ANNUAL REPORT TO BONDHOLDERS

CITY OF TALLAHASSEE

February 2010

City of Tallahassee
Elected Officials

John R. Marks, III
MAYOR

Mark Mustian
MAYOR PRO TEM - COMMISSIONER

Gil Ziffer
COMMISSIONER

Debbie Lightsey
COMMISSIONER

Andrew D. Gillum
COMMISSIONER

Administration

Anita Favors Thompson
CITY MANAGER

James R. English
CITY ATTORNEY

Gary Herndon
CITY TREASURER-CLERK

Sam McCall
CITY AUDITOR

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

Financial Advisor
Public Financial Management
Orlando, Florida

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2010 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 2010 Annual Report to Bondholders can be found on the DAC website at www.dacbond.com. The DAC website also hosts related City documents including official statements for outstanding debt.

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

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

- $203,230,000 Energy System Revenue Bonds, Series 2007, dated August 9, 2007.
- $128,920,000 Energy System Revenue Bonds, Series 2005, dated October 1, 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.
- $49,220,000 Energy System Revenue Bonds, Series 1998B, dated November 1, 1998.
- $7,355,000 Airport System Revenue Refunding Bonds, Series 2004, dated August 10, 2004.
- $26,975,000 Capital Bonds, Series 2009, dated April 24, 2009.
- $9,400,000 Capital Bonds, Series 2008, dated December 11, 2008.
- $86,210,000 Capital Bonds, Series 2004, dated November 17, 2004.
- $15,360,000 Capital Refunding Bonds, Series 2001, dated October 15, 2001
- $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 14, 2005.
- $23,900,000 Consolidated Utility System Refunding Revenue Bonds, Series 2001, dated May 1, 2001.

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

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

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

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

City Treasurer-Clerk
City of Tallahassee
300 South Adams Street
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8389
treasury@talgov.com

Table of Contents

EXECUTIVE SUMMARY **1**

THE CITY OF TALLAHASSEE **5**

GENERAL GOVERNMENT **8**

Capital Refunding Bonds, Series 2009 13

Capital Refunding Bonds, Series 2008 15

Capital Refunding Bonds, Series 2004 17

Capital Refunding Bonds, Series 2001 19

ENERGY SYSTEM **21**

ELECTRIC SYSTEM **25**

GAS SYSTEM **31**

Energy System Revenue Bonds, Series 2007 41

Energy System Refunding Revenue Bonds, Series 2005 44

Energy System Refunding Revenue Bonds, Series 2001 47

Energy System Refunding Revenue Bonds, Series 1998 A 49

Energy System Revenue Bonds, Series 1998 B 52

THE CONSOLIDATED UTILITY SYSTEM **55**

WATER SYSTEM **59**

WASTEWATER SYSTEM **61**

STORMWATER SYSTEM **64**

Consolidated Utility System Refunding Revenue Bonds, Series 2007 71

Consolidated Utility System Refunding Revenue Bonds, Series 2005 74

Consolidated Utility Systems Revenue Bonds, Series 2001 76

TALLAHASSEE REGIONAL AIRPORT **78**

Airport System Revenue Refunding Bonds, Series 2004 83

OTHER DEBT FINANCING **85**

EXECUTIVE SUMMARY

The City's Annual Report to Bondholders is designed to provide a reader, with no prior background, general information regarding the City and its debt. For those readers who regularly follow the City, much of the information contained herein may be repetitive. To assist those readers, the most significant changes since last year's report are highlighted below. Readers are encouraged to read the report in its entirety even though the City, by means of this executive summary, identifies only those events that it believes to be the most important that have occurred since the publication of the 2009 Annual Report to Bondholders.

Ratings

Most 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 by various rating agencies. As a result, Tallahassee's underlying credit rating is often stronger than that of the surety. Tables below provide a summary of underlying ratings and insurance provide ratings for all outstanding Tallahassee bonds. This information is believed to be accurate at the time this report is released; however, bondholders are advised to verify or update ratings for insurance providers as these ratings are subject to change.

		Underlying Rating		
Series Name	**Series**	**Moody's**	**S&P**	**Fitch**
Energy System Revenue Bonds	2007	Aa3	AA	AA-
Energy System Revenue Bonds	2005	Aa3	AA	AA-
Energy System Refunding Revenue Bonds	2001	Aa3	AA	AA-
Energy System Revenue Bonds	1998A	Aa3	AA	AA-
Energy System Revenue Bonds	1998B	Aa3	AA	AA-
CUS Revenue Bonds	2007	Aa2	AA	AA
CUS Refunding Revenue Bonds	2005	Aa2	AA	AA
CUS Bonds	2004	Aa2	AA	AA
Capital Bonds	2004	A1	N/A	AA-
Capital Refunding Bonds	2001	A1	A+	AA-
Capital Bonds	2009	-	-	-
Capital Bonds	2008	-	-	-
Airport Revenue Refunding Bonds	2004	N/A	N/A	N/A

			Insurance Provider Ratings		
Series Name	**Series**	**Bond Insurance Provider**	**Moody's**	**S&P**	**Fitch**
Energy System Revenue Bonds	2007	MBIA	B3	BB+	WD
Energy System Revenue Bonds	2005	MBIA	B3	BB+	WD
Energy System Refunding Revenue Bonds	2001	Ambac	Caa2	CC	WD
Energy System Revenue Bonds	1998A	FSA	Aa3	AAA	AA
Energy System Revenue Bonds	1998B	FSA	Aa3	AAA	AA
CUS Bonds	2007	N/A	N/A	N/A	N/A
CUS Bonds	2005	Ambac	Caa2	CC	WD
CUS Bonds	2004	FGIC	WD	WD	WD
Capital Bonds	2004	FSA	Aa3	N/A	AA
Capital Refunding Bonds	2001	FGIC	WD	WD	WD
Airport Revenue Refunding Bonds	2004	Ambac	Caa2	CC	WD

Planned Refunding

At the time of issuance of this report, the City has begun the process to refund all or part of the outstanding Energy System Bonds, Series 1998A and 1998B. The refunding will not include borrowing of new money nor will it extend the maturity of the debt. It will simply take advantage of current low interest rates and reduce annual debt service associated with these through 2028.

Series 2009 Capital Revenue Bonds

Due to volatility in the variable rate debt market, the City issued a single private placement fixed-rate term bond to Bank of America for $26,975,000 to pay on the balance of SSGFC debt. The bond, issued in 2009, will be paid off by October 1, 2031. The balance is due in annual installments of $626,000 to $2,007,000 from October 1, 2009 to October 1, 2031, bearing interest at 3.7%.

Property Taxes and other 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 and agencies.

State legislation imposed a property tax roll-back and reduction for FY 2008 and FY 2009. Effective in FY 2009, a constitutional amendment was implemented which provided additional homestead and business exemptions, business caps on assessed value increases, and portability of certain homestead exemptions which also adversely affected taxable property values. Declining property values resulting from economic conditions further exacerbated the decline in taxable values. The FY 2010 assessed property values for Tallahassee decreased by 8.3%. It is expected that property values will decline again to a lesser degree for FY 2011. Additional declines will be mitigated by a constitutionally required CPI increase of 2.7% on most homesteaded properties.

As a result of the above, property taxes, which provide 26% of governmental revenues (including transfers), decreased by $1.850 million in FY 2008. The FY 2008 statutorily mandated millage rate roll-backs resulted in a reduction in the millage rate from 3.7 mills to 3.1686 mills. Since that time, millage rates have been increased to 3.2115 mills in FY 2009 and 3.7000 mills in FY 2010. As a result of the changes in property values and millage rates discussed above, property taxes totaled $34,001,000 for FY 2009 after reaching a high of $35,630,000 in FY 2007. Property taxes provide 26% of governmental revenues (including transfers).

As a result of the ongoing recession, revenues for the State of Florida budget have decreased in each of the last two years, and this trend is expected to continue into FY 2010 based on lower than estimated sales tax receipts, deflation of the housing market, and other economic conditions. This directly impacts city general revenues through declining state shared revenues. Shared revenues were $23.265 in FY 2009, an 11% decrease from shared revenues of $26.216 in FY 2007.

General Fund Transfer

Since FY 2005, the base for Electric Fund transfers has been set at an amount comparable to 8.3 mills of kilowatt hour (kWh) retail sales. Accordingly, the annual transfers vary with changes in retail sales of electricity. The transfer levels of water, sewer, and solid waste have been set as a percentage of the prior three-year average of gross system revenues for each utility. The percentages for water, sewer, and solid waste are 20%, 4.5% and .0075%, respectively. The transfer for the gas has been set at an annual amount of $2,323,000.

Rate Increases

In 2007, the City Commission approved a series of rate increases for each of the electric, gas, water, and sewer utilities. Increase for gas and electric have been implemented; water and sewer each have a final rate increase to be made in 2010. The City Commission also approved annual adjustments of rates for all utilities based on the Consumer Price Index. The inflationary adjustments for the electric utility began October 1, 2008 and for other utilities begin after the last scheduled rate increase.

System	Effective Date	Amount
Sewer	April 1, 2008	15%
Sewer	January 1, 2009	14%
Sewer	April 1, 2010	14%
Water	January 1, 2009	12.9%
Water	October 1, 2010	11.0%

Other significant fee increases include the Fire Services Fee and Building Inspection Fees. For FY 2010, Leon County implemented a fire service fee for residents of unincorporated Leon County. Fees for both Leon County and City residents have been increased in order to fully cover the cost of the service. Due to the rapid decline in building activity, the Building Inspection Fund has not fully recovered costs of service and has required annual loans from general government reserves. For FY 2010, extensive expenditure reductions were made and fees were increased by 30% to remedy this situation.

Pension Plan

Based solely on the September 30, 2007 report and FY 2008 – FY 2009 plan performance, it appears that the City of Tallahassee Pension Plan was under-funded at September 30, 2009. The City of Tallahassee Pension Plan's actuarial report for September 30, 2009 is currently in progress.

The City will consider appropriate responses to ensure that funding is adequate. Responses may include increased employer contributions and/or increased employee contributions.

Sunshine State Governmental Financing Commission (SSGFC)

The Sunshine State Government Financing Commission (SSGFC or the Commission) was created in 1988 through 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 large, sophisiticated government the opportunity to work together to create low cost, flexible financing instruments. The City had approximately $41 million in variable rate debt outstanding under the program as of September 30, 2009.

Electronic Dissemination of Information

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

The September 30, 2009 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 2010.

DAC

The DAC website hosts a variety of debt information. DAC acts as a disclosure dissemination agent for insurers 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 2010 report, annual reports from the past several years are available on the DAC site. Official statements for each of the outstanding issues summarized in this annual report are also posted. Information also includes multiple years' CAFR's.

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

Contact

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

THE CITY OF TALLAHASSEE

General

Tallahassee, the capital city of Florida, was incorporated in 1825, 20 years before Florida was admitted to the Union. The City is governed by a Mayor and four Commissioners elected at-large. The City Commission appoints the City Manager, the City Treasurer-Clerk, the City Attorney and the City Auditor. Collectively, the appointed officials are responsible for all administrative aspects of the government, with most falling under the purview of the City Manager.

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

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

Population and Employment

The 2008 American Community Survey (the Survey) results show a racially diverse community, with minorities accounting for 34.4% of the Leon County population and 38.4% of the City population. The population is young, with a median age of 27.5. City of Tallahassee residents have historically attained a very high level of education. According to the Survey, 44.4% of area residents aged 25 or older have completed at least four years of college, compared to 27.7% for the state. The 2007 median family income in Leon County is $67,161, compared to the national median family income of $63,366. Workers in management or professional occupations amount to 43.4% compared to 34.9% nationally.

The level of governmental employment has a stabilizing effect on the economy and helps to minimize unemployment. In November 2009, unemployment was 7.9% for both the City of Tallahassee and Leon County, as compared to the State's unemployment rate of 11.5%. The percentage of Leon County employees employed by local, state, and federal government is approximately 36% of the work force. The unemployment rate is one of many economic indicators utilized to evaluate the condition of the economy. In addition, due to governmental employment, which calls for large numbers of professional and white-collar employees, Tallahassee and Leon County enjoy relatively high income levels, especially when compared to surrounding counties. According to population estimates by the University of Florida's Bureau of Economic and Business Research, Tallahassee's population has increased by 27,255 people since the 2000 Census (2.0% per year on average). Population growth trends are presented in the following table:

POPULATION GROWTH

Year	Tallahassee	Unincorporated	Leon County
1950	27,237	24,353	51,590
1960	48,174	26,051	74,225
1970	71,897	31,150	103,047
1980	81,548	67,107	148,655
1990	124,773	67,720	192,493
2000	150,624	88,828	239,452
2010 estimated	178,500	97,300	275,800
2015 projected	187,100	100,400	287,500
2020 projected	197,300	104,200	301,500
2025 projected	207,100	107,800	314,900
2030 projected	216,200	111,100	327,300
2035 projected	224,600	114,200	338,800

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

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

Average Annual Unemployment Rate

Year	Leon County	Florida	United States
1999	2.6	4.0	4.2
2000	3.0	3.8	4.0
2001	3.5	4.7	4.7
2002	4.4	5.7	5.8
2003	4.1	5.3	6.0
2004	3.7	4.7	5.5
2005	3.2	3.9	5.1
2006	2.8	3.4	4.6
2007	3.1	4.0	4.6
2008	4.4	6.2	5.8
2009*	7.7	11.8	10.0

Source: Florida Agency for Workforce Innovation, Labor Market Statistics, Local Area Unemployment Statistics. *December 2009.

Trade and Service Area

As the largest city in north-central Florida, Tallahassee has naturally assumed the role as a regional trade center. Located just 20 miles south of the Georgia state line, this regional trading activity encompasses Leon County, as well as four south Georgia counties and eight surrounding north Florida counties. Tallahassee has over 45 shopping centers, and retail sales within Leon County account for over 65% of the retail sales made in the 13-county region. The retail and wholesale trade industry are an important aspect of the economy of the Tallahassee MSA, providing almost 12% of the employment with the services industry providing another 38%.

Education

In addition to being the Capital, Tallahassee is the site of two major state universities and a regional community college. Total enrollment in these institutions is over 65,000 students.

The largest and oldest university in the City is Florida State University (FSU), which was founded in 1851, and is the home of the Florida State University Seminoles. Fall 2009 enrollment totaled 40,255 students in its undergraduate and graduate colleges, schools, and divisions. FSU is nationally known for its outstanding programs in natural sciences, fine arts, business, law, and education. A medical school was created in 2000 with its first students admitted in 2001. Eventually, 400 students will be enrolled in the College of Medicine.

