public safety and recreation facilities, parks, mass transit, routine maintenance of existing facilities, technology enhancements, and roadways. Funding is planned in fiscal years 2016 and 2017 to complete construction of a 1.3 mile extension of FAMU Way from Wahnish Way to Lake Bradford Road, as well as improvements to existing FAMU Way between Monroe Street and Wahnish Way to achieve the same standard (bike lanes, parking, and sidewalks). The project will cost approximately \$38 million.

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

The presence of two state universities, a community college and the state government provides 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 helping existing businesses remain in the City.

New store openings for Bass Pro Shops, Trader Joe's and Dick's Sporting Goods are examples of this increase in economic activity. The opening of College Town on the near west side, a collection of restaurants and retail outlets, is another sign of improving economic conditions. The Veteran's Administration is about to break ground on a new 196,000 square foot outpatient clinic in June, 2014, with completion expected by June, 2016. The Gaines Street and Miccosukee roundabout improvements have been completed, and FAMU Way improvements are underway. The downtown area continues to show increased economic activity, with the Fifth Avenue Plaza's Grand Opening in September 2012 adding to the growth in Midtown. Residential construction has added a number of units near Florida State's campus related to some of the commercial development in the College Town area. New subdivisions have begun in the City's northeast sector as well as continuing on the south side in the Southwood subdivision.

### **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](http://www.talgov.com), and [www.dacbond.com](http://www.dacbond.com) the website of DAC.

The September 30, 2014 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 2015.

## **DAC**

The DAC website hosts a variety of debt information. DAC acts as a disclosure dissemination agent for issuers of municipal bonds by electronically posting information on behalf of issuers. Investors and others may access disclosure on any municipal bond in the DAC System free of charge by registering for a password. In addition to the City’s 2014 Annual Report to Bondholders, 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, as are several CAFRs from recent years.

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 searched is 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

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## 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 103.29 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 2014 population of 185,784, 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 116,487 customers in the City and the adjacent urban area during FY 2014; a natural gas distribution system serving 29,275 customers; a water production and distribution system serving 83,385 metered water customers within the corporate City limits and the adjacent urban areas; a sewage collection and treatment system serving 71,440 customers, principally within the City limits; and a stormwater drainage utility system serving the area within the corporate City limits serving 90,200 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 is growing moderately, with increasing elements of diversification. The major economic factor historically has been the State government. However, the City also serves 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 with 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 2013 American Community Survey (the "Survey") results show a racially diverse community, with minorities accounting for 37% of the Leon County population. The population of the City of Tallahassee 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 26.4% 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

Year	Tallahassee		Leon County		Florida		United States	
	Population	Annual Change	Population	Annual Change	Population	Annual Change	Population	Annual Change
1950	27,237 <sup>(1)</sup>	-	51,590 <sup>(1)</sup>	-	2,771,000 <sup>(1)</sup>	-	151,326,000 <sup>(1)</sup>	-
1960	48,174 <sup>(1)</sup>	5.9%	74,225 <sup>(1)</sup>	3.7%	4,952,000 <sup>(1)</sup>	6.0%	179,323,000 <sup>(1)</sup>	1.7%
1970	72,624 <sup>(1)</sup>	4.2%	103,047 <sup>(1)</sup>	3.3%	6,791,000 <sup>(1)</sup>	3.2%	203,304,000 <sup>(1)</sup>	1.3%
1980	81,548 <sup>(1)</sup>	1.2%	148,655 <sup>(1)</sup>	3.7%	9,740,000 <sup>(1)</sup>	3.7%	226,505,000 <sup>(1)</sup>	1.1%
1990	124,773 <sup>(1)</sup>	5.3%	192,493 <sup>(1)</sup>	2.9%	12,938,000 <sup>(1)</sup>	3.3%	248,710,000 <sup>(1)</sup>	1.0%
2000	150,624 <sup>(1)</sup>	1.9%	239,452 <sup>(1)</sup>	2.2%	15,982,400 <sup>(1)</sup>	2.1%	281,422,500 <sup>(1)</sup>	1.2%
2010	181,376 <sup>(1)</sup>	0.6%	275,487 <sup>(1)</sup>	1.5%	18,801,310 <sup>(1)</sup>	1.8%	308,745,538 <sup>(1)</sup>	0.9%
2014 <sup>(2)</sup>	185,784 <sup>(2)</sup>	-	281,292 <sup>(2)</sup>	-	19,507,369 <sup>(2)</sup>	-	318,857,856 <sup>(1)</sup>	-
2020 <sup>(2)</sup>	199,300 <sup>(3)</sup>	-	296,800 <sup>(2)</sup>	-	21,149,697 <sup>(2)</sup>	-	334,503,000 <sup>(1)</sup>	-
2030 <sup>(2)</sup>	219,700 <sup>(3)</sup>	-	321,100 <sup>(2)</sup>	-	23,608,972 <sup>(2)</sup>	-	359,402,000 <sup>(1)</sup>	-
2040 <sup>(2)</sup>	216,900 <sup>(3)</sup>	-	341,600 <sup>(2)</sup>	-	25,603,577 <sup>(2)</sup>	-	380,219,000 <sup>(1)</sup>	-

Source: (1) U.S. Census Report  
 (2) Bureau of Economic & Business Research  
 (3) 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 35% of all non-agricultural employment in 2013, 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

<u>Year</u>	<u>Leon County</u>	<u>Florida</u>	<u>United States</u>
2005	3.1	3.8	5.1
2006	2.7	3.3	4.6
2007	3.0	4.0	4.6
2008	4.5	6.3	5.8
2009	7.0	10.4	9.3
2010	8.0	11.3	9.6
2011	8.1	10.3	8.9
2012	7.1	8.8	8.1
2013	6.0	7.2	7.4
2014	4.7	5.6	5.6

Source: Department of Economic Opportunity, Labor Market Statistics, Local Area Unemployment Statistics

The table below depicts the employment distribution within Leon County.

**EMPLOYMENT DISTRIBUTION**

	<u><b>2013</b></u>	<u><b>Percent</b></u>
State Government	34,713	25.20%
Trade, Transportation and Utilities	18,667	13.54%
Education and Health Services	18,003	13.06%
Leisure and Hospitality	15,676	11.37%
Professional and Business Services	15,602	11.32%
Local Government	11,892	8.69%
Financial Activities	6,541	4.75%
Other Services and Not Classified	5,468	3.97%
Construction	4,654	3.38%
Information	3,036	2.20%
Federal Government	1,721	1.25%
Manufacturing	1,538	1.12%
Natural Resources and Mining	<u>225</u>	<u>0.16%</u>
<b>TOTAL</b>	<b>137,859</b>	<b>100.00%</b>

Source: Department of Economic Opportunity, Labor Market Statistics, Quarterly Census of Employment and Wages.

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



## Principal Property Taxpayers Table

The following table shows the top ten principal taxpayers in Leon County for FY 2014 and FY 2005.

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

Taxpayer	Type of Business	2014			2005		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Century Link	Communications	\$123,878	1	1.49%	\$251,192	1	1.90%
Smith Interest General Partnership	Communications	114,254	2	1.30%	131,979	2	1.00%
Florida Gas Transmission Company	Utilities	77,460	3	0.88%	40,980	8	0.30%
Tallahassee Medical Center, Inc.	Medical	68,643	4	0.78%	65,284	4	0.50%
Talquin Electric Cooperative	Utilities	64,928	5	0.74%	93,363	3	--
DRA CRT Tallahassee Center	Real Estate	59,539	6	0.68%	--	--	--
Walmart Stores, Inc.	Retail	50,006	7	0.57%	44,646	6	0.30%
St. Joe Company	Real Estate	45,236	8	0.51%	--	--	--
Comcast Cablevision, Inc.	Communications	37,592	9	0.43%	33,128	10	0.20%
Capital City Bank	Banking	35,457	10	0.40%	32,373	9	0.20%
Koger Properties	Real Estate	-	--	--	40,445	7	0.30%
Stiles, J.A. III Etal, Trust	Real Estate	-	--	--	49,801	5	0.40%
<b>Total</b>		<b><u>\$676,993</u></b>		<b><u>7.7%</u></b>	<b><u>\$783,191</u></b>		<b><u>5.1%</u></b>

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 42,000 students in the 2014-15 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 10,000 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 13,000 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**

<u>Year</u>	<u>FSU</u>	<u>FAMU</u>	<u>TCC</u>	<u>Total</u>
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	14,016	65,000
2009	40,255	12,261	14,472	66,988
2010	40,838	13,277	14,756	68,871
2011	41,710	13,207	15,338	70,255
2012	41,301	12,051	14,613	67,965
2013	41,477	10,734	13,634	65,845
2014	41,773	10,229	13,045	65,047

Source: All figures are for Fall semesters. Information provided by registrar for each respective institution.

## 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 35 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 103.29 square miles.

## **Comprehensive Plan**

In 1985, the Florida Legislature passed the Local Government Comprehensive Planning and Land Development Regulation Act (the "Planning Act"). This Act required all local governments to develop comprehensive plans designed to plan for and control the impact of growth. As applied to the City, the local plan includes the following elements:

- Future Land Use;
- Transportation;
- Utilities (except electric);
- Economic Development;
- Housing;
- Historic Preservation;
- Conservation;
- Recreation and Open Space;
- Intergovernmental Coordination; and
- Capital Improvements

All local governmental plans must be fundable, implementable and consistent with State and regional plans. They must discuss existing facilities, adopt levels of service to be provided and project future demands. The plans have the force of law (mandated by State statute and adopted by local ordinance) and are implemented through local development regulations, local activities and programs, and intergovernmental agreements.

The City originally adopted its Comprehensive Plan (the "Plan") on July 16, 1990. As required by the Act, the Plan was submitted to the State of Florida Department of Community Affairs (the "Department") for consistency review with the State and regional plans and to ensure compliance with all aspects of the Act and adopted rules of the Department. Additionally, pursuant to Section 163.3191, Florida Statutes, "each local government shall adopt an evaluation and appraisal report (EAR) once every seven years assessing the progress in implementing the local government comprehensive plan." The last EAR for the City and the County was submitted and approved in 2007. Effective beginning in 2011, local governments no longer need to submit evaluation and appraisal reports to the Department for a sufficiency determination. At least every seven years, pursuant to Rule Chapter 73C-49, Florida Administrative Code, the local government determines whether the need exists to amend the comprehensive plan to reflect changes in state requirements since the last time the comprehensive plan was updated.

Enforcement of the Plan is achieved through three (3) elements provided in the Planning Act: concurrency, consistency and citizen standing. The City is prohibited from issuing permits for new construction or development (residential or commercial) until the City determines that all necessary infrastructure, including utilities, is available at the appropriate levels of service, concurrent with the construction, and that the development of the facility is consistent with all elements of the Plan. The required utilities services include electric service, although it is not

necessarily required that such electric service be provided by the City. This requires the City to more accurately project future needs and related capital improvements to ensure maintenance of standards set forth in the Plan.

The Act provides that all citizens are given standing in a court of law and, through appropriate judicial processes, can require the City to implement and enforce the Plan. The City may amend the Plan twice a year after conducting a public hearing and subject to approval by the Department.

### **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 or the City’s website.

### **City Debt Management Policy**

The City Treasurer-Clerk administers the City’s debt management program and is responsible for issuing the City’s bonds. The Debt Management Policy sets forth standards for the issuance and management of the City’s debt. A copy of the Debt Management Policy may be obtained from the City Treasurer-Clerk’s Office or the City’s website. The Policy provides targets for liquidity, operating margin and debt burden for each of the City’s three (3) debt programs: general government, (capital bonds), energy system, and consolidated utility system. There are also targets for the percentage of debt that can be in variable rate and/or rolling medium term note debt. The table below indicates the targets and actual values for the liquidity measure as of September 30, 2014:

<b>Debt Program</b>	<b>Liquidity – Target</b>	<b>Liquidity - Actual</b>
General Fund	Spendable General Fund Balance of 15% of General Fund Expenditures	Spendable General Fund Balance of 20.3% of General Fund Expenditures
Consolidated Utility System	150 days cash on hand	462 days cash on hand
Energy System	210 days cash on hand	270 days cash on hand

The following table displays the target and actual for the operating margin component as of September 30, 2014:

<b>Debt Program</b>	<b>Debt Service as % of Expenditures/Coverage Ratio-Target</b>	<b>Debt Service of Expenditures/Coverage Ratio-Actual</b>
General Fund	Net Debt Service to be less than 10% of General Fund Expenditures	Net Debt Service of 7.0% of General Fund Expenditures
Consolidated Utility System	Debt Service Coverage of 1.50X or higher	Debt Service Coverage of 2.21X
Energy System	Debt Service Coverage of 2.0X or higher	Debt Service Coverage of 2.20X

The table below shows the target and actual for the debt burden as of the end of the fiscal year:

<b>Debt Program</b>	<b>Debt Service as % of Expenditures/Coverage Ratio-Target</b>	<b>Debt Service of Expenditures/Coverage Ratio-Actual</b>
General Fund	Debt as a % of Full Market Values less than 2%	Debt is 1.0% of Full Market Value
Consolidated Utility System	Debt as a % of Capital Assets less than 50%	Debt is 43.2% of Capital Assets
Energy System	Debt as a % of Capital Assets less than 60%	Debt is 69.7% of Capital Assets

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## GENERAL GOVERNMENT DEBT

### Capital Bonds

The City's Capital Bonds are supported by four revenue sources: 1) the Local Government Half-Cent Sales Tax, 2) the Guaranteed Entitlement Revenues, 3) the Local Communications Services Tax, and 4) Public Service 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 each 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 would result 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:

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

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, 2014, the City received 45.8% 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% for permits).

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%).

**Public Service Tax:** The City levies a Public Service Tax pursuant to Sections 166.231 – 166.235, Florida Statutes, which authorizes any municipality within the State to levy a public service tax (the “Public Service Tax”) on the purchase of electricity, metered natural gas, liquefied petroleum gas (either metered or bottled), manufactured gas (either metered or bottled) and water services as well as any service competitive with the services specifically enumerated. The City levies its public service tax under the provisions of City Code Section 18-121. Under such provisions of the City Code, the City established a public service tax rate of ten percent (10%) and a rate of four cents (\$0.04) per gallon on the purchase of fuel oil.

The Public Service Tax is not imposed against any fuel adjustment charge, which is defined as all increases in the cost of utility services to the ultimate customer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973. The City Code exempts from its provisions: (i) purchases of electricity, water or gas by the United States Government, the State of Florida, or by any recognized church for use exclusively for church purposes, and (ii) with respect to 50% of the tax on purchase of electric energy for up to and not exceeding five (5) years, certain qualified businesses located within the City’s enterprise zone. The purchase of natural gas, manufactured gas or fuel oil by a public or private utility, either for resale or for use as fuel in the generation of electricity, or the purchase of fuel oil or kerosene for use as an aircraft engine fuel or propellant or for use in internal combustion engines is exempt from taxation under the Public Service Tax Law.