A second nationally known university in Tallahassee is the Florida Agricultural and Mechanical University (FAMU), which was founded in 1887 and is the home of the FAMU Rattlers. FAMU offers extensive undergraduate and graduate courses to nearly 12,000 students. Programs offered at FAMU complement those at FSU and have received recognition in the fields of architecture, agriculture and pharmacy. Both universities offer programs leading to doctorate degrees.

Tallahassee Community College (TCC) presently serves approximately 15,000 students. TCC offers the same curriculum for college credit as that offered at the universities for the first two years. Associate degrees are awarded in over 30 fields, some through special cooperative programs with the local universities. TCC formed the first University Partnership with Flagler College (Flagler) in the Fall of 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.

GENERAL GOVERNMENT

Ad Valorem Millage Rate

Property taxes can significantly impact the citizen's perception of economic success. The City's millage rate of 3.2115 mills and 3.7000 mills were the lowest of the ten largest cities in Florida for 2009 and 2010, respectively. However, not all of the comparable cities have implemented a fire service fee to cover the cost of fire protection and include this service in the general fund unlike the City of Tallahassee. Property tax reform enacted by the Florida Legislature and voters has had an impact on general government funding as evidenced by reduced millage rates shown below for 2008. Millage rates were increased for some of the cities in 2009 and 2010 to mitigate the effects of declining property values and other economic conditions.

		Millage Rates			
City	**2009 Population**	**2007**	**2008**	**2009**	**2010**
Miami	417,451	8.37	7.30	7.64	7.67
Tampa	339,480	6.41	5.73	5.73	5.73
St. Petersburg	248,729	6.60	5.91	5.91	5.91
Hialeah	226,605	6.80	6.54	6.54	6.54
Orlando	233,115	5.70	4.93	5.65	5.65
Fort Lauderdale	180,706	4.81	4.12	4.12	4.12
Tallahassee	**177,879**	**3.70**	**3.17**	**3.21**	**3.70**
Pembroke Pines	151,193	6.81	5.74	5.69	6.05
Hollywood	141,942	4.60	3.89	4.43	5.12

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

Revenue Considerations

Property taxes, which provide 26% of governmental revenues (including transfers), decreased by $1.850 million in FY 2008 due to a reduction in the millage rate from 3.7 mills to 3.1686 mills as a result of statutorily mandated millage rate roll-backs. Also, a constitutional amendment passed by voters in 2008 further reduced taxable values for FY 2009. And, due to declining home values and economic conditions, the taxable value for FY 2010 decreased by approximately 8.1% and is expected that it will decrease again for FY 2011, although to a lesser extent. The total decline in property values will be mitigated to some extent by a constitutionally required increase in the values of most homesteaded property by a CPI rate of 2.7%. To partially compensate for the decrease in property values, the millage rate for FY 2010 was increased. The rate increase, coupled with declining assessed values, provides approximately the same amount of revenue as budgeted for FY 2008.

Transfer Considerations

Annually, the City transfers funds from its utilities to the General Fund to support general government operations. The methodology for calculating the transfers from all the utilities has been consistent since changes made in FY 2004. The base for Electric Fund transfers is set at an amount comparable to 8.3 mills per retail kilowatt hour (kWh) sales for the prior year.

Accordingly, the annual transfers will vary with changes in retail sales of electricity. The transfer levels for water, sewer and solid waste are set as a percentage of the prior 3-year average of gross system revenues for each utility. The percentages for water, sewer and solid waste are 20%, 4.5% and 0.75%, respectively. The transfer from gas is a fixed amount that is not related to system sales. The transfer for FY 2007 was $2,300,000; this transfer was increased by 1% to $2,323,000 for FY 2008 and for FY 2009. Transfers from utilities to the General Fund totaled $33.1 million in FY 2008, $33.3 million in FY 2009, and $34.5 million for FY 2010. The transfer from the Electric Utility decreased slightly with the increase coming from Water and Sewer enterprises.

Expense Considerations

General Fund expenses decreased by $2.6 million in FY 2009 or 2% compared to the prior year. This is attributed to decreases in utility costs, debt service expense, fuel, overtime, and temporary wages.

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

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

As previously discussed, a property tax roll-back and reduction is in place for FY 2008 and FY 2009, and a constitutional amendment implementing additional homestead and business exemptions, business caps on assessed value increases, and portability of certain homestead exemptions was approved by Florida voters in January 2008 effective for FY 2009. Although these actions reduce taxable values of homesteaded properties and establish restrictions on increased millage rates, provisions in the legislation allow for overriding millage caps by a super majority of the City Commission or by referendum. Further property tax reform has been proposed in the 2010 legislative session, but no action has been taken and no impact is expected for the FY 2010 budget.

Economic market corrections are expected to further impact general government revenue sources. Revenues for the State of Florida budget have decreased in each of the last two years, and this trend is expected to continue into FY 2010 based on lower than estimated sales tax receipts, deflation of the housing market, and other economic conditions. This directly impacts City general revenues through declining state shared revenues.

Revenues for the business-type activities and certain governmental activities (permitting, recreational programs, etc.) come from user fees or service charges. The City is experiencing a significant decrease in building-related revenues due to economic conditions. This is expected to continue into FY 2010 and FY 2011. To mitigate this, budgeted expenditures for this function have been significantly reduced and a fee increase of 30% implemented for FY 2010. The consumption of the City's utilities is impacted by local weather patterns and the growth of new homes and businesses in the market. In recent years, there has been a decreasing consumption trend in all of the utilities due to a combination of demand side management programs, decreased growth, and economic conditions. 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, 2009, was approximately $95 million.

The City has long-term purchase contract obligations for the purchase of gas that are managed by the City's Energy Services Department. These are based on forecast needs of our customers and expected prices in the market. These contracts help to assure an adequate supply and help to reduce the spikes that can occur with market prices. Revenues from future purchases by customers are expected to cover these obligations. The City also uses hedge instruments to minimize the risk of market energy price volatility and counter-party credit risk-related to the purchase of natural gas.

Fiscal Year 2009's Budget and Rates

The City is home to several state and federal offices in addition to two universities and a community college. These tax-free entities limit the taxable base to roughly 55% of the City's property value. The FY 2009 millage rate was increased slightly from 3.1686 mills to 3.2115 mills due to decreases in taxable value resulting from legislative reform. The rate was again increased in FY 2010 to 3.7000 mills due to declining property values. In addition, the City has been advised by the Leon County Property Appraiser that taxable values are expected to decline for FY 2011. Continued discussion of property tax reform by the State Legislature in the form of another constitutional amendment to further cap growth of non-homesteaded property tax rates could result in additional impact to ad-valorem taxes. However, at the present time, the impact of this type of change would be minimal given that property values are not increasing. The City is monitoring this legislation and will adjust future years' budgets accordingly.

The City's FY 2010 Capital Budget is appropriated at $187 million with $19.7 million budgeted in the General Fund and $167.3 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 2014 that totals $893.5 million with appropriations made on an annual basis.

Selected General Government Statistics

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

For Fiscal Years Ending September 30	2005	2006	2007	2008	2009
Communication Services Tax	8,334	8,226	8,917	9,140	*9,140
Half Cent Sales Tax	9,463	10,127	9,875	9,658	8,714
Guaranteed Entitlement	1,251	1,251	1,251	1,251	1,251
Total Revenue	19,048	19,604	20,043	20,049	19,105
Debt Service	6,267	7,674	7,676	7,672	8,508
Debt Service Coverage	**3.04x**	**2.55x**	**2.61x**	**2.61x**	**2.25x**

* an additional $488k has been reserved to address future audit issues.

Property Tax Levies and Collections (in 000s)

Fiscal Year	Total Assessed Valuation	Taxable Assessed Valuation	Levy	Collection	Percentage (1)
2000	10,283,316	5,217,864	16,775	16,081	96
2001	10,653,603	5,558,879	17,856	17,231	97
2002	11,101,846	5,892,235	18,927	18,172	96
2003	11,718,893	6,335,214	20,363	19,503	96
2004	12,561,990	6,734,959	24,988	24,053	96
2005	13,321,051	7,370,184	27,306	26,349	96
2006	14,983,276	8,600,518	31,875	30,191	95
2007	17,643,758	10,083,178	37,370	35,492	95
2008	19,251,581	11,162,814	35,416	33,592	95
2009	19,580,463	10,791,427	34,704	33,100	95

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

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

Bond Year Ending October 1	Total	$26,975,000 Series 2009	$9,400,000 Series 2008	$86,210,000 Series 2004	$15,360,000 Series 2001
2010	$ 10,014,291	$ 2,006,759	$ 1,391,044	$ 4,741,629	$ 1,874,860
2011	10,471,076	2,464,364	1,393,534	4,733,679	1,879,500
2012	10,469,450	2,461,580	1,389,660	6,618,210	-
2013	10,464,816	2,461,664	1,389,592	6,613,560	-
2014	11,527,692	2,459,521	1,393,161	7,675,010	-
2015	11,523,515	2,460,060	1,390,195	7,673,260	-
2016	11,579,052	2,458,187	1,390,865	7,730,000	-
2017	10,133,810	2,458,810	-	7,675,000	-
2018	10,132,086	2,456,836	-	7,675,250	-
2019	9,025,541	1,353,041	-	7,672,500	-
2020	9,024,325	1,353,075	-	7,671,250	-
2021	9,027,559	1,351,809	-	7,675,750	-
2022	9,024,246	1,349,246	-	7,675,000	-
2023	9,023,791	1,350,291	-	7,673,500	-
2024	9,025,352	1,349,852	-	7,675,500	-
2025	1,347,929	1,347,929	-	-	-
2026	1,349,429	1,349,429	-	-	-
2027	1,349,260	1,349,260	-	-	-
2028	626,055	626,055	-	-	-
2029	625,279	625,279	-	-	-
2030	623,761	623,761	-	-	-
2031	626,408	626,408	-	-	-
TOTALS	**$ 157,014,719**	**$ 36,343,214**	**$ 9,738,048**	**$ 107,179,098**	**$ 3,754,360**

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

Dated: April 24, 2009

Purpose

Private placement bond to repay a portion of the outstanding principal amount of the obligations evidenced by certain loan agreements between the City of Tallahassee and the Sunshine State Governmental Financial Commission, and to pay for costs associated with the bond issue.

Security

The Bonds are secured by a pledge of and lien on the City's Guaranteed Entitlement Revenues; the City's receipts from the Local Government Half-Cent Sales Tax; the proceeds from the City's Local Communications Services Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund. The Bonds are secured on a junior and subordinate basis to the Capital Refunding Bonds, Series 2001 and the Capital Bonds, Series 2004.

Form

$26,975,000 Capital Improvement Refunding Revenue Bonds Series 2009 due October 1, 2031. Interest is payable semi-annually on each April 1 and October 1, commencing October 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 three (3) days prior written notice to the Owner by payment in an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus the Prepayment Fee.

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	3.710%	$ 1,025,000	$ 981,759	$ 2,006,759
2011	3.710%	1,530,000	934,364	2,464,364
2012	3.710%	1,585,000	876,580	2,461,580
2013	3.710%	1,645,000	816,664	2,461,664
2014	3.710%	1,705,000	754,521	2,459,521
2015	3.710%	1,770,000	690,060	2,460,060
2016	3.710%	1,835,000	623,187	2,458,187
2017	3.710%	1,905,000	553,810	2,458,810
2018	3.710%	1,975,000	481,836	2,456,836
2019	3.710%	925,000	428,041	1,353,041
2020	3.710%	960,000	393,075	1,353,075
2021	3.710%	995,000	356,809	1,351,809
2022	3.710%	1,030,000	319,246	1,349,246
2023	3.710%	1,070,000	280,291	1,350,291
2024	3.710%	1,110,000	239,852	1,349,852
2025	3.710%	1,150,000	197,929	1,347,929
2026	3.710%	1,195,000	154,429	1,349,429
2027	3.710%	1,240,000	109,260	1,349,260
2028	3.710%	550,000	76,055	626,055
2029	3.710%	570,000	55,279	625,279
2030	3.710%	590,000	33,761	623,761
2031	3.710%	615,000	11,408	626,408
TOTALS		**$ 26,975,000**	**$ 9,368,214**	**$ 36,343,214**

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

Dated: December 11, 2008

Purpose

Private placement bond 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 18, 1986, amended and restated on April 25, 2001, in the original principal amount of $18,200,000, and to pay for costs associated with the bond issue.

Security

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

Form

$9,400,000 Capital Improvement Refunding Revenue Bonds Series 2008 due October 1, 2016. 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% of the principal amount thereof to be paid, plus accrued interest to the redemption date.

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	3.410%	$ 1,100,000	$ 291,044	$ 1,391,044
2011	3.410%	1,140,000	253,534	1,393,534
2012	3.410%	1,175,000	214,660	1,389,660
2013	3.410%	1,215,000	174,592	1,389,592
2014	3.410%	1,260,000	133,161	1,393,161
2015	3.410%	1,300,000	90,195	1,390,195
2016	3.410%	1,345,000	45,865	1,390,865
TOTALS		**$ 8,535,000**	**$ 1,203,048**	**$ 9,738,048**

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

Dated: December 7, 2004

Purpose

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

Security

The Bonds are secured by a pledge of and lien on the City's Guaranteed Entitlement Revenues; the City's receipts from the Local Government Half-Cent Sales Tax; the proceeds from the City's Local Communications Services Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund. The Bonds are secured on parity with the Capital Refunding Bonds, Series 2001.

Form

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

Agents

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

Ratings

Moody's:	A1 underlying
Fitch:	AA- underlying

Call Provisions

Optional Redemption

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

Defeasance

In November 2008, the City of Tallahassee defeased $5 million of the Series 2004 Bonds.

$86,210,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2004

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	3.000%	$ 1,265,000	$ 3,476,629	$ 4,741,629
2011	3.125%	1,295,000	3,438,679	4,733,679
2012	3.250%	3,220,000	3,398,210	6,618,210
2013	(1)	3,320,000	3,293,560	6,613,560
2014	5.000%	4,535,000	3,140,010	7,675,010
2015	3.850%	4,760,000	2,913,260	7,673,260
2016	5.000%	5,000,000	2,730,000	7,730,000
2017	5.000%	5,195,000	2,480,000	7,675,000
2018	5.000%	5,455,000	2,220,250	7,675,250
2019	5.000%	5,725,000	1,947,500	7,672,500
2020	5.000%	6,010,000	1,661,250	7,671,250
2021	5.000%	6,315,000	1,360,750	7,675,750
2022	5.000%	6,630,000	1,045,000	7,675,000
2023	5.000%	6,960,000	713,500	7,673,500
2024	5.000%	7,310,000	365,500	7,675,500
TOTALS		**$ 72,995,000**	**$ 34,184,098**	**$ 107,179,098**

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

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

Dated: October 15, 2001

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

Security
The Bonds are secured by a pledge of and lien on the City's Guaranteed Entitlement Revenues; the City's receipts from the Local Government Half-Cent Sales Tax; the proceeds from the City's Local Communication Services Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund. The Bonds are secured on parity with the Capital Bonds, Series 2004.