## Selected General Government Statistics

### Pledged Revenues (in 000s)

#### City of Tallahassee, Capital Bonds

For Fiscal Years Ending September 30	2010	2011	2012	2013	2014
Communication Services Tax	9,319	8,447	8,962	9,047	8,499
Half Cent Sales Tax	7,738	8,619	8,779	9,166	9,644
Guaranteed Entitlement	1,251	1,251	1,251	1,251	1,251
Public Service Tax	13,820	14,148	13,582	13,787	14,930
Total Revenue	32,128	32,465	32,574	33,251	34,324
Debt Service (with 2008 Capital Bonds)	10,014	10,471	9,542	8,180	9,101
Debt Service (without 2008 Capital Bonds)	8,008	8,007	7,080	6,790	7,708
<b>Debt Service Coverage (with 2008 Cap Bonds)</b>	<b>3.21x</b>	<b>3.10x</b>	<b>3.41x</b>	<b>4.06x</b>	<b>3.77x</b>
<b>Debt Service Coverage (without 2008 Cap Bonds)</b>	<b>4.01x</b>	<b>4.05x</b>	<b>4.60x</b>	<b>4.77x</b>	<b>4.45x</b>

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. Public Service Tax was not pledged until 2014. The historical numbers and coverage figures are shown for comparative purposes.



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

<b>Bond Year Ending October 1</b>	<b>Total</b>	<b>\$40,225,000 Series 2014</b>	<b>\$49,165,000 Series 2012</b>	<b>\$26,975,000 Series 2009</b>	<b>\$9,400,000 Series 2008</b>
2015	\$ 11,898,530	\$ 2,802,075	\$ 5,246,200	\$ 2,460,060	\$ 1,390,195
2016	11,998,752	2,900,500	5,249,200	2,458,187	1,390,865
2017	12,099,960	3,854,150	5,787,000	2,458,810	-
2018	10,998,386	2,998,550	5,543,000	2,456,836	-
2019	10,998,641	3,147,100	6,498,500	1,353,041	-
2020	10,996,925	3,147,100	6,496,750	1,353,075	-
2021	10,997,909	3,148,600	6,497,500	1,351,809	-
2022	10,996,496	3,147,250	6,500,000	1,349,246	-
2023	8,756,541	3,332,750	4,073,500	1,350,291	-
2024	8,753,602	3,335,000	4,068,750	1,349,852	-
2025	4,680,429	3,332,500	-	1,347,929	-
2026	4,684,679	3,335,250	-	1,349,429	-
2027	4,682,010	3,332,750	-	1,349,260	-
2028	3,961,055	3,335,000	-	626,055	-
2029	3,961,779	3,336,500	-	625,279	-
2030	3,960,761	3,337,000	-	623,761	-
2031	3,962,658	3,336,250	-	626,408	-
2032	3,334,000	3,334,000	-	-	-
2033	3,335,000	3,335,000	-	-	-
2034	3,333,750	3,333,750	-	-	-
<b>TOTALS</b>	<b><u>\$ 148,391,860</u></b>	<b><u>\$ 65,161,075</u></b>	<b><u>\$ 55,960,400</u></b>	<b><u>\$ 24,489,326</u></b>	<b><u>\$ 2,781,059</u></b>

**CAPITAL BONDS (GENERAL GOVERNMENT DEBT)  
CITY OF TALLAHASSEE, FLORIDA  
ALL BOND ISSUES  
PRINCIPAL OUTSTANDING**

<b>Bond Year Ending October 1</b>	<b>Total</b>	<b>\$40,225,000 Series 2014</b>	<b>\$49,165,000 Series 2012</b>	<b>\$26,975,000 Series 2009</b>	<b>\$9,400,000 Series 2008</b>
2015	\$ 6,620,000	\$ 375,000	\$ 3,175,000	\$ 1,770,000	\$ 1,300,000
2016	7,530,000	1,045,000	3,305,000	1,835,000	1,345,000
2017	7,910,000	2,030,000	3,975,000	1,905,000	-
2018	7,080,000	1,215,000	3,890,000	1,975,000	-
2019	7,365,000	1,400,000	5,040,000	925,000	-
2020	7,715,000	1,470,000	5,285,000	960,000	-
2021	8,090,000	1,545,000	5,550,000	995,000	-
2022	8,450,000	1,590,000	5,830,000	1,030,000	-
2023	6,620,000	1,855,000	3,695,000	1,070,000	-
2024	6,935,000	1,950,000	3,875,000	1,110,000	-
2025	3,195,000	2,045,000	-	1,150,000	-
2026	3,345,000	2,150,000	-	1,195,000	-
2027	3,495,000	2,255,000	-	1,240,000	-
2028	2,920,000	2,370,000	-	550,000	-
2029	3,060,000	2,490,000	-	570,000	-
2030	3,205,000	2,615,000	-	590,000	-
2031	3,360,000	2,745,000	-	615,000	-
2032	2,880,000	2,880,000	-	-	-
2033	3,025,000	3,025,000	-	-	-
2034	3,175,000	3,175,000	-	-	-
<b>TOTALS</b>	<b><u>\$ 105,975,000</u></b>	<b><u>\$ 40,225,000</u></b>	<b><u>\$ 43,620,000</u></b>	<b><u>\$ 19,485,000</u></b>	<b><u>\$ 2,645,000</u></b>

**\$40,225,000**  
**CITY OF TALLAHASSEE, FLORIDA**  
**Capital Bonds, Series 2014**

Dated: May 20, 2014

**Purpose**

The Series 2014 Bonds were issued to finance the cost of construction for the City's portion of the public safety complex, a new fire station and various road and sidewalk improvements.

**Security**

The bonds are secured by a pledge of and lien on the City's receipts from the Local Government Half-Cent Sales Tax; the City's Guaranteed Entitlement Revenues; the proceeds from the City's Local Communications Services Tax; the City's Public Service Tax revenues; and together with earnings on the investment of all funds and accounts created under the Resolution, except the Rebate Fund and the Unrestricted Revenue Account.

**Bond Reserve**

There are no debt service reserve fund requirements.

**Form**

\$40,225,000 Serial Bonds Series due October 1, 2034. 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, 2015.

**Agents**

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

**Ratings**

<b>Moody's:</b>	Aa2
<b>Fitch:</b>	AA
<b>Standard &amp; Poor's:</b>	N/A

**Call Provisions**

**Optional Redemption**

The Series 2014 Bonds maturing on or prior to October 1, 2022 are not subject to optional redemption prior to maturity. The Series 2014 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 2014 Bonds to be redeemed, plus accrued interest to the date of redemption.

**\$40,225,000**  
**CITY OF TALLAHASSEE, FLORIDA**  
**CAPITAL BONDS, SERIES 2014**

*Summary of Remaining Debt Service Requirements*

<b>Bond Year</b>	<b>Ending</b>	<b>Interest</b>			
<b>October 1</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2015	2.000%	\$ 375,000	\$ 2,427,075	\$ 2,802,075	
2016	3.000%	1,045,000	1,855,500	2,900,500	
2017	2.000%	2,030,000	1,824,150	3,854,150	
2018	3.000%	1,215,000	1,783,550	2,998,550	
2019	5.000%	1,400,000	1,747,100	3,147,100	
2020	5.000%	1,470,000	1,677,100	3,147,100	
2021	3.000%	1,545,000	1,603,600	3,148,600	
2022	5.000%	1,590,000	1,557,250	3,147,250	
2023	5.000%	1,855,000	1,477,750	3,332,750	
2024	5.000%	1,950,000	1,385,000	3,335,000	
2025	5.000%	2,045,000	1,287,500	3,332,500	
2026	5.000%	2,150,000	1,185,250	3,335,250	
2027	5.000%	2,255,000	1,077,750	3,332,750	
2028	5.000%	2,370,000	965,000	3,335,000	
2029	5.000%	2,490,000	846,500	3,336,500	
2030	5.000%	2,615,000	722,000	3,337,000	
2031	5.000%	2,745,000	591,250	3,336,250	
2032	5.000%	2,880,000	454,000	3,334,000	
2033	5.000%	3,025,000	310,000	3,335,000	
2034	5.000%	<u>3,175,000</u>	<u>158,750</u>	<u>3,333,750</u>	
<b>TOTALS</b>		<b><u>\$ 40,225,000</u></b>	<b><u>\$ 24,936,075</u></b>	<b><u>\$ 65,161,075</u></b>	

**\$49,165,000**  
**CITY OF TALLAHASSEE, FLORIDA**  
**Capital Bonds, Series 2012**

Dated: November 27, 2012

**Purpose**

The Series 2012 Bonds were issued 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; the City's Public Service Tax revenues; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

**Bond Reserve**

There are no debt service reserve fund requirements.

**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**

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

**Ratings**

<b>Moody's:</b>	Aa2
<b>Fitch:</b>	AA
<b>Standard &amp; Poor's:</b>	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 (2004 Refunding)**

*Summary of Remaining Debt Service Requirements*

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
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	5.000%	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%	<u>3,875,000</u>	<u>193,750</u>	<u>4,068,750</u>
<b>TOTALS</b>		<b><u>\$ 43,620,000</u></b>	<b><u>\$12,340,400</u></b>	<b><u>\$55,960,400</u></b>

**\$26,975,000**  
**CITY OF TALLAHASSEE, FLORIDA**  
**Capital Bonds, Series 2009**

Dated: April 24, 2009

**Purpose**

The Series 2009 Bonds were issued 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.

**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.

**Bond Reserve**

There are no debt service reserve fund requirements.

**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***

<b>Bond Year Ending October 1</b>	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
<b>TOTALS</b>		<b><u>\$ 19,485,000</u></b>	<b><u>\$ 5,004,326</u></b>	<b><u>\$ 24,489,326</u></b>



**\$9,400,000**  
**CITY OF TALLAHASSEE, FLORIDA**  
**Capital Bonds, Series 2008**

Dated: December 11, 2008

**Purpose**

The Series 2008 Bonds were issued 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.

**Security**

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

**Bond Reserve**

There are no debt service reserve fund requirements.

**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*

<b>Bond Year</b>	<b>Interest</b>			
<b>Ending</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>October 1</b>	<b>Rate</b>			
2015	3.410%	\$ 1,300,000	\$ 90,195	\$ 1,390,195
2016	3.410%	<u>1,345,000</u>	<u>45,865</u>	<u>1,390,865</u>
<b>TOTALS</b>		<b><u>\$ 2,645,000</u></b>	<b><u>\$ 136,059</u></b>	<b><u>\$ 2,781,059</u></b>

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## 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. 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 2019 are:

<u>Issue</u>	<u>Amount</u>	<u>Projected Date</u>
Electric System Revenue	\$ 70,000,000	2018

### 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 one support department - Utility Services. Each of the utility departments is responsible for operational aspects associated with its respective service areas. Utility Services provide support across the three utilities. Utility Services provides centralized support to all three operating utilities for services such as: billing, customer service, connect/disconnect, meter reading, marketing, and retail rate design.

In 2014, the City's Energy Services Department's (ESD) was reorganized to improve demand side (conservation) and supply side (power production) planning and customer care. Functional activities of the Energy Services Department were consolidated into the Electric Utility and Utility Services departments. Five positions tasked with demand side and alternative energy responsibilities were transferred to Electric's System Planning Division, and newly organized as a Strategic Integrated Planning Division. Twenty five positions tasked with retail energy and wholesale energy were consolidated with utility customer services and wholesale services. The reorganization is addressed in detail in each respective narrative that follows. 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.

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## UTILITY SERVICES DEPARTMENT

The Wholesale Services Division of the Utility Services Department's primary mission is to optimize the economic dispatch of the Electric Utility's generation resources and manage the fuels and energy supply portfolios for the City's Electric and Gas Utilities (Energy System). Utility Services forecasts the daily load requirements for the City's Electric and Gas Utilities, schedules generation resources and purchases natural gas to meet both Utility Systems' needs in an economical and reliable manner. Utility Services actively participates in the wholesale energy market, looking for economic opportunities in the daily, weekly and long-term markets. When market prices are lower or higher than the City's cost of generation, Utility Services purchases or sells power in the wholesale marketplace to reduce system costs and generate revenues whenever economical. These activities help to deliver the lowest cost power in a reliable manner to the City's utility customers. Starting in 2009, Utility Services expanded its utility fuel management activities to hedge gasoline and diesel fuel supplies for StarMetro and Fleet Management.

Utility Services has taken advantage of the City's municipal tax-exempt status to enter into "prepay" natural gas supply agreements. These agreements allow the City to capture the value between tax-exempt and taxable bonds without putting any funds directly at risk. 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, about 6% of current requirements, for a period of 20 years at a discount to the market estimated to be \$0.45/MMBtu. This has resulted in savings to the customers of the Electric and Gas utilities of \$657,000 annually. The original agreement was expected to save approximately \$13 million dollars over the life of the contract. In January 2013, the City allowed the supplier to buy down part of the remaining contract by paying the City \$1.8 million in return for reducing the quantity of discounted supply volumes in future years. Another prepay agreement with Royal Bank of Canada (RBC) through MainStreet Natural Gas, which began on June 1, 2010, provides 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. This will result in variable savings to the customers of the Electric and Gas utilities of \$365,000 annually (based on 5,000 MMBtu per day), and is forecasted 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 Utility Services Division 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, Utility Services also markets and trades natural gas and pipeline capacity in the wholesale market. Acquisitions of natural gas supply have traditionally involved fixed price long-term and short-term forward physical contracts for natural gas with various energy companies and other utilities. In an effort to diversify the City's credit risk, while providing rate stability, the City began utilizing financial contracts for the purchase of natural gas on the New York Mercantile Exchange (NYMEX)/Chicago Mercantile Exchange (CME). The City also engaged in financial trades with various counterparties using the Over-the-Counter International Swap Dealers Association (ISDA) agreement. These instruments help stabilize the City's budget and protect its customers from volatile price movements.

The City Commission established the Energy Risk Policy Committee (ERPC) for policy development and oversight of the hedging and energy cost recovery programs. 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 fuel and energy expense accounts for (NYMEX/CME-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 and 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 the City's 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, Utility Services will adhere to the approved policy by 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 Utility Business and Customers Services, Utility Services, Electric, and Gas Utilities; and
- Wholesale market trading partners' credit worthiness determinations, including trade limits, are performed by an independent consultant on a continuous basis.

Utility Services purchases fuel oil to hedge against volatile natural gas prices and to provide a back-up fuel source through long-term contracts with Florida Gas Transmission and Southern Natural Gas. When available, Utility Services re-markets excess capacity in the secondary market to help reduce the City's total transportation costs. Fuel oil is acquired mostly through short-term contracts, and deliveries are made by barge or truck. Utility Services also hedges gasoline for Fleet Management and diesel fuel oil for both StarMetro and Fleet Management consumption. Utility Services' role in hedging the cost of commodities consumed by the City will expand if economic opportunities become available.

The Utility Services Retail 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 grant work was completed in April 2014. 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. The grant work was completed in 2013.

The Utility Services Department's Retail Division provides various incentives and conservation programs 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 kWh credits to customers sending excess power back to the City grid;
- 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 for energy efficiency improvements in homes and businesses;
- Customer Retention/Key Accounts programs that establish and maintain communication with high-use utility customers, including development and administration of long-term contracts.

Tallahassee was recognized as “Most Livable City in America” by the U.S. Conference of Mayors in 2011 for its work in the Neighborhood REACH program, 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 over 4,500 customers in the Bond, Frenchtown, Levy Park, Indianhead Acres, South City, Apalachee Ridge Estates, Seminole Manor, Mabry Manor, Macon Town & Country, Parkside/Park Terrace, FAMU and Jake Gaither neighborhoods.

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## **ELECTRIC UTILITY**

The City owns, operates and maintains an electric generation, transmission and distribution system that presently supplies electric power and energy to 116,487 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, 2014, the City sold 2,630,580 MWh of electric energy to ultimate customers and 113,257 MWh to other utilities and received total operating revenues of approximately \$267,590,908. The City experienced modest growth in customers of 0.10% from 115,393 in FY 2013 to 116,487 in FY 2014, while retail sales increased by 3.5% during FY 2014 to 2,630,580 MWh. The City's ten-year forecast projects an average annual growth in customers of approximately 1% and an average annual growth in retail energy sales of 1%, which includes 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 278 MW (winter net rating). Prior to the retirement of Purdom Unit 7 at the end of 2013, the station capacity was 326 MW (winter net rating). The Purdom Station includes Purdom Unit 8, a 250 MW class combined cycle generating unit added in 2000 and two small simple cycle gas turbines. The current installed capacity at the Arvah B. Hopkins Generating Station (the Hopkins Station) is 544 MW (winter net rating). The Hopkins Station includes the repowered Unit 2, which was converted from a conventional steam unit to a combined cycle unit in 2008, Hopkins Unit 1, a conventional steam unit, two LM-6000 peaking units and two small simple cycle gas turbines. 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 what was then Florida Power Corporation and is now Duke Energy. 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 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 and the retirement of Purdom Unit 7 at the end of 2013, the weighted average age of 51% of the City's natural gas generating fleet is ten years and the weighted average heat rate of that portion of the natural gas generating fleet is 8,094 btu/kwh for FY 2014 period.

- 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 based on the City's current 17% reserve margin criterion; and
- The DSM program will increase the City's load factor approximately 5% 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.

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. 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 \$82.4 million at September 30, 2014 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 below the state average 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.

### **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, the LTSA 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. 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.

### **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. Electric System Integrated Planning continues to pursue other alternative energy opportunities as they arise.

Included in the FY 2015 budget is funding to begin the engineering and permitting for a small distributed generating (~20MW) facility to be located at the City's BP-12 substation adjacent to the Tallahassee Memorial Hospital. This substation is radially fed, and the addition of the distributed generation will provide for enhanced reliability to the customers served by this substation. While this additional capacity will aid in meeting the City's long term power supply needs, it is being done for distribution reliability and storm hardening purposes.

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; such as 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 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, uncertainty remains about how responsive the City's customers will be in 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.

The number, sizes and expected duty cycles of the City's electric generating units (referred to as "capacity mix") and inter-utility transmission capabilities are other potential sources of risk to economic and reliable electric service. To mitigate these risks the City is currently reviewing the timing of the next new power supply resources to satisfy load, as well as reserve operational requirements.

Capacity mix is an important consideration in the City's planning process. To satisfy expected electric system requirements, the City currently assesses the adequacy of the total capability of power supply resources versus a 17% load reserve margin criterion. But the evaluation of reserve margin is made only for the annual electric system peak demand and assumes all power supply resources is available. Resource adequacy must also be evaluated during other times of the year to determine if the City is maintaining the appropriate amount and mix of power supply resources.

Currently, about two-thirds of the City's power supply comes from two generating units, Purdom Unit 8 and Hopkins Unit 2. The outage of either of these units can present operational challenges, especially when coupled with transmission limitations (discussed below). Further, the projected retirement of older generating units will reduce the number of local power supply resources available to ensure resource adequacy. For these reasons, the City is actively evaluating alternatives to its current load reserve margin supplemental fleet criterion that may better balance resource adequacy and operational needs with utility and customer costs. The initial results of these evaluations suggest that the City's current load reserve margin supplemental fleet criterion may need to be supplemented by a criterion that takes into account the number and sizes of power supply resources (unit size diversity) to ensure adequacy and reliability.

The City's projected transmission impact capability continues to impact the need for future power supply resource additions. The City's internal transmission studies have reflected a gradual deterioration of the system's transmission import (and export) capability into the future, due in part to the lack of investment in the regional transmission system by neighboring utilities around Tallahassee as well as the impact of unscheduled power flow-through on the City's transmission system. The City has worked with its neighboring utilities, Duke Energy Florida ("Duke") and Southern Company ("Southern"), to plan and maintain, at minimum, sufficient transmission import capability to allow the City to make emergency power purchases in the event of the most severe single contingency, the loss of the system's largest generating unit.

The prospects for significant expansion of the regional transmission system around Tallahassee hinge on the City's ongoing discussions with Duke and Southern, the Florida Reliability Coordinating Council's (FRCC) regional transmission planning process, and the evolving set of mandatory reliability standards issued by the North American Electric Reliability Corporation (NERC). None of these efforts is expected to produce substantive improvements to the City's transmission import/export capability in the short-term. In consideration of the City's limited transmission import capability the results of power supply resource studies tend to favor local generation alternatives as the means to satisfy future requirements.

## Environmental

The City's Electric Utility is subject to a number of environmental laws, regulations, and permitting requirements by a variety of entities at the federal, state, and local levels. Generally, environmental regulations are getting more numerous and more stringent and as a result, they have the potential to substantially increase the City's system costs, by requiring alterations in the operation of any forthcoming new facilities. Due to the constantly changing nature of these regulations, there is no assurance that the City's facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain or maintain all required permits. An inability to comply with environmental standards or deadlines could result in fines and/or legal action as well as reduced operating levels or complete shutdown of individual electric generating units or facilities not in compliance. Furthermore, clean air laws, compliance with environmental standards or deadlines may substantially increase capital and operating costs. The City's Electric Utility believes itself to have been, and currently is, in compliance with all of its standing environmental permits.

Several factors could significantly impact future operations of the City's utilities and they are categorized below by environmental sector:

**Air Emission:** The City's generating plants are subject to the Acid Rain cap and trade program and holds more than sufficient allowances of both sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>).

**Clean Air Interstate Rule (CAIR):** The Clean Air Interstate Rule was repealed in 2014 and the previously remanded Cross State Air Pollution Rule (CSAPR) was reinstated, with a program startup date of January 1, 2015. Under CSAPR, a cap and trade program for ozone season NO<sub>x</sub> (May 1 to September 30) has been established. The State has distributed allocations to each utility for 2015, and the City believes that it will be shy of the required number of allowances. In order to achieve compliance, the City of Tallahassee will need to purchase allowances on the open market. Currently, these allowances are retailing for \$380/ton.

**Clean Power Plan Proposal:** On June 12, 2014, the EPA proposed the Clean Power Plan which seeks to reduce carbon pollution from the power industry by 30% from 2005 levels. The plan has three separate but related proposals of carbon pollution standards for 1) newly constructed plants; 2) existing plants; and 3) modified and reconstructed plants. Each proposal sets numeric pollution standards for specific types of electrical generating units, save that the proposal for existing plants features a state-specific emissions reduction goal that is expressed as emissions rates measured in lbs. of CO<sub>2</sub>/Mwh (net) and are based on the Best System of Emissions Reduction (BSER). BSER may include anything that reduces emissions, from add-on emissions controls to measures that replace production or generation at the affected sources (but non-electric system offsets would not be included).

EPA is proposing that BSER be based on four broad emissions reductions methods, which it is calling "building blocks." The building blocks are as follows:

- Block 1: Improving average heat rates at coal-fired EGUs on average by 6%;
- Block 2: Shifting electric generation from coal-fired and oil/gas-fired generation to existing NOCCs based on an assumed 70% target utility rate;
- Block 3: Including the projected amounts of generation achievable by completing all nuclear units currently under construction, avoiding retirement of about 6% of existing nuclear capacity, and increasing renewable electric generating capacity over time through the use of state-level renewable generation targets.
- Block 4: Increasing demand-side energy efficiency efforts everywhere of between 1% and 1½% annually during 2020 – 2029.

Currently, the EPA has proposed that Florida reach a goal of 740 lbs. of CO<sub>2</sub>/Mwh; on average, the City currently emits at a rate of approximately 1080 lbs. of CO<sub>2</sub>/Mwh. The assumptions that have been made in determining the EPA's

proposed BSER are problematic for the City and may result in the City having to invest significant capital in order to reduce CO2 emissions further.

**Startup, Shutdown and Malfunction (SSM) Provisions:** In Florida, the operating permits for generating units typically have an emissions limiting standard for a particular pollutant imposed on a basis, with an averaging time built into the standard. Generally, these emissions limiting standards are based on typical or normal modes of operation (generally 40% to 100% of maximum heat input rate). But it is universally recognized that periods of SSM will almost always result in excess emissions due to less than optimal combustion and operating conditions during these transient periods.

In order to address excess emissions during SSMs, the EPA approved Florida's excess emissions provisions (Rule 62-210.700, F.A.C.) into Florida's State Implementation Plan (SIP) in 1982. Florida's rule requires sources to utilize "best operational practices" and to "minimize the duration" of any excess emissions, and in no case can it exceed two hours in a 24-hour period unless otherwise authorized by DEP. Additionally, excess emissions caused entirely or in part by poor performance, poor operation, or any other preventable equipment or process failure are prohibited. Provisions are built into permits to allow for instances such as SSM which almost certainly result in exceeding air emissions limiting standards. Without such excess emissions periods, facilities would be limited in the ways that they currently operate. Longer than necessary run times, fuel switching, more purchased power, etc. are only a few of the ways that a facility would have to undertake in order to mitigate violating an emissions standard, if these provisions did not exist.

The Sierra Club has petitioned EPA to require 37 states, including Florida, to revise their SIP to remove excess emissions provisions, which are deemed to be inconsistent with the CAA and EPA guidance. EPA agreed to act on the Petition by August 31, 2012. EPA is still evaluating the petition but is expected to issue SIP Calls and allow states 12-18 months to revise their rules. EPA guidance indicates that enforcement discretion and affirmative defense are the only appropriate measures for addressing excess emissions from SSM.

Revision of Florida's rules in the manner requested by the Sierra Club would result in numerous "violations" being stated on the Title V Annual Statements of Compliance. This is a serious concern to the City, whose mission is 100% compliance, especially when these same operational circumstances have been the way the facility has always operated and have never before been considered a "violation". Furthermore, given the fluctuating nature of the staff and direction of federal and state agencies, there is no guarantee that implementation of either EPA's measures (affirmative defense or enforcement discretion) will remain consistent. For instance, if an affirmative defense was granted once will it continue to be granted, months or years later for the same circumstance? The financial and, more importantly, the public perception impacts of these "violations" to the City's electric system operations and capital program as a result of any such legislation cannot be predicted with any certainty at this time, but they could be substantial.

**Climate Change and Greenhouse Gas Regulations:** On June 25, 2013, a Presidential Memorandum was issued directing the Environmental Protection Agency (EPA) to develop carbon pollution standards for the power sector. Using the agency's authority under section 111 of the Clean Air Act, EPA plans to issue standards, regulations or guidelines, as appropriate, that address carbon pollution from new power plants and existing power plants, which will also include power plants that undergo modification. The memorandum establishes a timeline for enacting new actions to address carbon pollution as follows:

- Newly built power plants:
  - a. EPA issued a new proposal for carbon pollution standards by September 30, 2013. (See summary of proposed standards below.)
  - b. Final standards to be issued in a timely fashion after considering public comments.
- Modified, reconstructed and existing plants:

- a. Standards, regulations or guidelines for carbon pollution were proposed June 2014.
- b. Issue final standards, regulations or guidelines by June 2015.
- c. State Implementation Plans to be submitted by June 2016.

**Natural gas-fired stationary combustion turbines:** The proposal for new fossil fuel-fired electric utility generating units (EGUs) includes utility boilers, integrated gasification combined cycle (IGCC) units and certain natural gas-fired stationary combustion turbine EGUs that generate electricity for sale and are larger than 25 MW. This rule also does not apply to: liquid oil-fired stationary combustion turbine EGUs, new EGUs that do not burn fossil fuels (e.g. biomass only), and low capacity factor EGUs that sell less than a third of their power to the grid. The standards are:

- 1,000 lb CO<sub>2</sub>/MWh gross for larger units (>850 mmBtu/hr), and
- 1,000 – 1,050 lb CO<sub>2</sub>/MWh over an 84-operating month (7-year) period.

Given the memorandum above and the increased national and international attention to climate change, additional federal and state legislative or regulatory action in this area is becoming more likely. The outcome in terms of specific requirements and timing is uncertain but may include a greenhouse gas cap and trade program or a carbon tax for electric generators. Compliance with the greenhouse gas emission reduction requirements could require the City of Tallahassee, at significant cost, to purchase allowances or offsets, change or modify technology used at City facilities or retire high emitting generation facilities and replace them with lower emitting generation facilities. The estimation of costs of compliance with expected greenhouse gas legislation is subject to significant uncertainty. The City cannot predict the impact of any federal or state legislative or regulatory proposals regarding greenhouse gas control strategies due to the preliminary stages of such proposals.

**Hazardous Waste:** A leak was discovered from diesel tank 4 at the Hopkins Generating Station in January 2012. Groundwater monitoring wells were installed around the perimeter of the tank to determine the horizontal and vertical extent of potential contamination. Following initial assessment activities, a multiphase extraction remediation system was installed and operated from March to July 2012. The system collected more than 270,000 gallons of groundwater and more than 7 million cubic meters of soil vapors. Following system shutdown, the site entered into a DEP approved natural attenuation monitoring program whereby quarterly groundwater sampling would be conducted. Based on the results of this quarterly sampling, additional low levels of contamination still exist at the site. In addition, due to the physical presence of the tank, assessment and remedial activities could not be targeted to the area directly under the tank. The City is unsure at this time of the amount of residual contamination that might exist or the extent of efforts that may be needed to address it.

**Water:** The City is operating in compliance with all of the NPDES permit conditions for both facilities. Hopkins Generating Station was granted a total Recoverable Copper limit of 50 ppb based on a successful metal translator study that was conducted by the City of Tallahassee. Through the success of the metal translator study, the City was able to receive a limit for copper via a permit revision. Upon removal of the Hopkins NPDES Permit, the City is required to renew the copper translator limit by demonstrating to the Florida Department of Environmental Protection (FDEP) that the copper ratios (dissolved vs. suspended) were similar in the discharge stream when the translator was granted. The toxic part of the copper is the dissolved part and the ratios at the time were 4:1 suspended to dissolved. Prior to the submission of the NPDES permit renewal application the City must conduct three seasonally different sampling events to show that the copper ratios are still similar in order to renew the translator. Once results are determined and properly submitted, the permit renewal process will begin.

**Numeric Nutrient Criteria Rule:** The Numeric Nutrient Criteria Rule (NNCR) has been promulgated and published by the FDEP. The Hopkins Generating Station and Purdom

Generating Station, upon NPDES Permit renewal will be required to comply with the NNCR Rule for streams and estuaries. Here is a quick summary of the Hopkins compliance strategy.