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

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

Ratings
Moody's:	A1 underlying
Fitch:	AA- underlying
Standard & Poors:	A+ underlying

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

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	3.800%	$ 1,720,000	$ 154,860	$ 1,874,860
2011	5.000%	1,790,000	89,500	1,879,500
TOTALS		**$ 3,510,000**	**$ 244,360**	**$ 3,754,360**

ENERGY SYSTEM

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

Anticipated financing needs for the Energy System through 2011 are:

Issue	Amount	Projected Date
Electric System Revenue	$ 120,000,000	2010
Gas System Revenue	$ 3,000,000	2010
Electric System Revenue	$ 80,000,000	2013
Gas System Revenue	$ 12,000,000	2013

Administration

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

ENERGY SERVICES

The City's Energy Services Department (ESD) is comprised of two Divisions, the Wholesale Energy Services Division and the Retail Energy Services Division. The primary purpose of the Wholesale Energy Services Division is to manage the fuels and energy supply portfolios for the City's Energy System. Recently, focus has been placed on acquisition of energy from renewable resources. In response, ESD negotiated a power contract with Biomass Gas & Electric (BG&E) for the purchase of 38 MW of renewable biomass energy beginning in 2012. BG&E has since rescinded the contract, terminating all obligations of the City. The City also has a contract with Renewable Fuels Tallahassee (RFT) for the purchase of 35 MW of renewable energy beginning in 2013. The RFT agreement is contingent upon leasing/locating a site for the plant, permitting, financing, construction and the ultimate operation of the plant. If these conditions and others are met, the City will purchase power under the terms of the contract. ESD continues to pursue other alternative energy opportunities as they arise.

Beginning August 1, 2006 the City signed a 20-year agreement with the Tennessee Energy Acquisition Corporation (TEAC) to provide discounted natural gas supplies to the City. The agreement commits the City to purchase 4000 MMBtu of natural gas daily for a period of 20 years at a discount to the market estimated to be $0.45/dth. The discount is achieved through the use of a prepaid natural gas contract. This will result in savings to the customers of the electric and gas utilities of $657,000 annually or approximately $13 million dollars over the life of the contract. This supply will represent less than 10% of our current requirements for the Electric and Gas Utilities. The City also signed a similar pre-pay contract through Lehman Brothers for 10,000 MMBtu/day for a period of 30 years at an $.87/dth discount. This contract began in June 2008 and unfortunately, ended in September 2008 due to the bankruptcy of Lehman Brothers. This contract would have saved the City over $3 million per year. There was no financial loss to the City due to the Lehman Brothers bankruptcy other than the lost opportunity for future savings from the contract. The ESD continues to pursue pre-pays and other opportunities for long term discounted fuel supplies.

In addition to the traditional roles of fuels and energy acquisition for the utilities, ESD performs marketing and trading of electricity and natural gas in the wholesale market. Historically, acquisitions of natural gas supply involved primarily the utilization of fixed price long-term and short-term forward physical contracts for electricity and natural gas with various energy companies and other utilities. Due to the counter-party credit risk associated with the long-term contracts and diminishing creditworthiness of physical supply providers, the City began utilizing financial trade-based risk management tools in order to protect its customers against future adverse price movements. In 2002, the City Commission approved a formalized Energy Risk Management Program. Further, the City Commission established the Energy Risk Policy Committee (ERPC) for policy development and oversight purposes. The ERPC is comprised of the City's appointed officials and executive staff from the City's Utility, Financial, and Administrative units. The City Commission has approved utilization of budgeted fuel and energy expense accounts for financial trades for the immediate 12-month period, and up to $30 million from the Electric Operating Reserve for financial trades 13 months into the future and beyond that are consistent with the approved policy, pre-established market risk tolerances, and the City's budgetary or utility rate objectives.

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

- Transactions obligating the City to liquidated damages are not offered;

- Non-performance liability for the City is limited to the transaction's revenue margin;
- Long-term firm transactions are coordinated and reviewed by an Electric and Gas Strategy Group and Energy Business Committee that includes: the Assistant City Manager for Utilities and representatives from Energy Services, Electric, and Gas Utilities; and
- Wholesale market trading partners' credit worthiness determination including trade limits, is performed by an independent consultant on a continuous basis.

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

The ESD Retail Energy Services Division includes Energy Conservation and Customer Services functions that are responsible for direct services to customers. In December 2006, the City Commission adopted a Demand Side Management (DSM) plan that targets 59 MW of demand savings by 2012. To help achieve these goals the City issued an RFP for a DSM Program Manager that will begin work after a contract is executed in early 2010. The DSM Program Manager will achieve demand savings through deployment of a combination of automated commercial demand response, residential smart thermostats, and a variety of demand reduction and energy efficiency measures. In September 2009, the City received a $1.78M award from the U.S. Department of Energy (DOE) under the Energy Efficiency and Conservation Block Grant program. With this funding the City has begun to enhance the energy audit program, implement new financial incentives for energy efficiency and demand reduction, develop new innovative rate options that take advantage of the City's emerging smart grid infrastructure, and accelerate adoption of clean, efficient electric vehicles. In October 2009, the City was selected for an $8.9 million award from the DOE under the Smart Grid Investment Grant program to provide funding for additional automated commercial demand response, residential smart thermostats and enhancements to the meter data management system. The award is expected to be finalized in early 2010.

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

- Energy Star appliance rebates for the purchase of energy efficient appliances. Local retailers have partnered with the City to promote the program with in-store displays and distribution of rebate application forms;
- Solar water heating rebates;
- Ceiling insulation grant program for all customers and a special insulation grant program for low-income customers;
- Net-metering for Photovoltaic (PV) installations allowing customers to sell excess power back to the City;
- Low-income programs targeting HVAC repairs that lower operating cost, as well as hot water leak repairs. Compact Fluorescent Light bulbs are traditionally distributed by the City's energy auditors at home shows and other local events. Energy Services continued its partnership with Sam's Club to offer a discount on the purchase of 8-pack CFL bulbs;

- Energy assistance programs that provide home and business energy audits, investigations of high utility bills, low interest loans assistance for energy efficiency improvements, and related customer services;
- Customer Retention/Key Accounts programs that establish and maintain communication with high-use utility customers, including development and administration of long-term contracts; and
- The Gas Sales program and associated employees transferred to the Underground Utilities Department in early FY 2009. The Gas Sales program promotes the gas system's residential and non-residential customer growth as well as fuel switching to achieve DSM savings.

THE ELECTRIC SYSTEM

The City owns, operates and maintains an electric generation, transmission and distribution system that presently supplies electric power and energy to 113,323 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, 2009, the City sold 2,662,634 MWh of electric energy to ultimate customers and 130,157 MWh to other utilities and received total operating revenues of approximately $354,474,922. Although the City continued to experience moderate growth in customers of 0.3% from 113,002 in FY 2008 to 113,323 in FY 2009, retail sales during FY 2009 were 2,662,634 MWh, a decrease of 1.2% over FY 2008. This slight decrease is attributable to moderate weather, overall economic factors, customer energy awareness and efficiency. The City's ten-year forecasts project an average annual growth in customers of approximately 1.6% and an average annual growth in retail energy sales of 1% when including the forecasted impact of the City's aggressive energy efficiency and Demand Side Management program.

The current installed capacity at the Sam O. Purdom Generating Station (the Purdom Station) is 332 MW (winter rating). The current installed capacity at the Arvah B. Hopkins Generating Station is 544 MW (winter rating). The C.H. Corn Hydroelectric Plant (the C.H. Corn Station) consists of three generating units with a total capacity of 11 MW. In 1977, the City acquired a 1.3333% (11 MW) undivided ownership interest in Crystal River Unit No. 3 (CR-3), a nuclear plant operated and owned in part by Florida Power Corporation (now Progress Energy - Florida). The City transferred its ownership interest in CR-3 and the decommissioning trust account balance to Florida Power on October 1, 1999. The terms of the transfer included purchasing equivalent replacement electric capacity (11.4 MW) from Florida Power at a delivered price of $42 per MWh through December 31, 2007, escalating at CPI thereafter until 2016.

Management Discussion of Operations

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

Based on the decisions made by the Commission during the past five years, key strengths of the City's power supply portfolio that address current concerns with climate change and resource efficiency while addressing near term resource requirements are:

- After completion of the Hopkins Repowering in 2008, the weighted average age of 75% of the City's natural gas generating fleet is four and one-half years and the weighted average heat rate of that portion of the natural gas generating fleet is 7,900 btu/kwh;
- In 2013, 10% of the City's energy will be renewable if the currently contracted power purchase agreements are met;
- The City's Demand Side Management (DSM) program will delay the need for additional power supply resources to meet reserve margins until at least 2019; and
- The DSM program will increase the City's load factor approximately 6% over a ten-year time frame and the efficiency of the generating fleet, coupled with the Energy

Risk Management Program and contracted renewable resources, will provide competitive, environmentally responsible production costs.

In addition to these initiatives, the City continues to monitor changes in the electric utility industry to position itself for the various forms of regulation and legislative initiatives. The electric base rate reduction strategy (1994 - 2001) and the accrual of operating reserves have positioned the City competitively while providing a great deal of flexibility, including the ability to defease a portion of existing indebtedness and directly fund certain capital projects that would otherwise be debt-financed. The Electric Operating Reserve had a balance of $95.1 million at September 30, 2009 with $30 million of this amount committed to supporting financial trades through the City's Energy Risk Management Program. While the City's residential base rates are among the lowest in Florida; the volatility of the fuels markets and the City's dependence on natural gas as a fuel for its generating units have continued to make fuels and energy risk management a key strategy to remaining competitive. 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.

Power Supply Resource Additions

In October of 2005, the City Commission approved the first phase of the Hopkins Unit 2 (HP2) repowering to convert HP2 from a 238 MW conventional steam generating unit to a 296 MW combined cycle generating unit. This conversion was accomplished by installing a new General Electric 7FA combustion turbine/generator and a Nooter/Eriksen heat recovery steam generator. The existing HP2 boiler and auxiliaries were retired and the steam turbine/generator and auxiliaries will be reused. This decision to move forward with this project was based on the fuel savings associated with the ~30% improvement in unit net heat rate (efficiency). The projected commercial operations date was June 1, 2008, and the unit achieved commercial operations on natural gas on June 2, 2008. Performance and environmental testing was conducted on the unit following commercial operations and the unit met all performance targets and environmental requirements. As of March 2010, the project is substantially complete. The project was budgeted at $156 million. As of March 2010, the City expects the final project cost to be between $144 million.

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). Under the terms of the PP8 LTSA, GE performs all of the scheduled preventative maintenance work on the City's Purdom Unit 8 combustion and steam turbine/generators for a fixed cost. The LTSA incorporates availability and heat rate guarantees, including liquidated damages and bonus provisions, for each of the six years. These damages and bonus provision are capped at $500,000 per year. The LTSA also provides for discounts for any additional parts or services needed outside the scope of the agreement and caps the rate of increase for these parts and services to published indices with an absolute cap of 7.5% per year. Entering into this agreement ensures the City that the required support and parts will be available for continued operation of Unit 8. With the repowering of Hopkins Unit 2 (HP2), the City has purchased another GE 7FA combustion turbine, similar to the PP8 combustion turbine/generator. The City has entered into a modified LTSA with GE to include the HP2 7FA. The modified LTSA was fully executed in March of 2008.

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

- Extends the PP8 term to 18 years or 114,000 fired hours (3rd major inspection);
- Adds the HP2 combustion turbine generator to the LTSA for a term of 12 years of

96,000 fired hours (2nd major inspection);

- Includes compressor and rotor coverage as "Planned Maintenance". This means GE is responsible for the planned maintenance on these components (the prior PP8 LTSA has these items as extra work); and
- Includes provisions for GE to compensate the City up to $1 million per year per unit for compressor or rotor failures.

Future Power Supply Resources

The City's DSM portfolio is projected to significantly reduce future load and energy requirements and as such has delayed any capacity need until 2019. Notwithstanding the absence of capacity need, the City has continued to pursue opportunities to diversify its power supply portfolio and, in anticipation of federal climate change legislation, reduce its carbon footprint. Toward this end the City negotiated renewable energy purchases with Biomass Gas & Electric (BG&E) and Renewable Fuels Tallahassee (RFT). BG&E has since rescinded its contract, terminating all obligations of the City. The purchase from RFT is based on a proposed 35MW project using plasma torch technology with municipal solid waste and other renewable sources as fuel. The purchase from is an energy-only transaction and therefore has no impact on the City's capacity needs. Recent development challenges for the RFT projects may affect the timing of the City's purchases from this facility. The City will be monitoring this project and may adjust the timing or the amount of energy purchased during future resource planning studies.

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 are three significant areas of uncertainty that represent potential near-term risk to the City: climate change legislation, adoption of Renewable Portfolio Standards (RPS), and the evolving mandatory reliability standards framework.

In addition to these industry-wide areas of risk, the City is also monitoring the risk associated with the aggressive DSM portfolio that is currently part of the preferred resource plan. Based on the projected impacts associated with this portfolio, the City's need for new capacity will be deferred until 2019. However, implementation of the portfolio has proceeded more slowly than anticipated in the IRP study, and uncertainty remains about how responsive the City's customers will be to adopting DSM measures that can achieve the capacity and energy savings identified in the portfolio. The electric utility continues to assess the risk exposure related to this DSM portfolio, and to identify options the City could consider should the anticipated savings not be achieved as planned.

Environmental

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

The EPA finalized the Clean Air Interstate Rule (CAIR) in March 2005, which requires states to reduce emissions of sulfur dioxide (SO2) and nitrogen oxides (NOx), primarily by reducing emissions from the power generation sector. In 2009, Phase One of the CAIR rule created a NOx cap-and-trade program in which the City participated for the first time. The NOx cap-and-trade program requires that the City must hold sufficient Nox allowances (tons of NOx) to cover its emissions for not only the entire year, but also for the 2009 ozone season (June 1 – August 30). Compliance activities associated with ozone season NOx allowances were due on November 30, 2009, with the City holding a more than sufficient number of allowances. The City used only 153 ozone season allowances. Annual CAIR compliance activities will be due on March 1, 2010, but preliminary results show that the City will be required to only hold approximately 410 allowances.