1. Compile existing water quality and biological data (flora and fauna) and determine current status of Beaver Creek with respect to NNCR.
2. Identify data gaps and work with the City of Tallahassee to collect the necessary information.
  - a. City staff could potentially collect water quality data (TN, TP, and chlorophyll).
  - b. Collect the needed habitat assessment. Stream Condition Index, Rapid Periphyton Survey, and Linear Vegetation Survey data.
3. Depending on data results, choose the most effective strategy to comply with NNCR. This would require adaptive management, and could consist of several scenarios (see examples below):
  - a. Regional nutrient thresholds are achieved in Beaver Creek and flora are healthy, meaning compliance with NNCR is demonstrated.
  - b. Regional nutrient thresholds are exceeded in Beaver Creek, but healthy flora and fauna are demonstrated, meaning existing levels of nutrients would be acceptable.
  - c. Regional nutrient thresholds are exceeded, healthy flora is demonstrated, but fauna are impaired, meaning a stressor identification study would be needed to determine dominant stressors.
  - d. Regional nutrient thresholds are exceeded and flora and fauna are impaired, meaning potential nutrient reductions need to be evaluated.

FDEP has conducted the fifth year biological assessment on Beaver Creek and in their findings they calculated the Stream Conditions Index (SCI) score of 40 at location D1 which is a passing score. Another SCI score of at least 40 is needed in order to demonstrate reasonable assurance of healthy flora and fauna.

As for the compliance strategy with the NNCR for Purdom, the narrative criteria will apply and not the numeric estuarine criteria since that section of the St. Marks River is tidally influenced, and Purdom's contribution to the nutrients is de-minimis because of the 436 hours of discharge that Purdom is allowed per calendar year.

The City cannot predict at this time whether any additional legislation or rules will be enacted which will affect the City's operations and, if such laws or rules are enacted, what the additional capital and operating costs, if any, to the City might be in the future because of such actions. The financial impact of the adopted proposals and future proposals to City could be significant.

## **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 Public Service Commission (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 rate became a permanent offering in April 2012.

Electric rate revenues are composed of two categories: ECRC 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 rate has been decreasing steadily since April of 2009. As of the end of FY 2014, the City's monthly residential bill for 1,000 kWh was \$115.94, which was below the statewide average of \$125.71. 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.

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, 2014 by 1.7%.

Based upon the results of a fully allocated cost of service study completed in October 2014 by the City's rate consultant, EIDOS Engineering, LLC, the City's base rates were updated effective November 1, 2014 as follows:

- The ECRC (fuel cost) charge will be unchanged for all customers;
- Residential electric rates will not change; and
- Electric base rates will increase for the following rate classes: GS, GSD, GSLD, Curtailable GSD, Interruptible GSD, Standby, Interruptible Standby, Lighting and Traffic Control Devices. The base rate changes will result in overall increases to small commercial customers (IGS) of about 4.9% and increases to medium and large (GSD and GSLD) customers of about 5.7%, although the increases will vary based on the usage characteristics of individual customers.

Even with this base rate adjustment, the City's retail rates remain below the state average.

## **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 2014 were \$48.7 million with the total five-year plan totaling \$249.4 million. Funding sources include charges to customers (1.3%), existing and future bond funds (54.6%) and deposits to the renewal and replacement fund (44.1%).

The Capital Improvement Program (CIP) includes conceptual plans to begin 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 \$70.4 million. The additional peaking generation will provide additional system support and serve as distributed generation, but is not targeted to support the need for additional capacity identified in the ten year site plan.

The Electric Utility has completed the construction of several major substation projects including an upgrade of the BP-4 12.4 kV distribution substation, upgrade of BP5 to incorporate a 230 kV to 115 kV autotransformer and switching station, construction of BP32, a 230 kV switching station, and replacement of the primary 12.4 kV metalclad switchgear at BP7. Substation BP17, located at the intersection of I-10 and Highway 90 on the eastern portion of the service territory was

completed in late 2014 and will go online in early 2015. 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 on the forefront in the practice of installing underground distribution feeders for over 30 years, therefore, much of the system is 20 to 30 years in age. These feeders that are now serving both our residential, as well as commercial load, have started to show signs of deterioration. System Refurbishment capital funding provides for the replacement of these underground feeders with priority given to the worst performing feeder segments. During the FY 2014 budget year, the City was able to refurbish the following areas: Van Buren Pond, Killearn Estates, Killearn Country Club, the Florida Department of Agriculture office complex, and various other smaller loops. This increases the reliability for the customers that are served by these circuits. This is a recurring project so that the City's system is maintained to provide reliable electric service.

### **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 202 circuit miles of transmission lines that are operated at voltages of 230kV and 115kV. The 115kV transmission network forms a 115kV loop that extends around and through the City limits. The Electric System has substations at 27 locations, one each at the Hopkins and Purdom stations, 20 bulk power substations, two transmission substations and three 12.47kV distribution step-down substations. At the 20 bulk power substations, the power is transformed from the transmission voltage of 115kV to the distribution network voltage of 12.47kV. 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 Duke Energy at seven locations on its system and with The Southern Company 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 was to construct an eastern 230kV transmission loop around the City electric system. The first phase of this project was completed in 2013 by constructing a new 230kV line from the southwest side of Tallahassee to the southeast side of Tallahassee. The second phase, which is underway, requires the upgrade of two existing 115kV lines to 230kV to complete the loop. The 230kV transmission loop is expected to be complete in the first quarter of 2016.

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 connection will close the loop and connect the eastern transmission line to BP7. The City has been exploring several routing options for the new transmission line in the I-10 rights-of-way. The City expects to make a final decision on the routing in 2015.

### **Awards**

In 2014, the City of Tallahassee's Arvah B. Hopkins Generating Station continued 11 years without a single lost-time accident. This unprecedented achievement exhibits the City's commitment to safety while maintaining excellence in electric service. The 10-year milestone was achieved on April 28, 2013 and represents more than 1.25 million employee hours worked at the Hopkins power plant without a single lost-time accident. Utility-wide safety is an objective and the utility has been recognized with a 1<sup>st</sup> place Florida Municipal Electric Association award.

In 2014, the City's Electric Utility maintained the prestigious Reliable Public Power Provider (RP3) Platinum level recognition from the American Public Power Association (APPA) for demonstrated excellence in reliability, safety, workforce development and system improvement. The award has been awarded for two, and now three-year periods, and Electric has been recognized as a Platinum recipient for 2008 – 2009, 2010 – 2011, and 2012 – 2014.

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 Neighborhood REACH program exceeded 5,000 customers serviced since the program's inception, with an estimated 1,200 customers to be served in FY 2014. Additionally, REACH has implemented a fire safety segment in the program, which provided fire safety educational materials to all participants, and installed over 1,900 smoke detectors and over 1,100 fire extinguishers through FY 2014.



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## **GAS UTILITY**

The City owns, operates and manages a natural gas distribution system, which currently provides firm and interruptible gas service to approximately 29,380 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 893 miles of gas main infrastructure. The Gas Utility has 35 full-time employees who maintain and operate the gas system. Annual system sales for FY 2014 were 2,931,062 Mcf (a measure of volume of natural gas); one Mcf equals 1,000 cubic feet of natural gas. Annual revenues exceeded \$30.9 million.

### **Financial Results**

New home growth continued its modest growth in FY 2014, which led to a 20% increase in new homes using natural gas as compared to the previous fiscal year. The growth in new homes using natural gas, as well as the Gas Utility's continued sales and marketing efforts in retrofitting existing homes from other fuel sources to natural gas, led to an overall customer growth of 2.5%. The City of Tallahassee Gas Utility continues to be a state leader with customer growth exceeding the state average by five times.

Fiscal year 2014 was another warmer than average winter. However, even with this warmer than average winter, the Gas Utility's revenues exceeded expenses by \$2.9 million. Furthermore, the Gas Utility was able to meet its financial commitments to the City and transferred \$2,537,356 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 for FY 2015 through FY 2019 planning period totaling \$11,245,900 that funds 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 service. Approximately 80% of the capital budget appropriations are geared towards system expansion and the remaining 20% are allocated to upgrading the distribution system and enhancing system integrity, as well as providing funding for 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**

Fiscal year 2014 was another good year for the Gas Utility. The Gas Utility was able to grow its residential and commercial bases due to strong marketing and sales efforts. As well as being committed to customer growth, the Gas Utility is committed to providing excellent natural gas service to its customers and citizens of Leon, Gadsden, and Wakulla counties in a financially sound manner.

For the fifth consecutive year, the Gas Utility received a flawless Florida Public Service Commission (PSC) safety audit. Furthermore, the Gas Utility was the proud recipient of three prestigious awards from the American Public Gas Association (APGA). Competing with over 700 public gas systems that make up the APGA membership, the Gas Utility was judged by its peers and presented with the Gold Level System Operational Achievement Recognition (SOAR). This gold recognition is the highest level of SOAR that can be achieved by a public gas utility. This esteemed award recognizes the Gas Utility's operational excellence in the following categories: System Integrity, System Improvement, Employee Safety, and Workforce Development.

The Gas Utility was one of only three public gas utilities in the nation to achieve gold level recognition, which shows the level of operational excellence and system reliability the Gas Utility has achieved.

Along with the SOAR award the Gas Utility also received the following awards from APGA: Marketing and Sales Award for Advertising, and Consumer Education Program Award.

The Marketing and Sales Award for Advertising was given for the Gas Utility's innovative and highly successful multimedia advertisement programs which helped secure the utility a position as a leader in customer growth in Florida. The Consumer Education Program Award recognizes the Gas Utility's outstanding educational programs and initiatives to promote consumer awareness of natural gas and natural gas safety for business and residential consumers. Attaining these awards emphasizes the Gas Utility's commitment to operational excellence and its customers.

Record sales were obtained in FY 2014. The main reason for the sales increase was the increase in commercial gas sales. Compressed natural gas (CNG) was a significant contributor to the sales increase. CNG sales doubled in FY 2014 and are expected to double again in FY 2015. The Gas Utility will continue to modify its approaches and methods to meet the ever changing needs of its current and future customers, as well as ensuring the reliability of the gas system.

## **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	2010	2011	2012	2013	2014
<b>Residential</b>					
Average Annual Customers	95,111	95,681	96,340	96,887	97,788
Energy Sales (MWh)	1,128,804	1,133,280	1,028,273	1,008,192	1,079,202
Average Annual Use Per Customer (kWh)	11,868	11,844	10,673	10,406	11,036
<b>Average Annual Revenue per Customer</b>	<b>\$ 1,555</b>	<b>\$ 1,504</b>	<b>\$ 1,274</b>	<b>\$ 1,224</b>	<b>\$ 1,302</b>
<b>Commercial and Industrial</b>					
Average Annual Customers	14,113	14,115	14,178	14,209	14,403
Energy Sales (MWh)	1,588,044	1,576,644	1,547,776	1,504,219	1,521,105
Average Annual Use Per Customer (kWh)	112,523	111,700	109,167	105,864	105,610
<b>Average Annual Revenue Per Customer</b>	<b>\$ 11,506</b>	<b>\$ 10,985</b>	<b>\$ 9,822</b>	<b>\$ 9,110</b>	<b>\$ 9,067</b>
<b>Public Street Lighting</b>					
Average Annual Customers	4,312	4,298	4,272	4,297	4,296
Energy Sales (MWh)	30,409	30,678	30,850	30,201	30,373
Average Annual Use Per Customer (kWh)	7,052	7,138	7,221	7,028	7,070
<b>Average Annual Revenue per Customer</b>	<b>\$ 924</b>	<b>\$ 906</b>	<b>\$ 857</b>	<b>\$ 821</b>	<b>\$ 826</b>
<b>Total Sales to Ultimate Customers</b>					
Average Annual Customers	113,535	114,094	114,790	115,393	116,487
Energy Sales (MWh)	2,747,257	2,740,602	2,606,900	2,542,612	2,630,580
<b>Average Annual Use Per Customer (kWh)</b>	<b>24,197</b>	<b>24,021</b>	<b>22,710</b>	<b>22,034</b>	<b>22,583</b>
<b>Off System Sales</b>					
Sales for Resale (MWh)	91,382	108,288	91,117	95,481	133,257
<b>Total Sales (MWh)</b>	<b>2,838,640</b>	<b>2,848,890</b>	<b>2,698,016</b>	<b>2,638,093</b>	<b>2,763,937</b>

### Electric System - Selected Operating Costs and Ratios

For Fiscal Years Ended September 30	2010	2011	2012	2013	2014
<b>Revenue per kWh</b>					
Residential Customers	0.131	0.127	0.119	0.118	0.118
Commercial and Industrial Customers	0.102	0.098	0.090	0.086	0.086
Public Street Lighting	0.131	0.127	0.119	0.117	0.119
<b>Expenses Per kWh</b>					
Total Operating Expense per kWh	0.1026	0.0894	0.0918	0.0852	0.0823
<b>Financial Ratios</b>					
Debt to Total Assets	0.586	0.647	0.634	0.559	0.618
Operating Ratio	0.775	0.778	0.873	0.848	0.821
Current Ratio	5.819	5.440	5.250	4.648	5.485

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**Electric System - General Statistics**

For Fiscal Years Ended September 30	2010	2011	2012	2013	2014
Generating Capacity (MW) (Summer)	794	794	794	794	746
Capacity Purchases (MW) (Summer)	11	11	11	-	-
Net System Energy Generated (MWh)	2,639,322	2,798,795	2,425,758	2,660,414	2,801,842
Net Peak Demand (MW) Summer	601	590	557	543	565
Net Peak Demand (MW) Winter	633	584	516	480	574
Average Residential Monthly Bill (\$)	143	138	118	113	121
Number of Street Lights	17,971	17,998	18,040	18,049	18,188
Average Residential Monthly Bill (\$) per Service Point	129	125	106	102	109

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**Electric System - Summary of Projected Demand and Energy Requirements**

For Fiscal Years Ending September 30	2015	2016	2017	2018	2019
Annual 60-Minute Peak Demand <sup>(1)</sup>					
Summer (MW)	563	561	557	557	556
Winter (MW)	511	514	516	520	522
Annual Energy Sales (GWh) <sup>(2)</sup>	2,637	2,653	2,667	2,690	2,708
Sales to Talquin Customers Served by the City (GWh)	20	20	20	21	21
Purchases from Talquin (GWh)	25	25	25	26	26
Losses and Unaccounted for Energy (GWh)	145	146	146	148	148
Annual Energy System Requirements (GWh)	2,781	2,799	2,813	2,838	2,856
Annual System Load Factor <sup>(3)</sup>	56.39%	56.96%	57.65%	58.16%	58.64%

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

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

For Fiscal Years Ended September 30	2010	2011	2012	2013	2014
<b>Residential (firm)</b>					
Average No. of Customers	25,227	25,905	26,234	26,737	27,380
Usage (Mcf)	745,138	710,240	563,107	636,421	702,352
Average Sales Per Customer (Mcf)	30	27	21	24	26
<b>Non-residential (firm)</b>					
Average No. of Customers	1,697	1,723	1,759	1,815	1,872
Usage (Mcf)	738,382	752,451	721,886	795,131	947,195
Average Sales Per Customer (Mcf)	435	437	410	438	506
<b>Special Contract Interruptible</b>					
Average No. of Customers	6	6	6	6	5
Usage (Mcf)	839,445	854,338	859,315	914,460	916,519
Average Sales Per Customer (Mcf)	139,907	142,390	143,219	152,410	183,304
<b>Flexible Contract Interruptible</b>					
Average No. of Customers	4	4	4	4	4
Usage (Mcf)	211,318	199,372	199,042	207,960	221,440
Average Sales Per Customer (Mcf)	52,830	49,843	49,761	51,990	55,360
<b>Standard Interruptible</b>					
Average No. of Customers	16	16	15	14	14
Usage (Mcf)	265,015	179,460	161,821	160,506	143,556
Average Sales Per Customer (Mcf)	16,563	11,216	10,788	11,465	10,254
<b>Total Gas System</b>					
Average No. of Customers	26,948	27,654	28,018	28,576	29,275
Usage (Mcf)	2,792,202	2,695,860	2,505,171	2,714,478	2,931,062
Average Sales Per Customer (Mcf)	104	97	89	95	100
Miles of Gas Lines	850	860	869	878	893
Heating Degree Days (HDD)	1,964	1,801	1,057	1,334	1,360

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

For Fiscal Years Ending September 30	2015	2016	2017	2018	2019
Residential	726,009	743,429	761,144	768,400	768,400
Commercial	781,796	796,107	810,652	819,000	835,400
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
<b>Total</b>	<b><u>2,766,933</u></b>	<b><u>2,798,664</u></b>	<b><u>2,830,924</u></b>	<b><u>2,846,528</u></b>	<b><u>2,862,928</u></b>

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

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**Electric System Ten Largest Retail Customers**

Fiscal Year Ended September 30, 2014

**Percent of Total Retail Sales**

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<b>Customers</b>	<b>Revenue</b>	<b>kWh</b>	<b>Revenue</b>	<b>kWh</b>
Florida State University	\$ 18,390,629	260,809,443	7.03%	9.91%
State of Florida	11,195,908	136,054,263	4.28%	5.17%
City of Tallahassee	8,795,175	94,795,220	3.36%	3.60%
Florida A & M University	4,551,835	62,821,365	1.74%	2.39%
Tallahassee Memorial HealthCare	4,500,080	44,844,971	1.72%	1.70%
Leon County School Board	3,913,426	51,675,921	1.50%	1.96%
Leon County	2,511,222	30,684,708	0.96%	1.17%
Federal Government	2,229,739	26,950,098	0.85%	1.02%
Wal-Mart	2,031,989	26,798,642	0.78%	1.02%
Publix Markets	<u>2,060,216</u>	<u>26,613,886</u>	<u>0.79%</u>	<u>1.01%</u>
<b>TOTAL</b>	<b><u>\$ 60,180,219</u></b>	<b><u>762,048,517</u></b>	<b><u>23.01%</u></b>	<b><u>28.95%</u></b>

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**Gas System Five Largest Customers by Consumption**

Fiscal Year Ended September 30, 2014

**Percent of Total Retail Sales**

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<b>Customers</b>	<b>Revenue</b>	<b>Gas Usage</b>	<b>Revenue</b>	<b>Gas Usage</b>
Florida State University	\$ 3,132,339	538,280	10.74%	18.36%
St. Marks Powder, Inc.	1,515,751	273,927	5.20%	9.35%
Florida A & M University	1,119,289	152,837	3.84%	5.21%
Tallahassee Memorial HealthCare	1,113,075	180,058	3.82%	6.14%
Capital Regional Medical Center	<u>394,980</u>	<u>59,825</u>	<u>1.35%</u>	<u>2.04%</u>
<b>TOTAL</b>	<b><u>\$ 7,275,434</u></b>	<b><u>1,204,927</u></b>	<b><u>24.95%</u></b>	<b><u>41.10%</u></b>

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**Electric Rates (effective 10/01/14)**

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**Current <sup>(1)</sup>****Residential**

Customer Charge - Single Phase Service	\$7.34
Customer Charge - Three Phase Service	\$25.71
Energy Charge per kWh	\$0.06796

**General Service Non - Demand**

Customer Charge - Single Phase Service	\$9.18
Customer Charge - Three Phase Service	\$33.68
Energy Charge per kWh	\$0.04944

**General Service Demand**

Customer Charge	\$61.23
Demand Charge per kW	\$11.32
Energy Charge-The first 500 kWh per kW	\$0.01932
Excess kWh per kW @	\$0.00272

**General Service Large Demand**

Customer Charge	\$61.23
Demand Charge per kW	\$11.32
Energy Charge-The first 500 kWh per kW	\$0.01883
Excess kWh per kW @	\$0.00272

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

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**Gas Rates**

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**Current <sup>(1)</sup>****Residential**

Customer Charge (per month)	\$10.73
Energy Charge (per 100 cubic feet)	\$0.76600

**Commercial**

Customer Charge (per month)	\$19.20
Energy Charge (per 100 cubic feet)	\$0.59696

**Commercial Small Interruptible**

Customer Charge (per month)	\$169.41
Energy Charge (per 100 cubic feet)	\$0.24724

**Commercial Interruptible**

Customer Charge (per month)	\$254.12
Energy Charge (per 100 cubic feet)	\$0.19076

**Commercial Large Interruptible**

Customer Charge (per month)	\$254.12
Energy Charge (per 100 cubic feet)	\$0.09250

(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	2010	2011	2012	2013	2014
<b>Electric Operating Revenues</b>					
Retail Sales	\$317,798	\$297,355	\$274,226	\$244,744	\$262,565
Sales for Resale	5,086	5,080	3,655	4,109	5,888
Other Operating Revenues	11,469	12,421	5,769	6,691	8,547
Transfers (to) from	<u>(8,297)</u>	<u>8,668</u>	<u>9,423</u>	<u>6,172</u>	<u>(2,980)</u>
Total Electric Operating Revenue	<u>326,056</u>	<u>323,524</u>	<u>293,073</u>	<u>261,716</u>	<u>274,020</u>
<b>Electric Operating Expenses</b>					
Fuel	177,857	160,268	127,367	97,569	108,161
Purchased Power	13,533	9,707	14,660	6,959	4,816
Other	<u>67,563</u>	<u>75,118</u>	<u>72,509</u>	<u>79,271</u>	<u>77,980</u>
Total Electric Operating Expenses	<u>258,953</u>	<u>245,093</u>	<u>214,536</u>	<u>183,799</u>	<u>190,957</u>
<b>Net Electric Revenues</b>	67,103	78,431	78,537	77,917	83,063
<b>Non-Operating Revenues:</b>					
Other Income & Deductions	<u>3,159</u>	<u>2,644</u>	<u>3,942</u>	<u>2,916</u>	<u>2,380</u>
<b>Total Net Electric Revenues</b>	<u><b>70,262</b></u>	<u><b>81,075</b></u>	<u><b>82,479</b></u>	<u><b>80,833</b></u>	<u><b>85,443</b></u>
<b>Gas Operating Revenues</b>					
Total Gas Operating Revenues	36,163	33,564	29,072	27,445	30,821
<b>Gas Operating Expenses</b>					
	<u>28,785</u>	<u>26,306</u>	<u>22,085</u>	<u>18,841</u>	<u>20,451</u>
<b>Net Gas Revenues</b>	7,378	7,258	6,987	8,604	10,370
<b>Non-Operating Revenues</b>	<u>263</u>	<u>208</u>	<u>175</u>	<u>189</u>	<u>113</u>
<b>Total Net Gas Revenues</b>	<u><b>7,641</b></u>	<u><b>7,466</b></u>	<u><b>7,162</b></u>	<u><b>8,793</b></u>	<u><b>10,483</b></u>
<b>Total Available for Debt Service</b>	<u><b>\$ 77,903</b></u>	<u><b>\$ 88,541</b></u>	<u><b>\$ 89,641</b></u>	<u><b>\$ 89,626</b></u>	<u><b>\$ 95,926</b></u>
Existing Debt Service	\$ 32,716	\$ 42,623	\$ 43,531	\$ 43,533	\$ 43,530
Coverage	2.63x	2.08x	2.06x	2.06x	2.20x



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

Bond Year												
Ending		\$ 3,440,000	\$ 35,485,000	\$ 122,280,000	\$ 43,245,000	\$ 77,845,000	\$ 203,230,000	\$ 128,920,000	\$ 17,680,000	\$ 143,800,000		
October 1	Total	Series 2011	Series 2010C	Series 2010B	Series 2010A	Series 2010	Series 2007	Series 2005	Series 2001	Series 1998 A		
2015	\$ 43,533,221	\$ 103,296	\$ 3,031,163	\$ 7,298,893	\$ 1,892,625	\$ 3,777,244	\$ 12,360,150	\$ 8,444,475	\$ 1,110,275	\$ 5,515,100		
2016	43,533,026	102,751	3,206,913	7,298,893	1,891,325	9,157,244	12,270,150	8,545,475	1,060,275	-		
2017	43,530,180	1,163,205	3,200,163	7,298,893	1,890,950	9,167,644	12,261,900	8,547,425	-	-		
2018	43,531,015	1,169,515	3,197,563	7,298,893	1,894,900	9,157,819	12,266,150	8,546,175	-	-		
2019	43,530,915	1,169,065	3,198,313	7,298,893	1,893,000	9,171,319	12,251,900	8,548,425	-	-		
2020	43,598,800	-	4,444,313	7,298,893	1,890,950	9,164,569	12,249,650	8,550,425	-	-		
2021	43,595,310	-	4,438,063	7,298,893	1,893,150	9,162,819	12,253,400	8,548,985	-	-		
2022	43,595,235	-	4,243,813	7,298,893	9,184,400	2,070,069	12,252,400	8,545,660	-	-		
2023	43,597,335	-	4,440,563	7,298,893	9,177,400	4,075,069	10,056,400	8,549,010	-	-		
2024	43,596,285	-	4,453,813	7,298,893	9,173,600	5,744,819	8,379,650	8,545,510	-	-		
2025	43,583,109	-	1,641,813	7,298,893	9,177,400	5,750,563	11,169,500	8,544,940	-	-		
2026	43,583,319	-	1,064,613	7,298,893	9,178,000	5,747,563	11,750,000	8,544,250	-	-		
2027	43,581,669	-	1,053,213	7,298,893	-	14,944,813	11,737,750	8,547,000	-	-		
2028	43,578,519	-	1,055,813	7,298,893	-	14,931,813	11,745,500	8,546,500	-	-		
2029	36,317,268	-	939,375	8,228,893	-	-	18,606,750	8,542,250	-	-		
2030	36,245,382	-	-	9,098,382	-	-	18,603,250	8,543,750	-	-		
2031	36,208,157	-	-	9,062,657	-	-	18,600,500	8,545,000	-	-		
2032	36,169,705	-	-	8,257,455	-	-	19,362,000	8,550,250	-	-		
2033	36,139,939	-	-	8,223,439	-	-	19,373,000	8,543,500	-	-		
2034	36,114,036	-	-	8,202,036	-	-	19,367,500	8,544,500	-	-		
2035	36,088,850	-	-	8,172,350	-	-	19,369,500	8,547,000	-	-		
2036	36,056,429	-	-	15,814,679	-	-	20,241,750	-	-	-		
2037	35,864,653	-	-	15,625,903	-	-	20,238,750	-	-	-		
2038	35,665,938	-	-	35,665,938	-	-	-	-	-	-		
2039	35,036,059	-	-	35,036,059	-	-	-	-	-	-		
2040	34,381,652	-	-	34,381,652	-	-	-	-	-	-		
<b>TOTALS</b>	<b>\$ 1,040,256,006</b>	<b>\$ 3,707,832</b>	<b>\$ 43,609,507</b>	<b>\$ 297,953,945</b>	<b>\$ 59,137,700</b>	<b>\$ 112,023,367</b>	<b>\$ 336,767,500</b>	<b>\$ 179,370,505</b>	<b>\$ 2,170,550</b>	<b>\$ 5,515,100</b>		

**ENERGY SYSTEM  
CITY OF TALLAHASSEE, FLORIDA  
ALL BOND ISSUES  
PRINCIPAL OUTSTANDING**

Bond Year			\$3,440,000	\$35,485,000	\$122,280,000	\$43,245,000	\$77,845,000	\$203,230,000	\$128,920,000	\$17,680,000	\$143,800,000
Ending	Total	Series 2011	Series 2010C	Series 2010B	Series 2010A	Series 2010	Series 2007	Series 2005	Series 2001	Series 1998 A	
October 1											
2015	\$ 14,158,000	\$ 23,000	\$ 1,485,000	\$ -	\$ 210,000	\$ -	\$ 3,100,000	\$ 3,100,000	\$ 1,000,000	\$ 5,240,000	
2016	14,848,000	23,000	1,735,000	-	215,000	5,380,000	3,165,000	3,325,000	1,005,000	-	
2017	15,534,000	1,084,000	1,815,000	-	220,000	5,610,000	3,315,000	3,490,000	-	-	
2018	16,221,000	1,116,000	1,885,000	-	230,000	5,850,000	3,485,000	3,655,000	-	-	
2019	16,977,000	1,142,000	1,980,000	-	235,000	6,135,000	3,645,000	3,840,000	-	-	
2020	17,835,000	-	3,325,000	-	240,000	6,435,000	3,825,000	4,010,000	-	-	
2021	18,695,000	-	3,485,000	-	250,000	6,755,000	4,020,000	4,185,000	-	-	
2022	19,605,000	-	3,465,000	-	7,550,000	-	4,220,000	4,370,000	-	-	
2023	20,490,000	-	3,835,000	-	7,845,000	2,005,000	2,235,000	4,570,000	-	-	
2024	21,435,000	-	4,040,000	-	8,155,000	3,775,000	670,000	4,795,000	-	-	
2025	22,380,000	-	1,430,000	-	8,485,000	3,960,000	3,490,000	5,015,000	-	-	
2026	23,380,000	-	910,000	-	8,825,000	4,155,000	4,245,000	5,245,000	-	-	
2027	24,450,000	-	935,000	-	-	13,560,000	4,445,000	5,510,000	-	-	
2028	25,660,000	-	975,000	-	-	14,225,000	4,675,000	5,785,000	-	-	
2029	19,670,000	-	900,000	930,000	-	-	11,770,000	6,070,000	-	-	
2030	20,585,000	-	-	1,855,000	-	-	12,355,000	6,375,000	-	-	
2031	21,595,000	-	-	1,930,000	-	-	12,970,000	6,695,000	-	-	
2032	22,655,000	-	-	1,240,000	-	-	14,380,000	7,035,000	-	-	
2033	23,770,000	-	-	1,280,000	-	-	15,110,000	7,380,000	-	-	
2034	24,945,000	-	-	1,335,000	-	-	15,860,000	7,750,000	-	-	
2035	26,180,000	-	-	1,385,000	-	-	16,655,000	8,140,000	-	-	
2036	27,470,000	-	-	9,110,000	-	-	18,360,000	-	-	-	
2037	28,740,000	-	-	9,465,000	-	-	19,275,000	-	-	-	
2038	30,070,000	-	-	30,070,000	-	-	-	-	-	-	
2039	31,235,000	-	-	31,235,000	-	-	-	-	-	-	
2040	32,445,000	-	-	32,445,000	-	-	-	-	-	-	
<b>TOTALS</b>	<b>\$ 581,028,000</b>	<b>\$ 3,388,000</b>	<b>\$ 32,200,000</b>	<b>\$ 122,280,000</b>	<b>\$ 42,460,000</b>	<b>\$ 77,845,000</b>	<b>\$ 185,270,000</b>	<b>\$ 110,340,000</b>	<b>\$ 2,005,000</b>	<b>\$ 5,240,000</b>	

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

Dated: August 9, 2011

**Purpose**

The Series 2011 Bonds were issued to repay a portion of the outstanding principal amount of the Energy System Refunding Revenue Bonds, Series 2001.