In 2008, Florida Governor Charlie Crist signed House Bill 7135, which authorized the FDEP to adopt rules for a cap-and-trade program to reduce greenhouse gases (GHG) from electric utilities. In addition, on October 15, 2008, the Governor's Action Team on Energy and Climate Change published the Final Phase II Report of the Florida Energy and Climate Change Action Plan which included policy recommendations and guidance to the FDEP in its development of a regulatory, market-based cap-and-trade emissions limiting program. Although the FDEP has held several rule development workshops on this program, the rule development has stalled due to the action on the federal level, which saw several bills propose cap-and-trade GHG emissions programs. While it appears likely that a national program will be proposed in the near future, several issues will likely forestall approval. There has been significant opposition to approving a GHG cap-and-trade program, which could significantly harm the economy of the United States, while such burgeoning economic powers as India and China are under no such GHG emissions restraints. As such, the City cannot fully address at this time what the impacts of these proposed regulations may have on City operations.

However, the EPA finalized a rule requiring the economy-wide reporting of greenhouse gas emissions. The Mandatory Greenhouse Gas Emissions Reporting Rule does not seek to regulate or control GHGs, but instead to provide detailed information about GHG emissions from a wide array of source categories. The rule requires electric power generators to continue to produce quarterly reports under existing mandatory programs. The first Greenhouse Gas Emissions Report will be due on March 31, 2011 for the calendar year 2010 emissions. The City already has much of the equipment required in place and will make minimal additions to existing methodology in order to comply.

The City's operations are subject to continuing environmental regulation. Federal, State and local standards and procedures that regulate the environmental impact of the City's system are subject to change. These changes may arise from continuing legislative, regulatory, and judicial action regarding such standards and procedures. Consequently, there is no assurance that the units in operation, under construction, or contemplated will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of individual electric generating units not in compliance. The City cannot predict at this time whether any additional legislation or rules will be enacted that will affect the City's operations and, if such laws or rules are enacted, what the costs to the City might be in the future because of such action.

Electric Rates

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

The City's current electric rates include a customer charge that varies by customer class, a demand charge (for large commercial customers), a non-fuel energy charge, and an Energy Cost Recovery Charge (ECRC). 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 are reviewed periodically for rate level sufficiency and rate structure.

Section 21-241 of the Tallahassee Code of Ordinances allows for an increase to base rates each October 1 equal to the most recently available 12-month change in the Consumer Price Index, absent other Commission action. Base rates were last changed on October 1, 2008, when they were increased by 5.4%, which was equal to the increase in the Consumer Price Index for the 12-months ended August 2008. Because there was no positive change to the CPI for the 12-months ended August 2009, there were no changes to base rates on October 1, 2009. In accordance with the Ordinance, base rates will be increased on October 1, 2010 by the positive CPI increase for the 12-months ended August 2010. Consistent with prior practice, rate reviews will be conducted to ensure that the CPI-adjusted rates are adequate to recover system revenue requirements.

While the City's base rates remain low relative to other utilities in the state, the City continues to place emphasis on managing the cost of fuel and purchased power passed on to our customers through the ECRC. The City actively manages its fuel supply and energy supply portfolio to minimize the impact of natural gas price volatility and virtually eliminate counter-party credit risk by utilizing the City's Energy Risk Management Policy and Procedures that govern all trading activity. In addition to competitive base 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.

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 2010 are $48 million with the total five-year plan totaling $347 million. Funding sources include charges to customers, existing and future bond funds and deposits to the renewal and replacement fund. Budgeted Electric Utility funding includes $6.2 million in FY 2010 for Smart Metering. The aggregate budgeted funding for Smart Metering is $41.5 million of which $22.5 million is for the Electric Utility. In addition, there is an aggregate of $61.3 million in the five-year capital budget for Demand Side Management and energy efficiency programs. The Capital Improvement Program includes conceptual plans for the construction of two additional simple cycle combustion turbine (CT) units beginning in 2013. The City estimates the direct construction costs of the two additional LM-6000 PC Sprint units and related transmission and fuel storage facilities to be about $74 million, or approximately $763 per kW. These CT units are included in the Capital Improvement Program to address electric transmission deficiencies in the southeast region of the City's service territory. If a less expensive solution is identified, the City expects that the lower cost alternative will be implemented.

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

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

The City continues to expand its distribution, transmission and substation facilities to meet the system-load growth and reliability requirements. Over the next five years, the City's capital budget includes plans to add three new substations to the system, refurbish and expand capacity at two existing substations, and to replace two temporary substations with permanently located substations. New distribution circuits from each of these substations will relieve loading on existing circuits and increase system reliability.

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 has 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 alternative transmission expansion plans are currently under review for the period 2010 - 2015 to address this limitation.

THE GAS SYSTEM

Today's economic times are some of the most challenging in recent history. The impact has been felt in almost every industry throughout the country. Despite these challenges, the City of Tallahassee Gas Utility (Gas Utility) performed well in 2009 by focusing on sales and marketing efforts to retrofit existing businesses and homes with natural gas, instead of concentrating primarily on the new construction market. Natural gas offers many benefits and advantages compared to other fuel sources for existing businesses and homes.

One advantage that natural gas has over other fuels is that over 97% of natural gas used in the United States is produced on North American soil. Also, readily available natural gas is the cleanest burning and most efficient fossil fuel and has a smaller carbon footprint than either coal or oil. It produces 45% less greenhouse gases than coal and 30% less than oil. Direct use of natural gas with its environmental, efficiency, and economical benefits will play a significant role by helping to slow global climate change to economic growth for decades to come.

Due to these adverse economic times, customers are looking for ways to reduce expenses. Through education the Gas Utility is able to illustrate for current and potential customers both the economic and environmental advantages of using clean-burning natural gas to heat water, cook, and maintain a comfortable temperature in their homes and businesses.

The City owns, operates, and manages a natural gas distribution system, which provides firm and interruptible gas service in and about the corporate limits of Tallahassee, Florida. The City of Tallahassee natural gas services have also been extended into the surrounding counties of Wakulla and Gadsden.

The Gas Utility management team is responsible for administration, engineering, sales/marketing, and field operations of the City's Gas System activities, including sales and marketing efforts, dispatching and controlling the delivery of gas, maintaining above ground facilities and infrastructure, managing new facility construction, maintaining system maps, recording valve locations, ensuring operation of valves, and performing periodic leak surveys. The success achieved last year and the ability to meet future challenges are the direct result of the talent, skills, and dedication of the Gas Utility employees.

The Gas Utility has two pipeline suppliers, which are Southern Natural Gas and Florida Gas Transmission companies. The City Gas Utility operates four main gate stations that are strategically located throughout Tallahassee, Florida and Midway, Florida. The Gas Utility has approximately 834 miles of main, and employs 36 full-time employees who maintain and operate the gas system. The Gas Utility's annual system sales for fiscal year 2009 were 2,549,572 Mcf, as well as, annual revenues exceeding $39.0 million, and the number of service connections were 26,488.

Financial Results

The downturn in the new housing market had a definite impact on Tallahassee as well as the rest of the nation. Because of the slowdown in new development, a great deal of the Gas Utility's marketing and sales efforts were shifted to retrofitting of existing customers from other fuel sources to natural gas. Even in this weakened economy, some new construction was occurring in both the business and residential sectors, and the Gas Utility made sure that all new construction developers knew the economic and environmental benefits of natural gas. Because of these efforts, the Gas Utility was able to show moderate customer growth, which resulted in an increase in fiscal year 2009 revenue and sales results:

- Total revenue increased by 9.8%;
- Revenue per customer increased by 9.8%;
- Total sales increased by 4.6%; and
- Sales per customer increased by 4.5%.

The FY 2009 gas system revenues of $39,438,818 were an increase over the previous year by 7.3%. Fiscal year 2009 revenues were less than the projected budget 2009 because fuel costs were much lower than projected. However, FY 2009 revenues exceeded expenses by over $400,000. Non-fuel expenses decreased by 9.3% in FY 2009 compared to FY 2008.

The net effect is a FY 2009 surplus of $464,535. The Gas Utility transferred $2.323 million to the City's general fund in accordance with the City's budgetary policy, and the Gas RR&I Fund transfer of $1,916,000 is also in accordance with the City's financing policy.

As part of its annual budget process, the Gas Utility management team developed a five-year capital improvement program totaling $24,646,613 that consists of funding for high pressure system upgrade projects, gas system expansion projects, gas system relocation projects, gas meter service projects, and gas service tap projects. The majority of these projects are funded as master projects where subprojects can be issued as new development occurs during the fiscal year. This financial mechanism gives gas utility staff the flexibility to meet developers' tight deadlines in receiving services and improves customer services. Approximately 80% of the capital budget appropriations are geared towards system expansion, and the remaining 20% are allocated to upgrading the distribution system to enhance system integrity, as well as, to provide funding for alternative fuel initiatives, system automation, and smart metering initiatives. The first year of this financial program allocation becomes an appropriation and the remaining four years constitute a planning document that identifies anticipated capital expenditures and the associated funding sources for newly appropriate capital projects.

Management Discussion of Operations

During FY 2009, the Gas Utility continued to provide strong financial support to the City of Tallahassee by again successfully fulfilling its general fund transfers, providing safe and reliable service to its customers, and enhancing its productivity by deploying technology and industry training within the utility. The Tallahassee market growth potential still presents prosperous financial opportunities for the Gas Utility in the midst of an economic slow down throughout the national construction industry sectors.

The Gas Utility management team realizes that continuing to improve information technology systems as well as developing new creative sales approaches will improve customer growth and enhance customer satisfaction. The success of the utility depends on retaining satisfied customers, promoting and creating a demand for the product to new customers, and enhancing staff productivity via technology improvements by focusing on best industry practices. The Gas Utility management team is expeditiously focusing on competitive markets, providing efficient and performance based customer services, and strategically planning for customer growth and retention. The Gas Utility field staff is rapidly improving their productivity via efficient use of leading edge technology in the natural gas industry, continual deployments of operational workforce technology, and utilizing web applications to comply with gas industry certified training.

The Gas Utility has enhanced and expanded its mobile work management system into other facets of its operation in order to reduce costs and improve efficiency. Mobile Work Management applications have continued to improve operational efficiencies, productivity, and information retrieval. The Gas Utility is continuously deploying new technology to improve efficiency and customer service. As a means of revenue protection, the Gas Utility tests its residential gas system meters in conjunction with the meter change-out program while all commercial (large capacity meters) are tested on an annual basis to ensure accuracy.

The economic slowdown experienced in the building industry continued to affect new residential construction. The reduction of new building caused the Gas Utility to focus efforts on retrofitting businesses and residences along existing natural gas lines with natural gas appliances. The Gas Utility was successful in this venture with the assistance of Demand Side Management

(DSM) funding allowing for increasing of rebates to encourage fuel switching and multiple appliance use. While the sales and marketing force is focusing efforts on the existing business and home markets, new single and multifamily development needs are still being met. The increased rebate incentives have resulted in a higher penetration of natural gas in the multifamily market.

The Gas Utility management team is preparing for the competitive challenges that lie ahead by focusing on future alternative fuel markets, and has partnered with the Leon County School Board in a pilot program for natural gas powered school buses. The Leon County School board purchased eight natural gas powered school buses scheduled for mid-2010 delivery, and is in the process of building a natural gas fueling station that can handle these buses as well as further additions to their fleet. Furthermore, the Gas Utility is working with local and state leaders to promote further City natural gas vehicle deployments. Attracting new residential and commercial developments throughout the corporate limits of Tallahassee will also remain a major focus of the Gas Utility.

The Gas Utility expanded its Supervisory Control Data Acquisition (SCADA) software into Gadsden County in order to better manage its system and serve its customers. Furthermore, the Gas Utility is continually improving its gas hydraulic modeling software through technological upgrades and advancements. These improvements allow the Gas Utility to design, upgrade, and install its facilities at the lowest cost, while still maintaining system reliability. The gas modeling software was useful in predicting possible problematic system areas and bottlenecks, so that corrections could be made before system outages occurred.

Gas Rates

The Gas System'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. The gas rates were adjusted on April 1, 2008 as proposed by R. W. Beck in their 2007 Gas Rate Study. The rate was adjusted on October 1, 2009 as suggested by the study. These recommended changes enable the City to meet the energy needs of its customers and continue to provide reliable and adequate service while maintaining stable rates in the near future.

Selected Energy System Statistics

Electric System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ended September 30	2005	2006 [1]	2007	2008	2009
Residential					
Average Annual Customers	88,788	91,490	93,258	94,406	94,803
Energy Sales (MWh)	1,071,278	1,115,569	1,093,440	1,059,465	1,047,163
Average Annual Use Per Customer (kWh)	12,066	12,193	11,725	11,222	11,046
Average Annual Revenue per Customer	**$ 1,244**	**$ 1,557**	**$ 1,627**	**$ 1,628**	**1,665**
Commercial, Industrial and Interdepartmental					
Average Annual Customers	17,890	14,000	14,136	14,255	14,195
Energy Sales (MWh)	1,611,071	1,612,073	1,604,234	1,604,760	1,585,051
Average Annual Use Per Customer (kWh)	90,054	115,148	113,486	112,575	111,663
Average Annual Revenue Per Customer	**$ 7,275**	**$ 11,829**	**$ 12,745**	**$ 13,109**	**13,464**
Public Street Lighting					
Average Annual Customers	341	4,493	4,443	4,341	4,324
Energy Sales (MWh)	15,959	30,650	29,704	29,881	30,421
Average Annual Use Per Customer (kWh)	46,802	6,822	6,686	6,883	7,035
Average Annual Revenue per Customer	**$ 4,197**	**$ 857**	**$ 935**	**$ 992**	**783**
Total Sales to Ultimate Customers					
Average Annual Customers	107,019	109,983	111,836	113,002	113,323
Energy Sales (MWh)	2,698,308	2,758,292	2,727,377	2,694,106	2,662,634
Average Annual Use Per Customer (kWh)	**25,213**	**25,079**	**24,662**	**23,841**	**23,496**
Off System Sales					
Sales for Resale (MWh)	106,177	51,125	30,723	31,257	130,157
Total Sales (MWh)	**2,804,485**	**2,809,418**	**2,758,101**	**2,725,363**	**2,792,791**

Electric System - Selected Operating Costs and Ratios

For Fiscal Years Ended September 30	2005	2006	2007	2008	2009
Revenue per kWh					
Residential Customers	0.103	0.127	0.139	0.145	0.151
Commercial and Industrial Customers	0.081	0.103	0.112	0.116	0.121
Public Street Lighting	0.090	0.126	0.140	0.144	0.111
Expenses Per kWh					
Total Operating Expense per kWh	0.0811	0.1016	0.1021	0.1201	0.1043
Financial Ratios					
Debt to Total Assets	0.432	0.527	0.635	0.643	0.626
Operating Ratio	0.912	0.895	0.889	0.888	0.799
Current Ratio	2.883	4.029	4.202	4.510	3.507

(1) Beginning in FY 2006, outdoor lighting services, which previously were included in commercial and industrial services, were combined into a single lighting rate schedule with street light and traffic light services. This move accounts for the significant shift in statistics between the two categories when compared with prior years.