**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 Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Refunding Revenue Bonds, Series 2007, Energy System Refunding Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001 and Energy System Refunding Revenue Bonds, Series 1998A.

**Bond Reserve**

There are no debt service reserve fund requirements.

**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.

<b><u>Redemption Period (Both Dates inclusive)</u></b>	<b><u>Redemption Price</u></b>
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 REFUNDING REVENUE BONDS, SERIES 2011**

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

<b>Bond Year</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Ending</b>	<b>Rate</b>			
<b>October 1</b>				
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%	<u>1,142,000</u>	<u>27,065</u>	<u>1,169,065</u>
<b>TOTALS</b>		<b><u>\$ 3,388,000</u></b>	<b><u>\$ 319,832</u></b>	<b><u>\$ 3,707,832</u></b>

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

Dated: November 22, 2010

**Purpose**

The Series 2010C Bonds were issued to (i) finance the acquisition and construction of improvements to the distribution, production plant, transmission line, substation and other modernization projects including telecommunications/fiber optics, bulk power feeders, new substations or modifications as well as transmission line reconductor and expansion, and (ii) refund \$33,855,000 of 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 2011, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010, Energy System Refunding Revenue Bonds, Series 2007, Energy System Refunding Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, Energy System Refunding Revenue Bonds, Series 1998A.

**Bond Reserve**

There are no debt service reserve fund requirements.

**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, 2020 are not subject to optional redemption prior to the maturity thereof. The Series 2010C Bonds maturing after October 1, 2020 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***

<b>Bond Year</b>	<b>Ending</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
<b>October 1</b>	<b>Rate</b>						
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
<b>TOTALS</b>			<b><u>\$ 32,200,000</u></b>		<b><u>\$ 11,409,507</u></b>		<b><u>\$ 43,609,507</u></b>

**\$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 were issued to finance (i) the acquisition and construction of improvements to the distribution, production plant, transmission line, substation and other modernization projects including telecommunications/fiber optics, bulk power feeders, new substations or modifications as well as transmission line reconductor and expansion.

**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 2011, Energy System Revenue Bonds, Series 2010C, Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Refunding Revenue Bonds, Series 2007, Energy System Refunding Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 1998A.

**Bond Reserve**

There are no debt service reserve fund requirements.

**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:

<b><u>October 1</u></b>	<b><u>Amount</u></b>
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
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%	<u>32,445,000</u>	<u>1,936,652</u>	<u>34,381,652</u>
<b>TOTALS</b>		<b><u>\$ 122,280,000</u></b>	<b><u>\$ 175,673,945</u></b>	<b><u>\$ 297,953,945</u></b>

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

Dated: July 23, 2010

**Purpose**

The Series 2010A Bonds were issued to refund on a current basis the Series 1998A Bonds maturing on October 1, 2026 in the aggregate principal amount of \$40,050,000.

**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 2011, Energy System Refunding Revenue Bonds, Series 2010C, Energy System Refunding Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010, Energy System Refunding Revenue Bonds, Series 2007, Energy System Refunding Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Refunding Revenue Bonds, Series 1998A.

**Bond Reserve**

The Reserve Requirement for the Series 2010A Bonds under the Series Resolution shall be the lesser of (i) the maximum Debt Service Requirement on the Series 2010A Bonds from time to time, (ii) 125% of the Average Annual Debt Service Requirement on such Series 2010A Bonds from time to time, or (iii) the maximum amount allowed under the Internal Revenue Code of 1986, as amended.

**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 after October 1, 2020, 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 REFUNDING REVENUE BONDS, SERIES 2010A**

*Summary of Remaining Debt Service Requirements*

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
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%	<u>8,825,000</u>	<u>353,000</u>	<u>9,178,000</u>
<b>TOTALS</b>		<b><u>\$ 42,460,000</u></b>	<b><u>\$ 16,677,700</u></b>	<b><u>\$ 59,137,700</u></b>

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

Dated: April 7, 2010

**Purpose**

The Series 2010 Bonds were issued to refund on a current basis the Series 1998A Bonds maturing on October 1, 2016 through 2021, inclusive, and on October 1, 2028, and all of the outstanding Series 1998B 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 2011, Energy System Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2007, Energy System Refunding Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Refunding Revenue Bonds, Series 1998A.

**Bond Reserve**

The Reserve Requirement for the Series 2010 Bonds under the Series Resolution shall be the lesser of (i) the maximum Debt Service Requirement on the Series 2010 Bonds from time to time, (ii) 125% of the Average Annual Debt Service Requirement on such Series 2010 Bonds from time to time, or (iii) the maximum amount allowed under the Internal Revenue Code of 1986, as amended.

**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**

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

**Ratings**

<b>Moody's:</b>	Aa3
<b>Standard &amp; Poor's:</b>	AA
<b>Fitch:</b>	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 after October 1, 2020, 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 REFUNDING REVENUE BONDS, SERIES 2010**

*Summary of Remaining Debt Service Requirements*

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
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	(5)	<u>14,225,000</u>	<u>706,813</u>	<u>14,931,813</u>
<b>TOTALS</b>		<b><u>\$ 77,845,000</u></b>	<b><u>\$ 34,178,367</u></b>	<b><u>\$ 112,023,367</u></b>

(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 2024 are in two issues: \$1,085,000 at 4.125% interest rate and \$2,690,000 at 5.00% interest rate.

(5) 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**

The Series 2007 Bonds were issued to finance the acquisition and construction of a combined cycle unit for Hopkins Unit No. 2, new transmission facilities, distribution facilities, general plant facilities and certain Gas System facilities.

**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 2011, Energy System Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, 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 Refunding Revenue Bonds, Series 1998A.

**Bond Reserve**

The Reserve Requirement for the Series 2007 Bonds under the Series Resolution shall be the lesser of (i) the maximum Debt Service Requirement on the Series 2007 Bonds from time to time, (ii) 125% of the Average Annual Debt Service Requirement on such Series of Bonds from time to time, or (iii) the maximum amount allowed under the Internal Revenue Code of 1986, as amended.

**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, 2008.

**Agents**

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

**Ratings**

<b>Moody's:</b>	Aa3 underlying
<b>Standard &amp; Poor's:</b>	AA underlying
<b>Fitch:</b>	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, 2017 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:

<u>Year</u>	<u>Amount</u>
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:

<u>Year</u>	<u>Amount</u>
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:

<u>Year</u>	<u>Amount</u>
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
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%	<u>19,275,000</u>	<u>963,750</u>	<u>20,238,750</u>
<b>TOTALS</b>		<b><u>\$ 185,270,000</u></b>	<b><u>\$ 151,497,500</u></b>	<b><u>\$ 336,767,500</u></b>

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

Dated: October 1, 2005

**Purpose**

The Series 2005 Bonds were issued to fund the acquisition and construction of two 47 megawatt simple cycle combustion turbine units at the Hopkins station, extensions and improvements to electric transmission lines, electric distribution facilities and gas transmission and distribution facilities.

**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 2011, Energy System Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, 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 Refunding Revenue Bonds, Series 1998A.

**Bond Reserve**

The Reserve Requirement for the Series 2005 Bonds under the Series Resolution shall be the lesser of (i) the maximum Debt Service Requirement on the Series 2005 Bonds from time to time, (ii) 125% of the Average Annual Debt Service Requirement on such Series of Bonds from time to time, or (iii) the maximum amount allowed under the Internal Revenue Code of 1986, as amended.

**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**

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

**Ratings**

<b>Moody's:</b>	Aa3 underlying
<b>Standard &amp; Poor's:</b>	AA underlying
<b>Fitch:</b>	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 after October 1, 2015 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:

<u>Year</u>	<u>Amount</u>
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
2015	4.000%	\$ 3,100,000	\$ 5,344,475	\$ 8,444,475
2016	(1)	3,325,000	5,220,475	8,545,475
2017	(2)	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%	<u>8,140,000</u>	<u>407,000</u>	<u>8,547,000</u>
<b>TOTALS</b>		<b><u>\$ 110,340,000</u></b>	<b><u>\$ 69,030,505</u></b>	<b><u>\$ 179,370,505</u></b>

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

(2) 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**

The Series 2001 Bonds were issued 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 2011, Energy System Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Refunding Revenue Bonds, Series 2007, Energy System Refunding Revenue Bonds, Series 2005, and Energy System Refunding Revenue Bonds, Series 1998A.

**Bond Reserve**

The Reserve Requirement for the Series 2001 Bonds under the 1998 Series Resolution shall be the lesser of (i) the maximum Debt Service Requirement on such Series of Bonds from time to time, (ii) 125% of the Average Annual Debt Service Requirement on such Series of Bonds from time to time, or (iii) the maximum amount allowed under the Internal Revenue Code of 1986, as amended.

**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**

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

**Ratings**

<b>Moody's:</b>	Aa3 underlying
<b>Standard &amp; Poor's:</b>	AA underlying
<b>Fitch:</b>	AA- underlying

**Call Provisions**

**Optional Redemption**

The Series 2001 Bonds maturing on or prior to October 1, 2011, are not subject to optional redemption prior to the maturity thereof. The Series 2001 Bonds maturing after October 1, 2011, 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)**

October 1, 2011 through September 30, 2012  
October 1, 2012 and thereafter

**Redemption Prices**

101%  
100%

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

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

<b>Bond Year Ending October 1</b>	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	5.500%	\$ 1,000,000	\$ 110,275	\$ 1,110,275
2016	5.500%	<u>1,005,000</u>	<u>55,275</u>	<u>1,060,275</u>
<b>TOTALS</b>		<b><u>\$ 2,005,000</u></b>	<b><u>\$ 165,550</u></b>	<b><u>\$ 2,170,550</u></b>

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

Dated: November 1, 1998

**Purpose**

The Series 1998A Bonds were issued 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 2011, Energy System Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Refunding Revenue Bonds, Series 2007, Energy System Refunding Revenue Bonds, Series 2005, and Energy System Refunding Revenue Bonds, Series 2001.

**Bond Reserve**

The Reserve Requirement for the Series 1998A Bonds and the Series 1998B Bonds under the 1998 Series Resolution shall be the lesser of (i) maximum Debt Service Requirement on such respective Series of Bonds from time to time, (ii) 125% of the Average Annual Debt Service Requirement on such respective Series of Bonds from time to time, or (iii) the maximum amount allowed under the Internal Revenue Code of 1986, as amended.

**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**

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

**Ratings**

<b>Moody's:</b>	Aa3 underlying
<b>Standard &amp; Poor's:</b>	AA underlying
<b>Fitch:</b>	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):

<b><u>Redemption period (both dates inclusive)</u></b>	<b><u>Redemption Prices</u></b>
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:

<b><u>Year</u></b>	<b><u>Amount</u></b>
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:

<b><u>Year</u></b>	<b><u>Amount</u></b>
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:

<b><u>Year</u></b>	<b><u>Amount</u></b>
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*

<b>Bond Year</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Ending</b>	<b>Rate</b>			
<b>October 1</b>				
2015	5.250%	\$ 5,240,000	\$ 275,100	\$ 5,515,100
<b>TOTALS</b>		<b><u>\$ 5,240,000</u></b>	<b><u>\$ 275,100</u></b>	<b><u>\$ 5,515,100</u></b>

**\$23,478,378**  
**CITY OF TALLAHASSEE, FLORIDA**  
**Master Equipment Lease Purchase Agreement (AMI Loans)**  
**Energy System**

Dated: 2007 and 2009

**Purpose**

The Master Lease Purchase Agreement was utilized to fund the acquisition of Smart Energy Metering and Management Systems, consisting of meters and communication devices, to create a network of approximately 220,000 electric, gas and water meters.

**Security**

The rental payments are to be made only from lessee's legally available revenues appropriated on an annual basis (covenant to budget and appropriate).

**Purchase Option**

Upon payment in full of all rental payments then due and all other amounts then owing under the lease, and the payment of \$1.00 to lessor.

**Lessor:** Banc of America

**\$20,735,220**  
**CITY OF TALLAHASSEE, FLORIDA - ENERGY**  
**MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT - 1**  
**BANC OF AMERICA PUBLIC CAPITAL CORP.**

*Summary of Remaining Lease Payments*

<b>Year</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Ending</b>	<b>Rate</b>			
<b>October 1</b>				
2015	3.9459%	\$ 1,336,476	\$ 619,653	\$ 1,956,130
2016	3.9459%	1,389,732	566,397	1,956,130
2017	3.9459%	1,445,111	511,019	1,956,130
2018	3.9459%	1,502,696	453,434	1,956,130
2019	3.9459%	1,562,576	393,554	1,956,130
2020	3.9459%	1,624,842	331,288	1,956,130
2021	3.9459%	1,689,589	266,541	1,956,130
2022	3.9459%	1,756,916	199,214	1,956,130
2023	3.9459%	1,826,926	129,204	1,956,130
2024	3.9459%	<u>1,899,726</u>	<u>56,404</u>	<u>1,956,130</u>
<b>TOTALS</b>		<b><u>\$ 16,034,588</u></b>	<b><u>\$ 3,526,708</u></b>	<b><u>\$ 19,561,295</u></b>

**\$2,743,158**  
**CITY OF TALLAHASSEE, FLORIDA - ENERGY**  
**MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT - 2**  
**BANC OF AMERICA PUBLIC CAPITAL CORPORATION**

*Summary of Remaining Lease Payments*

<b>Bond Year</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Ending</b>	<b>Rate</b>			
<b>October 1</b>				
2015	4.590%	\$ 225,634	\$ 41,754	\$ 267,388
2016	4.590%	236,109	31,279	267,388
2017	4.590%	247,071	20,317	267,388
2018	4.590%	<u>256,633</u>	<u>8,846</u>	<u>265,479</u>
<b>TOTALS</b>		<b><u>\$ 965,447</u></b>	<b><u>\$ 102,196</u></b>	<b><u>\$ 1,067,643</u></b>

**CITY OF TALLAHASSEE, FLORIDA  
AMI LOANS - ENERGY  
CONSOLIDATED DEBT SERVICE**

<b>Bond Year</b>			<b>\$20,735,220</b>	<b>\$2,743,158</b>
<b>Ending</b>			<b>AMI LOAN</b>	<b>AMI LOAN 2</b>
<b>October 1</b>	<b>Total</b>			
2015	\$ 2,223,517	\$ 1,956,130	\$ 267,388	
2016	2,223,517	1,956,130	267,388	
2017	2,223,517	1,956,130	267,388	
2018	2,221,609	1,956,130	265,479	
2019	1,956,130	1,956,130	-	
2020	1,956,130	1,956,130	-	
2021	1,956,130	1,956,130	-	
2022	1,956,130	1,956,130	-	
2023	1,956,130	1,956,130	-	
2024	<u>1,956,130</u>	<u>1,956,130</u>	<u>-</u>	
<b>TOTALS</b>	<b><u>\$ 20,628,938</u></b>	<b><u>\$ 19,561,295</u></b>	<b><u>\$ 1,067,643</u></b>	

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## **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 103.5 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 10 water systems within the County, with total design capacity of 13.4 million gallons per day (mgd). Talquin also owns 4 sewer systems in the County and is permitted for approximately 1.8 mgd of wastewater. A local drilling company owns 6 water systems with design capacity of 2.1 mgd. There are 7 very small sanitary sewer systems with total capacity of 1.1 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, rates and charges for the Utility System will not be changed except upon the recommendation of a Qualified Independent Consultant, the City retains a number of vendors 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.