Electric System - General Statistics

For Fiscal Years Ended September 30	2005	2006	2007	2008	2009
Generating Capacity (MW) (Summer)	652	744	744	812	794
Capacity Purchases (MW) (Summer) (1)	36	11	11	11	11
Net System Energy Generated (MW)	2,451,611	2,484,333	2,312,775	2,325,306	2,657,425
Net Peak Demand (MW) Summer	598	577	621	587	605
Net Peak Demand (MW) Winter	532	537	528	526	579
Average Residential Monthly Bill ($)	112	141	148	149	153
Number of Street Lights	16,682	16,812	17,168	17,497	17,670

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

For Fiscal Years Ending September 30	2010	2011	2012	2013	2014
Annual 60-Minute Peak Demand (1)					
Summer - MW	605	592	584	572	561
Winter - MW	633	518	511	500	492
Annual Energy Sales - GWh (2)	2,633	2,616	2,614	2,600	2,586
Sales to Talquin Customers Served by the City - GWH	25	26	26	27	27
Purchases from Talquin	21	22	22	22	23
Losses and Unaccounted for Energy - GWh	156	156	155	155	154
Annual Energy System Requirements - GWh	2,789	2,772	2,769	2,755	2,740
Annual System Load Factor (3)	52.62%	53.45%	54.13%	54.98%	55.75%

(1) Includes coincident demand of approximately 5 to 6 MWs for sales to Talquin.

(2) Does not include the estimated reduction in sales of DSM (MWh) associated with conservation programs.

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

Gas System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ended September 30	2005	2006	2007	2008	2009
Residential (firm)					
Average No. of Customers	23,200	24,092	24,443	24,753	24,759
Usage (Mcf)	653,058	625,392	630,125	617,233	642,902
Average Sales Per Customer (Mcf)	28	26	26	25	26
Non-residential (firm)					
Average No. of Customers	1,630	1,645	1,671	1,679	1,673
Usage (Mcf)	1,450,904	1,524,897	1,534,875	1,650,507	1,729,072
Average Sales Per Customer (Mcf)	890	927	919	983	1,034
Interruptible					
Average No. of Customers	17	16	16	15	15
Usage (Mcf)	173,268	167,772	150,126	170,730	177,598
Average Sales Per Customer (Mcf)	10,192	10,486	9,383	11,382	11,840
Total Gas System					
Average No. of Customers	24,847	25,753	26,130	26,447	26,448
Usage (Mcf)	2,277,231	2,318,060	2,315,126	2,438,470	2,549,572
Average Sales Per Customer (Mcf)	92	90	89	92	96
Miles of Gas Lines	744	780	806	818	834
Heating Degree Days (HDD)	1,518	1,329	1,456	1,389	1,605

Gas System - Projected Sales Volumes in MCF*

For Fiscal Years Ending September 30	2010	2011	2012	2013	2014
Residential	726,701	733,474	740,262	746,032	753,887
Commercial	689,710	692,601	695,492	698,383	701,274
Contract Interruptible	618,137	618,137	618,137	618,137	618,137
Small Interruptible	188,093	188,093	188,093	188,093	188,093
Flexible Interruptible	249,874	249,874	249,874	249,874	249,874
Total	2,472,515	2,482,179	2,491,858	2,500,519	2,511,265

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

Electric System Ten Largest Retail Customers

Fiscal Year Ended September 30, 2009

Customers	Revenue	kWh	Percent of Total Retail Sales Revenue	Percent of Total Retail Sales kWh
Florida State University	$ 26,703,908	248,688,169	7.55%	9.34%
State of Florida	20,417,712	175,183,204	5.77%	6.58%
City of Tallahassee	12,027,720	95,494,326	3.40%	3.59%
Florida A & M University	7,503,591	70,314,265	2.12%	2.64%
Leon County School Board	6,411,823	48,850,077	1.81%	1.83%
Tallahassee Memorial HealthCare	5,159,800	48,208,066	1.46%	1.81%
Publix Markets	3,617,223	30,789,242	1.02%	1.16%
Wal-Mart	3,176,661	29,169,965	0.90%	1.10%
Leon County	3,118,064	26,711,665	0.88%	1.00%
Federal Government	3,083,133	25,623,495	0.87%	0.96%
TOTAL	**$ 91,219,636**	**799,032,474**	**25.80%**	**30.01%**

Gas System Five Largest Customers by Consumption

Fiscal Year Ended September 30, 2009

Customers	Revenue	Gas Usage	Percent of Total Retail Sales Revenue	Percent of Total Retail Sales Gas Usage
Florida State University	$ 5,054,431	455,825	13.64%	17.88%
Florida A & M University	2,360,225	215,324	6.37%	8.45%
Tallahassee Memorial HealthCare	1,686,718	137,755	4.55%	5.40%
St Marks Powder, Inc.	1,283,730	204,797	3.46%	8.03%
Peavy & Son Construction Co.	735,239	68,726	1.98%	2.70%
TOTAL	**$ 11,120,343**	**1,082,426**	**30.01%**	**42.46%**

Electric Rates (effective 10/01/09)

	Current [1]
Residential	
Customer Charge - Single Phase Service	$6.32
Customer Charge - Three Phase Service	$22.13
Energy Charge per kWh	$0.05848
General Service Non - Demand	
Customer Charge - Single Phase Service	$7.91
Customer Charge - Three Phase Service	$28.99
Energy Charge per kWh	$0.04254
General Service Demand	
Customer Charge	$52.70
Demand Charge per kW	$9.75
Energy Charge-The first 500 kWh per kW	$0.01663
Excess kWh per kW @	$0.00233
General Service Large Demand	
Customer Charge	$52.70
Demand Charge per kW	$9.75
Energy Charge-The first 500 kWh per kW	$0.01621
Excess kWh per kW @	$0.00233

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

Gas Rates

Monthly Rate:	
Customer Charge	$9.50
Residential Service Per Meter	$0.63
Nonresidential Service	$17.00
Interruptible Service:	
Small Interruptible Service	$150.00
Interruptible Service	$225.00
Large Interruptible Service	$225.00
Commodity Charge:	
Residential Service Per 100 Cubic Feet	$2.11
Nonresidential Service Per 100 Cubic Feet	$1.32
Interruptible Service: (Cents Per 100 cf)	
Small Interruptible Service	$0.2189
Interruptible Service	$0.1689
Large Interruptible Service	$0.0819

(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	2005	2006	2007	2008	2009
Electric Operating Revenues					
Retail Sales	$ 248,149	$ 325,573	$ 331,365	$ 353,939	$ 345,680
Sales for Resale	7,821	6,278	3,591	3,185	6,836
Other Operating Revenues	16,427	5,585	11,180	11,440	12,149
Transfers (to) from	-	-	-	-	-
Total Electric Operating Revenue	272,397	337,436	346,136	368,564	364,665
Electric Operating Expenses					
Fuel	133,887	194,623	185,069	197,300	212,677
Purchased Power	33,652	28,801	34,289	39,009	14,093
Other	59,945	56,733	62,335	61,247	64,533
Total Electric Operating Expenses	227,484	280,157	281,693	297,556	291,303
Net Electric Revenues	44,913	57,279	64,443	71,008	73,362
Non-Operating Revenues:					
Other Income & Deductions	1,378	1,238	124	3,763	1,336
Total Net Electric Revenues	**46,291**	**58,517**	**64,567**	**74,771**	**74,698**
Gas Operating Revenues					
Total Gas Operating Revenues	29,112	32,964	32,334	34,815	39,280
Gas Operating Expenses	23,933	28,291	27,502	29,159	32,500
Net Gas Revenues	5,179	4,673	4,832	5,656	6,780
Non-Operating Revenues	141	247	315	330	159
Total Net Gas Revenues	5,320	4,920	5,147	5,986	6,939
Total Available for Debt Service	**$ 51,611**	**$ 63,437**	**$ 69,714**	**$ 80,757**	**$ 81,637**
Existing Debt Service	$ 21,490	$ 26,463	$ 28,692	$ 33,695	$ 33,686
Coverage	2.40x	2.40x	2.43x	2.40x	2.42x

ENERGY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE

Bond Year Ending October 1	Total	$203,230,000 Series 2007	$128,920,000 Series 2005	$17,680,000 Series 2001	$143,800,000 Series 1998 A	$49,220,000 Series 1998 B
2010	$ 33,694,678	$ 12,361,250	$ 8,454,763	$ 1,545,690	$ 10,122,975	$ 1,210,000
2011	33,701,713	12,267,650	8,546,738	1,547,350	10,129,975	1,210,000
2012	33,693,850	12,364,150	8,448,050	1,540,850	10,130,800	1,210,000
2013	33,702,063	12,264,650	8,550,875	1,546,725	10,129,813	1,210,000
2014	33,699,338	12,268,400	8,545,425	1,544,025	10,131,488	1,210,000
2015	33,422,688	12,360,150	8,444,475	1,278,025	10,130,038	1,210,000
2016	33,378,588	12,270,150	8,545,475	1,228,025	10,124,938	1,210,000
2017	33,380,288	12,261,900	8,547,425	1,227,750	10,133,213	1,210,000
2018	33,380,738	12,266,150	8,546,175	1,234,750	10,123,663	1,210,000
2019	33,380,600	12,251,900	8,548,425	1,233,750	10,136,525	1,210,000
2020	32,140,213	12,249,650	8,550,425	-	10,130,138	1,210,000
2021	32,142,123	12,253,400	8,548,985	-	10,129,738	1,210,000
2022	32,142,435	12,252,400	8,545,660	-	10,134,375	1,210,000
2023	32,143,510	10,056,400	8,549,010	-	10,128,100	3,410,000
2024	32,130,835	8,379,650	8,545,510	-	10,125,675	5,080,000
2025	34,921,590	11,169,500	8,544,940	-	10,126,150	5,081,000
2026	35,504,825	11,750,000	8,544,250	-	10,128,575	5,082,000
2027	35,504,250	11,737,750	8,547,000	-	10,137,000	5,082,500
2028	35,501,250	11,745,500	8,546,500	-	10,127,250	5,082,000
2029	27,149,000	18,606,750	8,542,250	-	-	-
2030	27,147,000	18,603,250	8,543,750	-	-	-
2031	27,145,500	18,600,500	8,545,000	-	-	-
2032	27,912,250	19,362,000	8,550,250	-	-	-
2033	27,916,500	19,373,000	8,543,500	-	-	-
2034	27,912,000	19,367,500	8,544,500	-	-	-
2035	27,916,500	19,369,500	8,547,000	-	-	-
2036	20,241,750	20,241,750	-	-	-	-
2037	20,238,750	20,238,750	-	-	-	-
TOTALS	**$ 871,144,824**	**$ 398,293,600**	**$ 221,916,355**	**$ 13,926,940**	**$ 192,460,429**	**$ 44,547,500**

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

Purpose

To fund a portion of the costs of construction of certain capital improvements to the City's Electric System and Gas System, to fund the debt service requirement applicable to the Series 2007 Bonds, and to pay certain costs of issuance in connection with the Series 2007 Bonds.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Revenue Bonds, Series 1998 B, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 2005.

Form

$203,203,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2006.

Agents

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

Ratings

Moody's:	AA3 underlying
Fitch:	AA- underlying
Standard & Poors:	AA underlying

Redemption Provisions

Optional Redemption

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

Mandatory Redemption

The Series 2007 Bonds maturing on October 1, 2027 will be subject to mandatory redemption by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2026 and on each October 1 thereafter in the following principal amounts in the year specified:

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

The Series 2007 Bonds that mature on October 1, 2032, will be subject to mandatory redemption by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2028 and on each October 1 thereafter in the following principal amounts in the year specified:

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

The Series 2007 Bonds that mature on October 1, 2037, will be subject to mandatory redemption by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2033 and on each October 1 thereafter in the following principal amounts in the year specified:

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

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	4.000%	$ 2,465,000	$ 9,896,250	$ 12,361,250
2011	5.000%	2,470,000	9,797,650	12,267,650
2012	5.000%	2,690,000	9,674,150	12,364,150
2013	5.000%	2,725,000	9,539,650	12,264,650
2014	5.000%	2,865,000	9,403,400	12,268,400
2015	5.000%	3,100,000	9,260,150	12,360,150
2016	5.000%	3,165,000	9,105,150	12,270,150
2017	5.000%	3,315,000	8,946,900	12,261,900
2018	5.000%	3,485,000	8,781,150	12,266,150
2019	5.000%	3,645,000	8,606,900	12,251,900
2020	5.000%	3,825,000	8,424,650	12,249,650
2021	5.000%	4,020,000	8,233,400	12,253,400
2022	5.000%	4,220,000	8,032,400	12,252,400
2023	5.000%	2,235,000	7,821,400	10,056,400
2024	4.500%	670,000	7,709,650	8,379,650
2025	5.000%	3,490,000	7,679,500	11,169,500
2026	4.640%	4,245,000	7,505,000	11,750,000
2027	4.640%	4,445,000	7,292,750	11,737,750
2028	4.710%	4,675,000	7,070,500	11,745,500
2029	4.710%	11,770,000	6,836,750	18,606,750
2030	4.710%	12,355,000	6,248,250	18,603,250
2031	4.710%	12,970,000	5,630,500	18,600,500
2032	4.710%	14,380,000	4,982,000	19,362,000
2033	4.750%	15,110,000	4,263,000	19,373,000
2034	4.750%	15,860,000	3,507,500	19,367,500
2035	4.750%	16,655,000	2,714,500	19,369,500
2036	4.750%	18,360,000	1,881,750	20,241,750
2037	4.750%	19,275,000	963,750	20,238,750
TOTALS		**$ 198,485,000**	**$ 199,808,600**	**$ 398,293,600**

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

Dated: October 1, 2005

Purpose

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

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Revenue Bonds, Series 1998 B, Energy System Refunding Revenue Bonds, Series 2001 and Energy System Revenue Bonds, Series 2007.

Form

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

Agents

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

Ratings

Moody's:	AA3 underlying
Fitch:	AA- underlying
Standard & Poors:	AA underlying

Redemption Provisions

Optional Redemption

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

Mandatory Redemption

The Series 2005 Bonds maturing on October 1, 2035 will be subject to mandatory redemption by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2031 and on each October 1 thereafter in the following principal amounts in the year specified:

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

$128,920,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2005

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	3.500%	$ 2,515,000	$ 5,939,763	$ 8,454,763
2011	(1)	2,695,000	5,851,738	8,546,738
2012	4.500%	2,715,000	5,733,050	8,448,050
2013	(2)	2,940,000	5,610,875	8,550,875
2014	(3)	3,065,000	5,480,425	8,545,425
2015	4.000%	3,100,000	5,344,475	8,444,475
2016	(4)	3,325,000	5,220,475	8,545,475
2017	(5)	3,490,000	5,057,425	8,547,425
2018	5.000%	3,655,000	4,891,175	8,546,175
2019	4.375%	3,840,000	4,708,425	8,548,425
2020	4.400%	4,010,000	4,540,425	8,550,425
2021	4.500%	4,185,000	4,363,985	8,548,985
2022	4.500%	4,370,000	4,175,660	8,545,660
2023	5.000%	4,570,000	3,979,010	8,549,010
2024	4.600%	4,795,000	3,750,510	8,545,510
2025	4.600%	5,015,000	3,529,940	8,544,940
2026	5.000%	5,245,000	3,299,250	8,544,250
2027	5.000%	5,510,000	3,037,000	8,547,000
2028	5.000%	5,785,000	2,761,500	8,546,500
2029	5.000%	6,070,000	2,472,250	8,542,250
2030	5.000%	6,375,000	2,168,750	8,543,750
2031	5.000%	6,695,000	1,850,000	8,545,000
2032	5.000%	7,035,000	1,515,250	8,550,250
2033	5.000%	7,380,000	1,163,500	8,543,500
2034	5.000%	7,750,000	794,500	8,544,500
2035	5.000%	8,140,000	407,000	8,547,000
TOTALS		**$ 124,270,000**	**$ 97,646,355**	**$ 221,916,355**

(1) Bonds maturing 2011 are in two issues: $1,285,000 at 3.75% interest rate and $1,410,000 at 5.00% interest rate.
(2) Bonds maturing 2013 are in two issues: $1,655,000 at 4.00% interest rate and $1,285,000 at 5.00% interest rate.
(3) Bonds maturing 2014 are in two issues: $1,730,000 at 4.00% interest rate and $1,335,000 at 5.00% interest rate.
(4) Bonds maturing 2016 are in two issues: $320,000 at 4.00% interest rate and $3,005,000 at 5.00% interest rate.
(5) Bonds maturing 2017 are in two issues: $825,000 at 4.00% interest rate and $2,665,000 at 5.00% interest rate.

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

Dated: May 1, 2001

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

Security
The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Revenue Bonds, Series 1998 B, and Energy System Revenue Bonds, Series 2005 and Energy System Revenue Bonds, Series 2007.

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

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

Ratings
Moody's:	AA3 underlying
Fitch:	AA- underlying
Standard & Poors:	AA underlying

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

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

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	4.400%	$ 985,000	$ 560,690	$ 1,545,690
2011	5.000%	1,030,000	517,350	1,547,350
2012	5.500%	1,075,000	465,850	1,540,850
2013	5.500%	1,140,000	406,725	1,546,725
2014	5.500%	1,200,000	344,025	1,544,025
2015	5.500%	1,000,000	278,025	1,278,025
2016	5.500%	1,005,000	223,025	1,228,025
2017	5.000%	1,060,000	167,750	1,227,750
2018	5.000%	1,120,000	114,750	1,234,750
2019	5.000%	1,175,000	58,750	1,233,750
TOTALS		**$ 10,790,000**	**$ 3,136,940**	**$ 13,926,940**

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

Dated: November 1, 1998

Purpose

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

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System and on parity with its Energy System Revenue Bonds, Series 1998 B, Energy System Refunding Revenue Bonds, Series 2001, Energy System Revenue Bonds, Series 2005 and Energy System Revenue Bonds, Series 2007.

Form

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

Agents

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

Ratings

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

Call Provisions

Optional Redemption

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

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

Mandatory Redemption

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

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

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

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

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

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

Special Mandatory Redemption

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

$143,800,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1998 A

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	5.000%	$ 4,060,000	$ 6,062,975	$ 10,122,975
2011	5.250%	4,270,000	5,859,975	10,129,975
2012	5.250%	4,495,000	5,635,800	10,130,800
2013	5.250%	4,730,000	5,399,813	10,129,813
2014	5.250%	4,980,000	5,151,488	10,131,488
2015	5.250%	5,240,000	4,890,038	10,130,038
2016	4.750%	5,510,000	4,614,938	10,124,938
2017	4.750%	5,780,000	4,353,213	10,133,213
2018	4.750%	6,045,000	4,078,663	10,123,663
2019	4.750%	6,345,000	3,791,525	10,136,525
2020	4.750%	6,640,000	3,490,138	10,130,138
2021	4.750%	6,955,000	3,174,738	10,129,738
2022	4.750%	7,290,000	2,844,375	10,134,375
2023	4.750%	7,630,000	2,498,100	10,128,100
2024	4.750%	7,990,000	2,135,675	10,125,675
2025	4.750%	8,370,000	1,756,150	10,126,150
2026	4.750%	8,770,000	1,358,575	10,128,575
2027	5.000%	9,195,000	942,000	10,137,000
2028	5.000%	9,645,000	482,250	10,127,250
TOTALS		**$ 123,940,000**	**$ 68,520,429**	**$ 192,460,429**

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

Dated: November 1, 1998

Purpose

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

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System and on a parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Refunding Revenue Bonds, Series 2001, Energy System Revenue Bonds, Series 2005 and Energy System Revenue Bonds, Series 2007.

Form

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

Agents

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

Ratings

Moody's:	Aa3 underlying (Aa3 insured by FSA)
Fitch:	AA- underlying (AAA insured by FSA)
Standard & Poors:	AA- underlying (AA insured by FSA)

Call Provisions

Optional Redemption

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

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

Mandatory Redemption

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

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

Special Mandatory Redemption

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

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

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	5.000%	$ -	$ 1,210,000	$ 1,210,000
2011	5.000%	-	1,210,000	1,210,000
2012	5.000%	-	1,210,000	1,210,000
2013	5.000%	-	1,210,000	1,210,000
2014	5.000%	-	1,210,000	1,210,000
2015	5.000%	-	1,210,000	1,210,000
2016	5.000%	-	1,210,000	1,210,000
2017	5.000%	-	1,210,000	1,210,000
2018	5.000%	-	1,210,000	1,210,000
2019	5.000%	-	1,210,000	1,210,000
2020	5.000%	-	1,210,000	1,210,000
2021	5.000%	-	1,210,000	1,210,000
2022	5.000%	-	1,210,000	1,210,000
2023	5.000%	2,200,000	1,210,000	3,410,000
2024	5.000%	3,980,000	1,100,000	5,080,000
2025	5.000%	4,180,000	901,000	5,081,000
2026	5.000%	4,390,000	692,000	5,082,000
2027	5.000%	4,610,000	472,500	5,082,500
2028	5.000%	4,840,000	242,000	5,082,000
TOTALS		**$ 24,200,000**	**$ 20,347,500**	**$ 44,547,500**

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 103.06 square miles within the City limits.

Other Service Providers

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

Water Quality Division

To monitor the quality of the City's water, the Water Quality Division of the Utility System 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 Water Quality Division performs compliance testing for water production facilities and the wastewater treatment plants. The Water Quality Division has a high level of sophistication, providing for the testing of complex organic, inorganic, and microbiological organisms in the Laboratory.

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 Protection Program, which is administered under a joint agreement between the County and the City and is designed to prevent contamination of 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 also 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 many of the sewer pumping stations and controls operations in some of the larger stations. In a lesser role, the Water Quality Division assists and provides similar services to other City departments. Water Quality Division staff assists the Stormwater Drainage System in investigations and in identifying potential discharges not in compliance with the National Pollution Discharge Elimination System.

Rate Setting

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

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

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

In order to insure that rates and charges are sufficient to meet the rate covenant as set forth in the Resolution and to provide adequate revenues to fund the Utility System's Five-Year Capital Improvement Program (the "Five-Year Capital Improvement Program") and other system requirements, the City has established a process of reviewing the rates and charges for the Utility System, separately for each of the Water System and the Sewer System. The Commission approves rates through adoption of a rate ordinance after advertising and conducting public hearings. Historically, the ordinance implementing the findings of the rate study and the public hearing process has provided, to the extent needed, changes in the rates for 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 rates increases as well as a three-tiered inverted water rate structure in January 2009. The current water and sewer rates effective January 2009 are found later in this section.

Water rates will also increase in October 2010. The Water Customer Charge will increase from $5.41/month to $6.00/month. Water rates will also increase 11 % as follows:

- First 7,000 gallons - $1.43/1,000 gallons;
- Next 13,000 gallons - $1.94/1,000 gallons; and
- Additional gallons - $2.44/1,000 gallons.

Sewer rates were increased in April 2008, January 2009, and another increase is scheduled April 2010:

- 2008 - Increased 15% from $3.46 to $3.98 per 1,000 gallons;
- 2009 - Increased 14.1% from $3.98 to $4.54 per 1,000 gallons; and
- 2010 - Will increase 14.1% from $4.54 to $5.18 per 1,000 gallons.

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

In May 2005, the County and the City executed a new Water and Sewer Franchise Agreement (the "Franchise Agreement") that grants the City the exclusive water and/or sewer franchise for all remaining unfranchised 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 (2008) Sewer 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 weakening economy and the slowdown in the new housing market. During this economic slowdown, both utilities maintained their RR&I transfer for the capital program and transfer to General Fund in accordance with the City's financing policy.

The comparison of revenues from FY 2008 to FY 2009 reflected that Water revenue declined from $26.9 to $26.3 million and Wastewater experienced an increase at $47.8 million. Zero growth rate and wet weather season resulted in revenues falling short of the FY 2009 Budgets by 13% in Water and 8% in Wastewater.

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 (2008) rate study and remain unchanged.

Rebates to Developers

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

WATER SYSTEM

General

The City owns, operates and maintains the Water System, which currently serves approximately 76,000 customers and is comprised of 26 water supply wells, 8 elevated storage tanks with a combined capacity of 5.25 million gallons, approximately 1200 miles of water mains, and 6800 fire hydrants. Twenty of the 26 wells are equipped with standby generators or engines that provide pumping capacity during emergency situations. The wells have an aggregate total production capacity of approximately 72 mgd. The wells vary in depth from 190 - 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)

Two water supply concerns typical of Florida are scarcity and salt-water intrusion into the groundwater. The United States Geological Survey (USGS) reports that the volume of flow through the Floridan Aquifer under the Tallahassee area is 130 billion gallons annually. The City is the largest user, yet withdraws less than 7% of the available flow each year, with much of its usage being returned to the Floridan Aquifer via its treated wastewater reuse system.

In February 2006, the Northwest Florida Water Management District (NFWMD) renewed the City's CUP for five years. The permit now extends until September 2010. The CUP regulates the volume of raw water withdrawn from the City's public water supply wells. The City's current annual permitted rate of raw water withdrawal is 33.7 million gallons per day (mgd) from all the City's wells with a maximum daily withdrawal rate of 59.31 mgd and a monthly total limit of 1.415 billion gallons. The City also has the right to request future modifications, which must be evaluated on the specifics of each request. In accordance with the requirements of the permit, the annual report was submitted to the NWFWMD in January 2010. The report indicates the City produced almost 10 billion gallons of water in FY 2009.

Current Planning and Major Capital Projects

Water system modeling has been conducted to determine the optimal sites for new water supply wells and storage facilities in the populous northeast and east services, which also have the greatest future growth potential. A test well was completed in 2009 to determine the optimal location for a new well in the east service area. The design and permitting for the production well, Well No.35, has been completed with construction expected to begin in April 2010 with an anticipated completion of August 2011. A test well has been completed for the northeast service area; however, water quality testing indicates that additional treatment, such as iron removal, will be necessary. During 2009, the City conducted a study to determine the availability and suitability of alternate sites with better water quality. One additional location was identified and will be evaluated during 2011. Nevertheless, design of the northeast production well is scheduled to commence in 2011.

Other major water projects completed in 2009 include refurbishment/upgrading of Water Well Houses Nos. 2 and 17 and re-painting of Storage Tank No. 5. Various projects to replace/upgrade undersized or aging water distribution system infrastructure were completed in

2009 and will continue under a recurring project in successive years to maintain water system infrastructure reliability. Planned projects for 2010 include re-painting of Storage Tank No. 6, repair and refurbishing of Storage Tank No. 8 and completing the upgrade of the motor and surveillance controls at major Well Nos. 15 and 23.

In November 2008, the City of Tallahassee hired Malcolm Pirnie, Inc. to develop the Master Water Plan (MWP). The purpose of the MWP is to identify water supply and system improvements necessary to meet projected water demands through the year 2030 and includes the development of an integrated computer model for wells, elevated tanks and water mains. The MWP will include a proposed 20-year Capital Improvement Plan (CIP) set forth in five-year increments to address capacity concerns, operational deficiencies and extension of water mains to new areas within the service area. Malcolm Pirnie has recently submitted a draft of the MWP, and it is currently being reviewed by staff. The Plan is expected to be finalized by April 2010. It is anticipated that the proposed CIP will be gradually funded with revenues from current rates.

Advanced Metering Infrastructure (AMI)

A significant portion of the Water Capital Improvement Program comprises the Water System's portion of the AMI program. The overall AMI program will result in the upgrade or replacement of all of the City's utility meters – gas, water and electric – to provide for remote automated reading. The AMI program will eliminate the costs, errors and liabilities associated with manual reading of meters. The AMI program will also enhance customer service by allowing a service representative to remotely poll the water meter and review recent and past consumption history to verify a reading or determine the possibility of a leak. The installation of the advanced meters should be completed within three years, by late 2010.