At that time, water and sewer rates were increased by 50% for customers outside the City limits in both Leon County and Wakulla County. Effective October 1, 2012, both water and sewer rates were 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 during 2012 and 2013. However, there were modest signs of improvement in 2014 resulting in higher revenues for both the Water and Wastewater Utilities than has been the case for the past two years. Once again, both utilities maintained their transfers to RR&I and the General Fund in accordance with the City's financing policy.

The comparison of revenues from FY 2013 to FY 2014 reflects an increase in Water revenue to \$29.54 million from \$28 million and an increase in Wastewater revenue to \$60.3 million from \$58.8 million.

## 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 (2014) rate study and remain unchanged.

## Rebates to Developers

The City provides for the rebate of on-site costs (costs incurred within the boundaries of a development project) 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 \$1,200 per residential equivalent unit for sewer lines and \$600 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. The on-site rebates are not applicable to commercial and multi-family residential developments. Ten percent (10%) of each of the actual reimbursement amounts as calculated for each residential equivalent connection is paid to the City's Affordable Housing Trust Fund.

With respect to both Water and Sewer Master Plan Projects, off-site line extension costs (meaning costs incurred outside the development area) that are within City limits are funded directly by the City. However, should a developer desire off-site line extensions that are not within the Master Planning period or when funding is not available, the developer will be allowed to fund the extension and will be refunded as funds become available.

Development projects *outside* the City limits are defined as "scheduled" and "unscheduled" projects. Scheduled projects are those that are part of the Master Plan and may be funded by the developer if funds are not available at the time the service extension is required. As before, the developer will be refunded when funds become available.



The City has an ordinance that addressed the treatment of “unscheduled” Water and Sewer projects that are outside the City limits in different ways, such as feasibility studies of possible implementation of special water and sewer districts, which may or may not involve developer rebates, depending on the nature and scope of the projects.

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## **WATER SYSTEM**

### **General**

The City owns, operates and maintains the Water System, which currently serves approximately 83,000 service points (metered customers) and is comprised of 27 water supply wells, 8 elevated storage tanks with a combined capacity of 5.2 million gallons, approximately 1,200 miles of water mains, and 6,656 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 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 9.5 billion gallons pumped in 2014 or approximately 7.3% 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 (NFWFMD) 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 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 2014, the City continued to make significant progress towards the implementation of the recommendations presented in the Water Master Plan. Such progress included the completion of water main replacement projects on Tennessee Street, which were funded by the Water Master Plan downtown budget. It also included replacement of multiple water system valves in the downtown area using Insert Valve™ equipment.

## **Advanced Metering Infrastructure (AMI)**

A significant portion of the Water Capital Improvement Program comprises the Smart Grid project team's efforts to implement Advanced Metering Infrastructures. The AMI program has resulted in each existing gas and water meter being outfitted with a radio module to provide for remote automated reading of gas, water, and electric metered services. All electric meters were completely swapped out and also provide remote capability and interval data.

The AMI program will eliminate the costs and liabilities associated with manual reading of meters, as well as provide detailed consumption data for all three metered services. The AMI program 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 2015. 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.

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## 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 26.5 mgd., approximately 906 miles of gravity mains, 111 pumping stations, and approximately 140 miles of force (pressurized) main. There are approximately 71,000 sewer service points (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 solely as a contingent screening facility. Permitting of these Plants is carried out by the Florida Department of Environmental Protection (DEP). The operational permits (the “DEP Operation Permits”) for the TPS Plant 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 advanced wastewater treatment facilities with a total capacity of 26.5mgd. The treatment facility has made over \$227 million of improvements to meet a new Florida Department of Environmental Regulation permit requirement that reduces nutrients down to very low levels. In addition, a deep bed filtration system was installed with additional chlorination capacity to treat its water to public access reuse standards. The TPS Plant also has new sludge 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 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 being performed consists of three major phases or work packages (WP): (WP1) is the liquids upgrades; (WP2) is the solids upgrades; and (WP3) is the BNR 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 City executed contracts with MWH Constructors to build the various improvements under a modified Construction Manager at Risk (CMAR) project delivery method. The modified CMAR entails the negotiation of a fixed price Task Order for a single WP or combined WP’s. As depicted in the table below, all but WP3B have been completed:

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

As noted above, WP1, WP2A, WP2B, WP2C, and WP3A have 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, including replacement of ballast blocks, has been completed. The re-startup of the digester is being conducted, and the digester is expected to be restored to full service in February 2015. 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 engineering 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 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 2014, the project is on schedule to meet the permit conditions and be completed within the established budget.

## **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 2014 appropriation for Master Sewer Plan implementation was \$2 million, while \$2.2 million has been appropriated in FY 2015.

## **Sewer System Recent Capital Improvement Projects**

During 2014, the City replaced approximately one mile of gravity sewer mains and manholes, continued upgrades and replacements of sewage pumping stations, and replaced hundreds of sewer services in advance of roadway resurfacing projects. 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 2015 included the abandonment of one aging pumping station, construction of two new pumping stations, rehabilitation of four other pumping stations, rehabilitation or completion of hundreds of repairs to the clay collection system identified during the CCTV inspections noted above and the replacement 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 for 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 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 recertified on July 13, 2013 and converted into one EMS under Underground Utilities. Water Distribution and the Gas Departments were certified in 2014.

## **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 will safeguard the \$227 million investment by rate payers in the upgrade of the Thomas P. Smith Water Reclamation Facility to meet AWT standards as well as the critical assets of the collection system. The AM business plan has five 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.

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## 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 City's incorporated limits. The Stormwater Drainage System consists of approximately 427 stormwater management facilities, 25,228 drainage structures, 431.2 miles of enclosed storm drains, 286.32 miles of roadside ditches, 86.2 miles of minor to medium outfall ditches, and 25.7 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 2014, the actual operating revenue from the stormwater utility fee was \$17.4 million. Operating expenditures were \$11 million and capital project appropriations totaled \$6.4 million, bringing total uses to \$17.4 million. For the fiscal year, the Stormwater Fund had a surplus of \$74,296 compared to a budgeted deficit of \$982,394. This was a result of revenues coming in 5% above budget and expenditures coming in 2% lower than estimates. In accordance with the financing policy, the surplus was transferred to the RR&I fund.

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 2014, the cost for those activities was approximately \$6.6 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 2015 - 2019 Five-Year Capital Improvement Program includes 30 projects with the reinvestment of Stormwater revenue into the local economy and further improvement of our infrastructure. For the FY 2015 – 2019 Capital Projects planning period, the total cost of these projects is approximately \$45.9 million. At this time, no debt funding is anticipated for any ongoing or future stormwater projects.

During FY 2014 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 90,200 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.

A series of stormwater fee increases was completed in October 2009, resulting in the current monthly stormwater fee of \$7.95 per ERU. The stormwater fee has not changed since that last increase. The projected FY 2015 annual stormwater fee revenue for residential and non-residential services is \$16 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 example is the US EPA Numeric Nutrient Rule which regulates 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. Since its adoption in 2010, the Numeric Nutrient Rule has faced multiple court challenges from both environmental groups and the regulated community. 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	2010	2011	2012	2013	2014
Miles of Water Mains	1,191	1,197	1,103	1,203	1,206
Plant Capacity	74	72	74	74	74
Daily Avg. Consumption (MGD) <sup>(1)</sup>	26	27	26	26	26
Residential					
Avg. No. of Customers <sup>(2)</sup>	68,164	68,392	68,382	68,687	68,677
Avg. No. of Service Points <sup>(3)</sup>	73,472	73,652	74,053	74,472	74,653
Water Sold (000 gallons)	4,791,257	5,491,089	5,186,764	4,686,482	4,768,240
Avg. Sales Per Service Point (gallons)	65,212	74,555	70,041	62,929	63,872
Commercial					
Avg. No. of Customers <sup>(2)</sup>	6,935	6,904	6,894	6,908	6,865
Avg. No. of Service Points <sup>(3)</sup>	8,473	8,481	8,554	8,623	8,732
Water Sold (000 gallons)	3,963,410	4,390,206	4,166,295	3,806,340	4,033,290
Avg. Sales Per Service Point (gallons)	467,769	517,652	487,058	441,417	461,898

(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 reflect 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	2010	2011	2012	2013	2014
Miles of Sanitary Sewers	1,019	1,017	1,034	1,042	1,046
Annual Flow-Millions of Gallons	6,011	5,922	5,886	6,363	5,938
Daily Average Treatment (MGD)	16.47	15.00	16.30	17.60	16.27
Rainfall (fiscal year totals)	68.98	38.30	58.27	61.53	58.21
Gallons Treated Per Customer	85,850	84,264	83,300	89,402	92,028
Avg. No. of Service Points					
Residential	63,708	63,968	64,343	64,818	64,985
Commercial	6,307	6,311	6,317	6,355	6,455
Rated Capacity (MGD)	31	31	31	27	27

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## Water Rates (Effective October 1, 2014)

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### Monthly Rate:

Customer Charge	\$ 6.30
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### Usage Charges:

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#### Residential

First 7,000 gallons	\$1.49/1000 gallons
Next 13,000 gallons	\$2.03/1000 gallons
Additional gallons	\$2.56/1000 gallons

#### Commercial

Up to monthly usage allowance	\$1.49/1000 gallon
Additional gallons	\$1.77/1000 gallons

#### Irrigation

Up to monthly usage allowance	\$1.49/1000 gallons
Additional gallons	\$2.56/1000 gallons

### Monthly Minimum Charge:

Nominal Meter Size (inches)	Amount
5/8 or Smaller	\$ 10.03
1	\$ 24.93
1 1/2	\$ 49.81
2	\$ 79.75
3	\$ 159.32
4	\$ 248.87
6	\$ 497.70
8	\$ 796.30

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## Sewer Rates (Effective October 1, 2014)

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### Monthly Minimum Charge:

Nominal Meter Size (inches)	Amount
5/8 or Smaller	\$ 17.03
1	\$ 42.56
1 1/2	\$ 85.08
2	\$ 136.15
3	\$ 272.28
4	\$ 425.42
6	\$ 850.85
8	\$1,361.39

### Monthly Usage Charge:

Usage Charge Per 1000 Gallons Per Month	\$ 5.440
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**Water System Ten Largest Customers by Consumption (as of September 30, 2014)**

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<b>Customer</b>	<b>Water Usage (cgals)</b>	<b>Billed Amount</b>	<b>Percentage of Revenues</b>
Florida State University	3,308,852	\$ 703,982	3.90%
State of Florida	1,924,579	440,439	2.27%
City of Tallahassee	1,658,045	491,807	1.95%
Florida A & M University	1,243,191	288,436	1.46%
Tallahassee Memorial HealthCare	1,053,640	223,519	1.24%
Federal Government	951,685	181,863	1.12%
Leon County School Board	886,037	208,863	1.04%
Leon County	779,361	180,957	0.92%
Capital Regional Medical Center	302,371	58,556	0.36%
Tallahassee Community College	<u>258,602</u>	<u>63,436</u>	<u>0.30%</u>
<b>TOTAL</b>	<b><u>12,366,363</u></b>	<b><u>\$ 2,841,858</u></b>	<b><u>14.56%</u></b>

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**Sewer System Ten Largest Customers by Consumption (as of September 30, 2014)**

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<b>Customer</b>	<b>Sewer Usage (cgals)</b>	<b>Billed Amount</b>	<b>Percentage of Revenues</b>
Florida State University	2,282,657	\$ 1,531,832	3.90%
Florida A & M University	1,092,741	748,749	1.87%
State of Florida	979,544	791,363	1.68%
Federal Government	926,122	573,721	1.58%
Leon County	900,310	638,371	1.54%
Tallahassee Memorial HealthCare	615,544	385,078	1.05%
Leon County School Board	610,013	476,415	1.04%
City of Tallahassee	487,185	389,198	0.83%
Blairstone Apartments	255,704	139,839	0.44%
Capital Regional Medical Center	<u>153,938</u>	<u>91,293</u>	<u>0.26%</u>
<b>TOTAL</b>	<b><u>8,303,758</u></b>	<b><u>\$ 5,765,859</u></b>	<b><u>14.19%</u></b>

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

Fiscal Year Ended September 30	2010	2011	2012	2013	2014
Operating Revenues					
Water	\$ 24,050	\$ 29,357	\$ 28,764	\$ 26,539	\$ 28,759
Sewer	<u>47,196</u>	<u>53,299</u>	<u>53,801</u>	<u>51,351</u>	<u>52,219</u>
<b>Total Operating Revenues</b>	<u>71,246</u>	<u>82,656</u>	<u>82,565</u>	<u>77,890</u>	<u>80,978</u>
Operating Expenses					
Water	17,428	21,815	20,412	20,373	18,282
Sewer	<u>33,522</u>	<u>31,813</u>	<u>33,456</u>	<u>30,803</u>	<u>32,664</u>
<b>Total Operating Expenses</b>	<u>50,950</u>	<u>53,628</u>	<u>53,868</u>	<u>51,176</u>	<u>50,946</u>
Net Operating Revenue	20,296	29,028	28,697	26,714	30,032
Gross Stormwater Revenue	21,050	16,378	16,530	17,324	17,689
Other Revenue	<u>872</u>	<u>503</u>	<u>492</u>	<u>527</u>	<u>397</u>
<b>Total Available for Debt Service excluding system charge</b>	<u>42,218</u>	<u>45,909</u>	<u>45,719</u>	<u>44,565</u>	<u>48,118</u>
System Development Charges <sup>(1)</sup>	2,673	2,673	2,673	2,673	2,673
<b>Total Pledged Revenue Available for Debt Service</b>	<u>\$ 44,891</u>	<u>\$ 48,582</u>	<u>\$ 48,392</u>	<u>\$ 47,238</u>	<u>\$ 50,791</u>
<b>Existing Debt Service</b>	\$ 14,036	\$ 20,953	\$ 22,949	\$ 22,949	\$ 22,947
<b>Coverage</b>	3.20x	2.32x	2.11x	2.14x	2.21x

(1) Actual System Development Charges were greater than \$2.673 million from 2010 through 2014. However, the amount that can be Pledged to make debt service payments is \$2.673 million.