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 two treatment plants having a combined treatment design capacity of 31.0 mgd, approximately 890 miles of gravity mains, 106 pumping stations, and 125 miles of force (pressurized) main. There are approximately 64,000 sewer customers.

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

Treatment Plants

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

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

The LBR Plant is an activated sludge plant with a capacity of 4.5 mgd. Treated effluent from the LBR Plant is pumped to the headworks of the TPS facility for further treatment and combined with the TPS effluent for pumping to the Southwest and Southeast Spray Field facilities. The solids produced at the LBR Plant are also pumped to the TPS Plant for treatment and disposal.

Advanced Wastewater Treatment Improvements

In January 2008 the Florida Department of Environmental Protection (FDEP) renewed the operating permits for the LBR Plant and the TPS Plant, which also includes both spray field facilities, for a five-year period. The FDEP permits include upgrading each plant to advanced wastewater treatment (AWT) standards in accordance with phased construction and nitrogen reduction schedules. Specifically, the AWT improvements at LBR were originally scheduled for completion by January 2011. However, the City received approval for the LBR construction schedule to be extended by two years until January 2013 due to wastewater system damage incurred by Tropical Storm Fay that resulted in the reactivation of the LBR Plant. The AWT improvements at TPS must be totally completed within six years, but the construction is phased to meet the nitrogen reduction schedule, with the first phase being completed within 3 years by

January 2011 and subsequent phases at 3.5 years, 4.5 years, and 5.5 years, with the final 6 months allowed for testing and startup. Plant upgrades include the addition of high-level disinfection and filtration facilities to produce public access reuse quality effluent.

The TPS permit also includes the upgrading of solids treatment facilities at the TPS Plant within three years of permit issuance to reliably produce Class AA biosolids. The original stipulated construction schedule for the biosolids improvements was three years by January 2011, but the City has received approval for this schedule to be extended one year to allow for an extensive evaluation and selection of the drying technology. Based on the current status of the project, the City has entered into discussions with FDEP and the other interested parties concerning potential modifications of some of the scheduled compliance dates contained in the permit. The modifications impact the construction milestone dates and do not modify any of the nitrogen reduction compliance dates.

The City has moved forward to implement the Capital Improvement Program (CIP) for the AWT and Biosolids improvements. The work is being performed in three major phases or work packages: Work Package 1 is the liquids upgrades; Work Package 2 is the solids upgrades and Work Package 3 is the final treatment train upgrades. Work Package 2 is further broken down into 3 sub packages: 2A – Solids Dewatering – Phase 1; 2B – Solids Digestion; and 2C – Biosolids Dryer. The table below depicts the current status of the design activities.

Work Package	Status
WP 1 – Liquids	100%
WP2A – Solids Dewatering	100%
WP2B – Solids Digestion	90%
WP2C – Biosolids Dryer	15%
WP3 – BNR Upgrades	90%

The City has also executed contracts with MWH Constructors to serve as the Constructor. MWH is performing this work under a modified Construction Manager at Risk (CMAR) project delivery method. The modified CMAR has advantages to meet the accelerated construction schedule, control costs, and minimize risk. Construction has commenced on WP1 – Liquids. Contracts have been executed for WP2A – Solids Dewatering and work is expected to commence in January of 2010. WP2B – Solids Digestion should commence construction in the summer of 2010. WP3 – BNR Upgrades construction should commence in the summer of 2011; however there is a chance a portion of the WP3 work may be released in late 2010.

The City has budgeted $227 million for the AWT upgrades. The City is implementing sewer rate increases in three phases to support this funding. The first two rate increases were effective in April 2008 and January 2009 with the third scheduled for October 2010. The City has also issued bonds for approximately half of the total funding and can meet cash flow requirements for FY 2009 and FY 2010. Currently the project is on track to be completed on or under budget.

Master Sewer Plan and Master Treatment Plan

A contract with Hatch, Mott, MacDonald, Florida L.L.C. for the Master Sewer Plan (MSP) was executed in early 2005. The MSP addresses sewer collection and pumping systems, including the development of a computer model of both the gravity and pressure systems. Condition assessments were performed resulting in a 20-year capital improvement plan set forth in five-year increments for replacement, rehabilitation, and addition of sewer system infrastructure. The MSP is substantially complete and it is anticipated that it will be formally adopted by the City Commission in FY 2010. The Plan proposes $28.6 million in capacity and operational related infrastructure improvements to be constructed in phases over the next 20 years. Current projections are that these improvements can be constructed from revenue available from the current rate structure.

The City also completed the Master Wastewater Treatment Plan (MTP) that addresses long-range wastewater treatment and disposal issues. Phase I was completed by Camp Dresser & McKee, Inc., in May 2005 and entailed a condition assessment of the existing TPS Plant facilities and a review of current plant capacities and operations. Phase II of the MTP was completed in 2008 and a report published that includes discussion and analysis of advanced wastewater treatment technologies, nutrient removal, and reuse applications to meet the requirements of Settlement Agreement and DEP Operating Permits. The plan also addresses alternative disposal methods and expansion alternatives for both treatment and disposal when the capacity of the existing facilities has been reached. The MTP guided the development of the previously discussed AWT Project.

Sewer System Recent Capital Improvement Projects

Focus is being placed in 2009 and successive years on replacing/upgrading the wastewater collection and pumping systems to reduce stormwater inflow and wastewater spills and backups. A priority list of the top 25 areas with collection system problems has been established. In 2008 several sections of sewer main were re-lined to prevent recurring root intrusion that was obstructing flow and causing backups. In early 2009, deteriorated sewer mains were replaced on Mitchell Avenue, Gwen Street, and Payne Street to eliminate recurring residential backups. Also in early 2009, hundreds of manhole covers and service line cleanouts were replaced to reduce stormwater inflow during heavy storm events. Immediate improvement has been identified in one subdivision where the pumping station was regularly flooded during storms.

An important project initiated in FY 2009 is the development of an asset management plan that will provide the processes and procedures to determine when equipment and infrastructure should be replaced or upgraded to ensure that water/sewer operations are reliably maintained for regulatory compliance and minimal interruption in services. The plan will be developed in phases during the five-year CIP and first address wastewater treatment facilities, followed by wastewater pumping and collection facilities and then water production, storage, and distribution facilities.

As mentioned in the Executive Summary under the Wastewater Permit Update, the replacement of the 36-inch force main on Capital Circle is a critical project that will be completed in 2010.

Environmental Management System

The City received certification in August 2007 from the International Organization of Standardization (ISO) for the Environmental Management System (EMS) that was developed for the City's wastewater treatment facilities, including the TPS and LBR Plants and the Southwest and Southeast Spray Fields. The certification affirms that the City's EMS meets ISO Standard 14001:2004, which establishes a framework and criteria for a management system that allows an organization to analyze, control and reduce the environmental impact of its activities, products and services and operate with greater efficiency and control. Three semi-annual surveillance audits by the ISO independent auditor have indicated only one minor non-conformance issue that was readily resolved to maintain certification. The ISO certification was the first for a wastewater utility in Florida. The development of an EMS in the Wastewater Collection and Pumping areas is currently underway with completion expected in 2010.

STORMWATER MANAGEMENT SYSTEM

The City operates and maintains the Stormwater Drainage System (i.e. a network of pipes, channels, and stormwater management facilities) to serve the 103.06 square miles within the City's incorporated limits. The Stormwater Drainage System consists of approximately 407 stormwater management facilities, 8,700 drainage structures, 330 miles of enclosed storm drains, 245 miles of roadside ditches, 56 miles of minor to medium outfall ditches, and 26 miles of major outfall canals.

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

Management Discussion of Operations

During FY 2009, the actual operating revenue for the Stormwater Drainage System was $15.7 million (1.9% below the projected estimate) while expenditures were $15.3 million (1.0% above the projected estimate) resulting in actual budgetary income before transfers of $368,288. In accordance with the financing policy, $368,288 was transferred to the Stormwater Renewal, Replacement and Improvement Fund, to offset the need for future debt.

The Stormwater Drainage System is operated on a full cost recovery basis with associated revenues and expenditures accounted for within the Stormwater Fund. Stormwater maintenance activities are provided by the Public Works Department, but are funded from the Stormwater Fund. In FY 2009 the cost for those activities was approximately $4.8 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 2010 Five-Year Capital Improvement Program includes 28 projects. The total cost of these projects is approximately $32.8 million, which is required for FY 2010 through FY 2014. At this time, no debt funding is anticipated for any ongoing or future stormwater projects.

During FY 2009 the base stormwater fee was $7.61 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 $7.61 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 ($7.61 per ERU) to get the monthly fee for that specific non-residential site.

The Stormwater Drainage System has approximately 84,225 customers. While approximately 92% of the customer base is residential, the 8% nonresidential customer base generates approximately 53% of the annual revenue. This again reflects the higher density of impervious area on nonresidential sites.

In March of 2005, the City Commission adopted a resolution indicating their intent to increase the base stormwater fee by a total of $1.70 per ERU to fund a program to reduce stormwater pollution. The $1.70 increase was phased in over five years, in 20% (34 cents) increments. The fifth and final step increase of 34-cents was implemented in October 2009 resulting in the current FY 2010 monthly stormwater fee of $7.95 per ERU. The projected FY 2010 revenue is $15.9 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 US-EPA regulation under consideration will limit the amount of nutrients (primarily nitrates and phosphorous) that can be in runoff. Once again, this will require cities and counties to develop both structural and non-structural techniques to try to comply with these limits. Structural methods involve the construction of ponds and other treatment systems to remove pollutants. Non-structural methods include programs such as public education and regulations such as fertilizer ordinances to try to prevent nutrients from getting into the water. All of these programs will be expensive and will require that communities allocate additional funding to these needs. Although the full financial impact of these proposed regulations is not yet known, 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	2005	2006	2007	2008	2009
Miles of Water Mains	1,143	1,147	1,175	1,181	1,224
Plant Capacity	74	74	74	74	74
Daily Avg. Consumption (MGD)[(1)]	29	36	31	28	27
Residential					
Avg. No. of Customers[(2)]	65,795	67,486	68,394	68,754	68,368
Avg. No. of Service Points[(3)]	69,869	71,704	72,909	73,530	73,476
Water Sold (000)	4,145,788	5,955,449	6,179,543	5,462,313	5,264,552
Avg. Sales Per Customer	59,337	83,056	84,757	74,287	71,650
Commercial					
Avg. No. of Customers[(2)]	6,778	6,882	7,011	7,076	7,031
Avg. No. of Service Points[(3)]	7,997	8,183	8,367	8,539	8,540
Water Sold (000)	3,584,185	4,178,752	5,029,763	4,698,880	4,289,036
Avg. Sales Per Customer	448,191	510,663	601,143	550,285	502,229

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

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

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

Sewer System

Fiscal Year Ended September 30	2005	2006	2007	2008	2009
Miles of Sanitary Sewers	968	968	999	1,008	1,030
Annual Flow-Millions of Gallons	7,130	6,293	6,166	6,335	6,253
Daily Average Treatment (MGD)	19.53	17.24	16.91	17.31	17.14
Rainfall (fiscal year totals)	57.72	46.43	50.29	57.73	58.11
Gallons Treated Per Customer	107,920	92,645	89,633	90,619	89,372
Avg. No. of Customers					
Residential	59,988	61,747	62,775	63,573	63,648
Commercial	6,075	6,175	6,274	6,340	6,318
Rated Capacity	32	32	32	32	31

Water Rates (Effective January 1, 2009)

Monthly Rate:	
Customer Charge	$ 5.41
Usage Charge:	
Residential	$ 0.129
First 7,000 gallons	$1.29/1000 gallons
Next 13,000 gallons	$1.75/1000 gallons
Additional gallons	$2.20/1000 gallons
Commercial	
Up to monthly usage allowance	$1.29/1000 gallons
Additional gallons	$1.51/1000 gallons
Irrigation	
Up to monthly usage allowance	$1.29/1000 gallons
Additional gallons	$2.20/1000 gallons
Monthly Minimum Charge:	
Nominal Meter Size (inches)	Amount
5/8 or Smaller	$ 8.64
1	$ 21.54
1 1/2	$ 43.08
2	$ 69.01
3	$ 137.89
4	$ 215.42
6	$ 430.85
8	$ 689.37

Sewer Rates (Effective January 1, 2009)

Monthly Minimum Charge:	
Nominal Meter Size (inches)	Amount
5/8 or Smaller	$ 14.23
1	$ 35.56
1 1/2	$ 71.09
2	$ 113.76
3	$ 227.51
4	$ 355.47
6	$ 710.96
8	$ 1,137.54
Monthly Usage Charge:	
Usage Charge Per 1000 Gallons Per Month	$ 4.540

Water System Ten Largest Customers by Consumption (as of September 30, 2009)

Customer	Water Usage	Billed Amount	Percentage of Revenues
Florida State University	2,877,586	$499,475	2.29%
State of Florida	2,173,341	$419,352	1.93%
City of Tallahassee	1,880,303	$452,208	2.08%
Florida A & M University	1,479,735	$274,836	1.26%
Federal Government	1,118,621	$180,607	0.83%
Leon County School Board	1,106,425	$212,389	0.98%
Tallahassee Memorial HealthCare	1,081,470	$182,862	0.84%
Leon County	892,627	$163,812	0.75%
St. Joe / Arvida	296,913	$23,419	0.11%
Tallahassee Community College	265,986	$51,089	0.23%
TOTAL	13,173,007	$2,460,049	11.30%

Sewer System Ten Largest Customers by Consumption (as of September 30, 2009)

Customer	Sewer Usage	Billed Amount	Percentage of Revenues
Florida State University	2,012,549	$1,092,579	2.64%
State of Florida	1,232,960	$776,221	1.88%
Florida A & M University	1,155,581	$640,100	1.55%
Federal Government	1,019,524	$506,067	1.22%
Leon County	853,221	$483,236	1.17%
Tallahassee Memorial HealthCare	708,249	$351,589	0.85%
Leon County School Board	625,980	$402,003	0.97%
City of Tallahassee	331,868	$249,727	0.60%
Blairstone Apts	222,686	$99,676	0.24%
Capital Regional Medical Center	151,013	$74,721	0.18%
TOTAL	8,313,631	$4,675,918	11.31%