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

<b>Bond Year</b>			<b>\$117,015,000</b>	<b>\$25,820,000</b>	<b>\$164,460,000</b>	<b>\$36,110,000</b>	<b>\$23,900,000</b>				
<b>Ending</b>			<b>Series 2010A</b>	<b>Series 2010B</b>	<b>Series 2007</b>	<b>Series 2005</b>	<b>Series 2001</b>				
<b>October 1</b>	<b>Total</b>										
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	<u>21,054,122</u>		<u>21,054,122</u>		-		-		-		-
<b>TOTALS</b>	<b><u>\$ 584,495,925</u></b>		<b><u>\$ 250,258,590</u></b>		<b><u>\$ 35,385,650</u></b>		<b><u>\$ 263,515,885</u></b>		<b><u>\$ 24,190,000</u></b>		<b><u>\$11,145,800</u></b>

**CITY OF TALLAHASSEE, FLORIDA  
CONSOLIDATED UTILITY SYSTEM  
ALL BOND ISSUES  
PRINCIPAL OUTSTANDING**

<b>Bond Year</b>						
<b>Ending</b>		<b>\$117,015,000</b>	<b>\$25,820,000</b>	<b>\$164,460,000</b>	<b>\$36,110,000</b>	<b>\$23,900,000</b>
<b>October 1</b>	<b>Total</b>	<b>Series 2010A</b>	<b>Series 2010B</b>	<b>Series 2007</b>	<b>Series 2005</b>	<b>Series 2001</b>
2015	\$ 6,695,000	\$ -	\$ 1,120,000	\$ 3,865,000	\$ -	\$ 1,710,000
2016	6,975,000	-	1,155,000	4,020,000	-	1,800,000
2017	7,335,000	-	1,215,000	4,220,000	-	1,900,000
2018	7,670,000	-	1,240,000	4,430,000	-	2,000,000
2019	8,055,000	-	1,290,000	4,655,000	-	2,110,000
2020	8,440,000	-	2,450,000	4,885,000	1,105,000	-
2021	8,800,000	-	2,555,000	5,100,000	1,145,000	-
2022	9,215,000	-	2,680,000	5,330,000	1,205,000	-
2023	9,645,000	-	2,810,000	5,570,000	1,265,000	-
2024	10,105,000	-	2,950,000	5,825,000	1,330,000	-
2025	10,590,000	-	3,100,000	6,095,000	1,395,000	-
2026	11,100,000	-	3,255,000	6,380,000	1,465,000	-
2027	11,655,000	3,415,000	-	6,700,000	1,540,000	-
2028	12,180,000	3,530,000	-	7,035,000	1,615,000	-
2029	12,730,000	3,650,000	-	7,385,000	1,695,000	-
2030	13,305,000	3,765,000	-	7,755,000	1,785,000	-
2031	13,890,000	5,745,000	-	8,145,000	-	-
2032	14,495,000	5,945,000	-	8,550,000	-	-
2033	15,120,000	6,145,000	-	8,975,000	-	-
2034	15,780,000	6,355,000	-	9,425,000	-	-
2035	16,465,000	6,570,000	-	9,895,000	-	-
2036	17,185,000	6,795,000	-	10,390,000	-	-
2037	17,935,000	7,025,000	-	10,910,000	-	-
2038	18,715,000	18,715,000	-	-	-	-
2039	19,350,000	19,350,000	-	-	-	-
2040	20,010,000	20,010,000	-	-	-	-
<b>TOTALS</b>	<b><u>\$ 323,440,000</u></b>	<b><u>\$ 117,015,000</u></b>	<b><u>\$ 25,820,000</u></b>	<b><u>\$ 155,540,000</u></b>	<b><u>\$ 15,545,000</u></b>	<b><u>\$ 9,520,000</u></b>

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

Dated: October 1, 2010

**Purpose**

The Series 2010A Bonds were issued to pay the cost of (i) plan, design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant, to include a new biosolids building and equipment and improvements to reduce effluent nitrogen, and other changes to accommodate nutrient removal, and (ii) Water System improvements, including but not limited to water line relocations, water main upgrades, well renovations, replacements and upgrades and building improvements.

**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.

**Bond Reserve**

There are no debt service reserve fund requirements.

**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**

<b>Registrar:</b>	US Bank National Association, Jacksonville, Florida
<b>Paying Agent:</b>	US Bank National Association, Jacksonville, Florida
<b>Bond Counsel:</b>	Bryant Miller Olive P.A., Tallahassee, Florida

**Ratings**

<b>Moody's:</b>	Aa1
<b>Standard &amp; Poor's:</b>	AA+
<b>Fitch:</b>	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 2010A 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:

<u>Year</u>	<u>Amount</u>
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:

<u>Year</u>	<u>Amount</u>
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 2010A 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***

<b>Bond Year</b>	<b>Ending</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Ending</b>	<b>Rate</b>				
<b>October 1</b>	<b>Rate</b>				
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%		<u>20,010,000</u>	<u>1,044,122</u>	<u>21,054,122</u>
<b>TOTALS</b>			<b><u>\$ 117,015,000</u></b>	<b><u>\$ 133,243,590</u></b>	<b><u>\$ 250,258,590</u></b>

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

Dated: October 1, 2010

**Purpose**

The Series 2010B Bonds were issued to pay the cost of (i) plan, design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant, to include a new biosolids building and equipment and improvements to reduce effluent nitrogen, and other changes to accommodate nutrient removal and (ii) Water System improvements, including but not limited to water line relocations, water main upgrades, well renovations, replacements and upgrades and building improvements.

**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.

**Bond Reserve**

There are no debt service reserve fund requirements.

**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**

<b>Registrar:</b>	US Bank National Association, Jacksonville, Florida
<b>Paying Agent:</b>	US Bank National Association, Jacksonville, Florida
<b>Bond Counsel:</b>	Bryant Miller Olive P.A., Tallahassee, Florida

**Ratings**

<b>Moody's:</b>	Aa1
<b>Standard &amp; Poor's:</b>	AA+
<b>Fitch:</b>	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 full 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***

<b>Bond Year</b>	<b>Ending</b>	<b>Interest</b>				
<b>October 1</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
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%	<u>3,255,000</u>	<u>162,750</u>	<u>3,417,750</u>		
<b>TOTALS</b>		<b><u>\$ 25,820,000</u></b>	<b><u>\$ 9,565,650</u></b>	<b><u>\$ 35,385,650</u></b>		

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

Dated: October 1, 2007

**Purpose**

The Series 2007 Bonds were issued to pay the cost of construction of a new preliminary treatment facility at the Lake Bradford Road Wastewater Treatment Plant, and the design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant.

**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, Consolidated Utility System Refunding Revenue Bonds, Series 2005 and Consolidated Utility System Revenue Bonds, Series 2001.

**Bond Reserve**

Reserve Requirement, with respect to the Series 2007 Bonds, shall mean the lesser of (i) the maximum Senior Lien Debt Service Requirement on the Series 2007 Bonds occurring in any year, (ii) 125% of Average Annual Senior Lien Debt Service Requirement on the Series 2007 Bonds, and (iii) the maximum amount as shall not adversely affect the exclusion of interest on the Series 2007 Bonds from the gross income of the holders thereof for purposes of Federal income taxation.

**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**

<b>Registrar:</b>	US Bank National Association, Jacksonville, Florida
<b>Paying Agent:</b>	US Bank National Association, Jacksonville, Florida
<b>Bond Counsel:</b>	Bryant Miller Olive P.A., Tallahassee, Florida

**Ratings**

<b>Moody's:</b>	Aa1
<b>Fitch:</b>	AA+
<b>Standard &amp; Poor's:</b>	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, 2017 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:

<u>Year</u>	<u>Amount</u>
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:

<u>Year</u>	<u>Amount</u>
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***

<b>Bond Year</b>	<b>Ending</b>	<b>Interest</b>			
<b>October 1</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
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%	<u>10,910,000</u>	<u>545,500</u>	<u>11,455,500</u>	
<b>TOTALS</b>		<b><u>\$ 155,540,000</u></b>	<b><u>\$ 107,975,885</u></b>	<b><u>\$ 263,515,885</u></b>	

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

Dated: October 1, 2005

**Purpose**

The Series 2005 Bonds were issued to refund a portion of the City's outstanding Consolidated Utility System Revenue Bonds Series 1995, and to pay the cost of improvements which consist of, but are not limited to, planning, design and construction of biosolids treatment and disposal facilities, rehabilitation of digesters, renovation of pump stations, design and construction of new pumping stations, construction of line extensions, easement acquisition, construction of manhole adjustments, relocation and upgrade of sewer lines and the installation of sewer taps.

**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.

**Bond Reserve**

Reserve Requirement, with respect to the Series 2005 Bonds, shall mean the lesser of (i) the maximum Senior Lien Debt Service Requirement on the Series 2005 Bonds occurring in any year, (ii) 125% of Average Annual Senior Lien Debt Service Requirement on the Series 2005 Bonds, and (iii) the maximum amount as shall not adversely affect the exclusion of interest on the Series 2005 Bonds from the gross income of the holders thereof for purposes of Federal income taxation.

**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**

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

**Ratings**

<b>Moody's:</b>	Aa1 underlying
<b>Fitch:</b>	AA+ underlying
<b>Standard &amp; Poor's:</b>	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:

<b><u>Date (October 1)</u></b>	<b><u>Principal Amount</u></b>
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***

<b>Bond Year Ending October 1</b>	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	(1)	\$ -	\$ 752,813	\$ 752,813
2016	(1)	-	752,813	752,813
2017	(1)	-	752,813	752,813
2018	(1)	-	752,813	752,813
2019	(1)	-	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%	<u>1,785,000</u>	<u>75,863</u>	<u>1,860,863</u>
<b>TOTALS</b>		<b><u>\$ 15,545,000</u></b>	<b><u>\$ 8,645,000</u></b>	<b><u>\$ 24,190,000</u></b>

(1) 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**

The Series 2001 Bonds were issued to refund the following outstanding bonds: (i) \$245,000 of the Series 1991A Bonds; (ii) \$1,435,000 of the Series 1991B Bonds; and (iii) \$23,040,000 of the Series 1994 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.

**Bond Reserve**

Reserve Requirement, with respect to the Series 2001 Bonds, shall mean the lesser of (i) the maximum Senior Lien Debt Service Requirement on the Series 2001 Bonds occurring in any year, (ii) 125% of Average Annual Senior Lien Debt Service Requirement on the Series 2001 Bonds, and (iii) the maximum amount as shall not adversely affect the exclusion of interest on the Series 2001 Bonds from the gross income of the holders thereof for purposes of Federal income taxation.

**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**

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

**Ratings**

<b>Moody's:</b>	Aa1 underlying
<b>Fitch:</b>	AA+ underlying
<b>Standard &amp; Poor's:</b>	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***

<b>Bond Year</b>	<b>Interest</b>			
<b>Ending</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>October 1</b>	<b>Rate</b>			
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%	<u>2,110,000</u>	<u>116,050</u>	<u>2,226,050</u>
<b>TOTALS</b>		<b><u>\$ 9,520,000</u></b>	<b><u>\$ 1,625,800</u></b>	<b><u>\$ 11,145,800</u></b>

**\$16,491,622**  
**CITY OF TALLAHASSEE, FLORIDA**  
**Master Equipment Lease Purchase Agreement (AMI Loans)**  
**Water System**

Dated: 2007 and 2009

**Purpose**

The Master Lease Purchase Agreement was utilized to fund the acquisition of Smart Energy Metering and Management Systems, consisting of meters and communication devices, to create a network of approximately 220,000 electric, gas and water meters.

**Security**

The rental payments are to be made only from lessee's legally available revenues appropriated on an annual basis (covenant to budget and appropriate).

**Purchase Option**

Upon payment in full of all rental payments then due and all other amounts then owing under the lease, and the payment of \$1.00 to lessor.

**Lessor:** Banc of America



**\$14,564,780**  
**CITY OF TALLAHASSEE, FLORIDA - WATER**  
**MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT - 1**  
**BANC OF AMERICA PUBLIC CAPITAL CORPORATION**

*Summary of Remaining Debt Service Requirements*

<b>Bond Year</b>	<b>Ending</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
<b>October 1</b>	<b>Rate</b>						
2015	3.9459%	\$	938,764	\$	435,255	\$	1,374,019
2016	3.9459%		976,172		397,847		1,374,019
2017	3.9459%		1,015,071		358,949		1,374,019
2018	3.9459%		1,055,520		318,500		1,374,019
2019	3.9459%		1,097,580		276,439		1,374,019
2020	3.9459%		1,141,317		232,702		1,374,019
2021	3.9459%		1,186,796		187,223		1,374,019
2022	3.9459%		1,234,088		139,931		1,374,019
2023	3.9459%		1,283,265		90,755		1,374,019
2024	3.9459%		<u>1,334,400</u>		<u>39,619</u>		<u>1,374,019</u>
<b>TOTALS</b>			<b><u>\$ 11,262,974</u></b>		<b><u>\$ 2,477,221</u></b>		<b><u>\$ 13,740,195</u></b>

**\$1,926,842**  
**CITY OF TALLAHASSEE, FLORIDA - WATER**  
**MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT - 2**  
**BANC OF AMERICA PUBLIC CAPITAL CORPORATION**

*Summary of Remaining Debt Service Requirements*

<b>Bond Year</b>	<b>Ending</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
<b>October 1</b>	<b>Rate</b>						
2015	4.590%	\$	158,489	\$	29,329	\$	187,818
2016	4.590%		165,847		21,971		187,818
2017	4.590%		173,547		14,271		187,818
2018	4.590%		<u>180,263</u>		<u>6,214</u>		<u>186,477</u>
<b>TOTALS</b>			<b><u>\$ 678,146</u></b>		<b><u>\$ 71,785</u></b>		<b><u>\$ 749,931</u></b>

**CITY OF TALLAHASSEE, FLORIDA  
AMI LOANS - WATER  
CONSOLIDATED DEBT SERVICE**

<b>Bond Year</b>		<b>\$14,564,780</b>	<b>\$1,926,842</b>
<b>Ending</b>		<b>AMI LOAN</b>	<b>AMI LOAN 2</b>
<b>October 1</b>	<b>Total</b>		
2015	\$ 1,561,837	\$ 1,374,019	\$ 187,818
2016	1,561,837	1,374,019	187,818
2017	1,561,837	1,374,019	187,818
2018	1,560,497	1,374,019	186,477
2019	1,374,019	1,374,019	-
2020	1,374,019	1,374,019	-
2021	1,374,019	1,374,019	-
2022	1,374,019	1,374,019	-
2023	1,374,019	1,374,019	-
2024	<u>1,374,019</u>	<u>1,374,019</u>	<u>-</u>
<b>TOTALS</b>	<b><u>\$ 14,490,126</u></b>	<b><u>\$ 13,740,195</u></b>	<b><u>\$ 749,931</u></b>

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## **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. While the City does not have any remaining debt outstanding with the Commission, the City continues to have a representative on its Board of Directors.

### **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 issue outstanding.

- As of September 30, 2014, there were four series of Health Facilities Revenue Refunding Bonds outstanding. The original issue amounts totaled \$161.4 million, and the outstanding balance is \$106,790,000; and
- As of September 30, 2014, there was one Lease Revenue Bonds outstanding. The original issue amount totaled \$18.1 million, and the outstanding balance is \$14,646,522.

### **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, 2014, the outstanding balance on the Series 2011 Industrial Revenue Bonds is \$5,395,284.