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

Fiscal Year Ended September 30	2005	2006	2007	2008	2009
Operating Revenues					
Water	$ 21,599	$ 23,511	$ 25,901	$ 24,650	$ 24,741
Sewer	28,738	30,447	34,080	41,309	44,924
Total Operating Revenues	50,337	53,958	59,981	65,959	69,665
Operating Expenses					
Water	15,975	17,669	16,243	17,295	18,474
Sewer	24,330	24,948	27,131	27,492	30,365
Total Operating Expenses	40,305	42,617	43,374	44,787	48,839
Net Operating Revenue	10,032	11,341	16,607	21,172	20,826
Gross Stormwater Revenue	14,006	14,557	15,350	16,516	18,417
Other Revenue	750	1,006	1,289	1,398	801
Total Pledged Revenue Available for Debt Service	$ 24,788	$ 26,904	$ 33,246	$ 39,086	$ 40,044
Debt Service	$ 5,749	$ 6,311	$ 6,318	$ 12,929	$ 14,036
Coverage	4.31x	4.26x	5.26x	3.02x	2.85x

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
CONSOLIDATED DEBT SERVICE

Bond Year Ending October 1	Total	$ 164,460,000 Series 2007	$ 36,110,000 Series 2005	$23,900,000 Series 2001
2010	15,642,075	$ 9,559,825	$ 4,154,675	$ 1,927,575
2011	15,686,525	9,605,425	4,158,025	1,923,075
2012	15,695,650	9,606,625	4,162,250	1,926,775
2013	15,694,888	9,610,025	4,158,813	1,926,050
2014	15,693,238	9,605,425	4,161,063	1,926,750
2015	14,444,438	11,458,025	752,813	2,233,600
2016	14,440,788	11,458,425	752,813	2,229,550
2017	14,440,788	11,457,425	752,813	2,230,550
2018	14,435,288	11,456,425	752,813	2,226,050
2019	14,438,788	11,459,925	752,813	2,226,050
2020	13,314,988	11,457,175	1,857,813	-
2021	13,310,848	11,457,235	1,853,613	-
2022	13,314,098	11,457,735	1,856,363	-
2023	13,313,998	11,457,885	1,856,113	-
2024	13,314,528	11,456,665	1,857,863	-
2025	13,315,078	11,458,715	1,856,363	-
2026	13,313,863	11,457,250	1,856,613	-
2027	13,316,613	11,458,250	1,858,363	-
2028	13,314,613	11,458,250	1,856,363	-
2029	13,312,113	11,456,500	1,855,613	-
2030	13,318,113	11,457,250	1,860,863	-
2031	11,459,500	11,459,500	-	-
2032	11,457,250	11,457,250	-	-
2033	11,454,750	11,454,750	-	-
2034	11,456,000	11,456,000	-	-
2035	11,454,750	11,454,750	-	-
2036	11,455,000	11,455,000	-	-
2037	11,455,500	11,455,500	-	-
TOTALS	**$ 377,264,060**	**$ 311,503,210**	**$ 44,984,825**	**$ 20,776,025**

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

Dated: October 1, 2007

Purpose

To pay the cost of certain capital improvements to the Utility System, funding a special account for the series 2007 Bonds and paying certain costs of issuance in connection with the issuance of the 2007 Bonds.

Security

The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility System Revenue Bonds, Series 2001 Bonds and Consolidated Utility System Refunding Revenue Bonds, Series 2005.

Form

$164,460,000 Serial Bonds due October 1, 2037, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2010.

Agents

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

Ratings

Moody's:	Aa2
Fitch:	AA
Standard & Poors:	AA

Redemption Provisions

Optional Redemption

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

Mandatory Redemption

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

Year	Amount
2028	$7,035000
2029	$7,385,000
2030	$7,755,000
2031	$8,145,000
2032 (final maturity)	$8,550,000

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

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

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	4.000%	$ 1,610,000	$ 7,949,825	$ 9,559,825
2011	4.000%	1,720,000	7,885,425	9,605,425
2012	4.000%	1,790,000	7,816,625	9,606,625
2013	4.000%	1,865,000	7,745,025	9,610,025
2014	4.000%	1,935,000	7,670,425	9,605,425
2015	4.000%	3,865,000	7,593,025	11,458,025
2016	5.000%	4,020,000	7,438,425	11,458,425
2017	5.000%	4,220,000	7,237,425	11,457,425
2018	5.000%	4,430,000	7,026,425	11,456,425
2019	5.000%	4,655,000	6,804,925	11,459,925
2020	4.400%	4,885,000	6,572,175	11,457,175
2021	4.500%	5,100,000	6,357,235	11,457,235
2022	4.500%	5,330,000	6,127,735	11,457,735
2023	4.600%	5,570,000	5,887,885	11,457,885
2024	4.600%	5,825,000	5,631,665	11,456,665
2025	4.700%	6,095,000	5,363,715	11,458,715
2026	5.000%	6,380,000	5,077,250	11,457,250
2027	5.000%	6,700,000	4,758,250	11,458,250
2028	5.000%	7,035,000	4,423,250	11,458,250
2029	5.000%	7,385,000	4,071,500	11,456,500
2030	5.000%	7,755,000	3,702,250	11,457,250
2031	5.000%	8,145,000	3,314,500	11,459,500
2032	5.000%	8,550,000	2,907,250	11,457,250
2033	5.000%	8,975,000	2,479,750	11,454,750
2034	5.000%	9,425,000	2,031,000	11,456,000
2035	5.000%	9,895,000	1,559,750	11,454,750
2036	5.000%	10,390,000	1,065,000	11,455,000
2037	5.000%	10,910,000	545,500	11,455,500
TOTALS		**$ 164,460,000**	**$ 147,043,210**	**$ 311,503,210**

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

Dated: October 1, 2005

Purpose

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

Security

The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's. The Consolidated Utility System Refunding Revenue Bonds, Series 2001 and the Consolidated Utility System Revenue Bonds, Series 2007.

Form

$36,110,000 Serial Bonds due October 1, 2030, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2005.

Agents

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

Ratings

Moody's:	Aa2 underlying
Fitch:	AA underlying
Standard & Poors:	AA underlying

Redemption Provisions

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

The Series 2005 Bonds maturing after October 1, 2015 are subject to optional redemption as follows:

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

$36,110,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SERVICES
REFUNDING REVENUE BONDS, SERIES 2005

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	3.250%	$ 2,820,000	$ 1,334,675	$ 4,154,675
2011	(1)	2,915,000	1,243,025	4,158,025
2012	(2)	3,025,000	1,137,250	4,162,250
2013	(3)	3,140,000	1,018,813	4,158,813
2014	(4)	3,265,000	896,063	4,161,063
2015	(5)	-	752,813	752,813
2016	(5)	-	752,813	752,813
2017	(5)	-	752,813	752,813
2018	(5)	-	752,813	752,813
2019	(5)	-	752,813	752,813
2020	4.000%	1,105,000	752,813	1,857,813
2021	5.000%	1,145,000	708,613	1,853,613
2022	5.000%	1,205,000	651,363	1,856,363
2023	5.000%	1,265,000	591,113	1,856,113
2024	5.000%	1,330,000	527,863	1,857,863
2025	5.000%	1,395,000	461,363	1,856,363
2026	5.000%	1,465,000	391,613	1,856,613
2027	5.000%	1,540,000	318,363	1,858,363
2028	5.000%	1,615,000	241,363	1,856,363
2029	5.000%	1,695,000	160,613	1,855,613
2030	4.250%	1,785,000	75,863	1,860,863
TOTALS		**$ 30,710,000**	**$ 14,274,825**	**$ 44,984,825**

(1) Bonds maturing 2011 are in two issues: $2,165,000 at 3.50% interest rate and $750,000 at 4.00% interest rate.
(2) Bonds maturing 2012 are in two issues: $1,025,000 at 3.75% interest rate and $2,0,000 at 4.00% interest rate.
(3) Bonds maturing 2013 are in two issues: $1,140,000 at 3.75% interest rate and $2,000,000 at 4.00% interest rate.
(4) Bonds maturing 2014 are in two issues: $2,000,000 at 4.00% interest rate and $1,265,000 at 5.00% interest rate.
(5) There are no bonds maturing in 2015 through 2019.

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

Dated: May 1, 2001

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

Security
The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility System Refunding Revenue Bonds, Series 2005, and the Consolidated Utility Revenue Bonds, Series 2007.

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

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

Ratings
Moody's:	Aa2 underlying
Fitch:	AA underlying
Standard & Poors:	AA underlying

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

$23,900,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SERVICES
REFUNDING REVENUE BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	5.000%	$ 1,090,000	$ 837,575	$ 1,927,575
2011	4.500%	1,140,000	783,075	1,923,075
2012	5.500%	1,195,000	731,775	1,926,775
2013	5.500%	1,260,000	666,050	1,926,050
2014	5.500%	1,330,000	596,750	1,926,750
2015	5.500%	1,710,000	523,600	2,233,600
2016	5.500%	1,800,000	429,550	2,229,550
2017	5.500%	1,900,000	330,550	2,230,550
2018	5.500%	2,000,000	226,050	2,226,050
2019	5.500%	2,110,000	116,050	2,226,050
TOTALS		**$ 15,535,000**	**$ 5,241,025**	**$ 20,776,025**

TALLAHASSEE REGIONAL AIRPORT

Introduction

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

Air Service Discussion

The airline industry can be described as an industry with substantive financial, customer service and anti-competitive issues, whose economic recovery is not expected for a number of years. Four of the six major legacy carriers (Delta, Northwest, United and US Airways) filed for and have come out of bankruptcy. Over capacity, fuel prices and the slowdown in the economy have continued the airlines' precarious financial position.

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

The City was able to attract service by Northwest/Pinnacle to their Memphis hub in 2000. During 2004, US Airways upgraded service to its Charlotte hub with regional jets and has added flights. Beginning March 2008, American Eagle, an affiliate of American Airlines, began offering two daily flights between Tallahassee and its Miami hub. In October 2008, Continental Connection (Gulfstream International Airlines) began service to Fort Lauderdale. In April 2009, Delta reinstated service to Fort Lauderdale, Tampa and Orlando using SAAB turbo prop aircraft. American Eagle added a third flight to Miami in March 2009. In February 2009, Continental Connection (Gulfstream International Airlines) reinstated non-stop service to Palm Beach International Airport. In June 2009, American Eagle began offering service to Dallas/Fort Worth and added an additional flight in August 2009. Delta Air Lines discontinued service to Orlando and Tampa effective October 1, 2009. Delta Air Lines is in the process of merging with Northwest Airlines and expects to receive its single operating certificate in December 2009. US Airways is anticipated to begin offering service to Ronald Regan Washington National Airport in mid-2010.

TLH is primarily an origination/destination airport with the majority of passengers being on business-related travel rather than leisure-related travel. Although passenger traffic slowed in FY 2009, TLH had 737,269 passengers (a 15.37% decrease). The decrease is the result of high airfares due to factors such as higher fuel costs, reduced capacity within the airline industry, and the economy. Additionally, flight frequency has been reduced.

In order to remain competitive and continue the City's strategy of improving competition in order to lower airfares and upgrade services, the City Commission established a $300,000 recurring project in March 2002 to provide funding for various incentives to airlines similar to those being provided at other airports to help in achieving their goals. In October 2007, the recurring funding for the project was increased to $600,000. TLH has and will continue to communicate with carriers regarding their potential share of the market by demonstrating the potential market opportunities and profitability of providing service to Tallahassee.

Financial Discussion

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

In FY 2009, actual operating income was $2,612,066 or $9,873 more than budget. Actual expenditures were 7.17% below budget projections and revenues were 5.62% below.

The Airport's Capital Improvement Program (CIP) is primarily supported from Federal Aviation Administration (FAA) entitlement grant funding, Passenger Facility Charge (PFC) funds, and Florida Department of Transportation (FDOT) grants. Increased FAA grants and the availability of PFC funds with the successful completion of the Airport's Noise Mitigation Program have accelerated the Airport's implementation of many projects. In the past five fiscal years (FY 2005 - FY 2009), the Airport has accepted over $22.45 million in grant funds from FAA and FDOT. This includes approximately $2.24 million per year from the FAA and $2.25 million from FDOT. These funds have been used primarily for airfield improvement and refurbishment projects, including construction of two new aprons, overlay of all taxiways, refurbishment of existing aprons, and stormwater controls.

Tallahassee Regional Airport (TLH) currently has two PFC programs open. The first open program began collections in October 2002 and was fully funded in May 2007 with total collections of $11.57 million. Most of the first program funds ($8.85 million) are earmarked for rehabilitation and renovation of the Ivan Munroe Passenger Terminal with the remainder used for airfield, security, and planning projects. The second program began collections in May 2007 and extends over a nine-year period with estimated collections of $25.28 million. Terminal work will account for $14.9 million of program funds with the remainder going to airfield, security, and planning projects. Over the past four years, several significant Terminal and Airfield projects have been completed or are very near completion.

(a) Terminal Projects: During the past five years, terminal projects have included replacement of the chillers; boilers; and cooling towers; addition of outdoor air "pre-treatment" units; addition of two passenger loading bridges and the refurbishment of six existing passenger loading bridges to accommodate regional jets and to match equipment to aircraft utilizing TLH; the opening of two unused gates; refurbishment of public restrooms; replacement of inbound baggage handling system; renovation of offices areas, training room, and an airport operations communication and control center; build-out of new offices and work space for the airport police unit; the addition of a dry-pipe fire extinguishment system for the terminal building areas exposed to weather; conversion of existing airline office space to better provide for potential new airlines; and replacement of the older passenger information system with a Multi User Passenger Information Display System that offers a state of the art computer-based, internet-assisted system. Future terminal projects include replacement of the outbound baggage handling system including space for the Transportation Security Administration's (TSA) baggage screening equipment; replacement of the roof and weather proofing exterior wall coverings; replacement of automatic entrance doors; replacement/enhancement to terminal floors, ceilings, and other passenger enhancements; and other general improvements to aesthetics and passenger convenience items.

(b) Airfield Projects: Three significant groups of projects have been the focus of airfield improvements. The first group consists of projects that enhance existing infrastructure and keep the Airport operationally viable and includes: the refurbishment of all existing taxiways completed in 2006 enhanced the life of pavements and keeps the infrastructure viable for another 10 to 15 years; and a major stormwater control project that improved drainage along Runway 9-27, adjacent taxiways, and the terminal apron. The second group of projects were those that enhance the safety and security of the airfield and included: the construction of 10 miles of new wildlife fence to keep animals out of the airfield areas; and construction of a perimeter security road adjacent to the wildlife fence to allow monitoring of the perimeter in all weather conditions. The third group of projects focused on increasing cargo operations and included: expanding the existing cargo apron; adding a second cargo apron allowing for the addition of a second cargo carrier access road and security for the cargo apron and adjacent area, and infrastructure improvements for a new cargo sorting facility.

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

Management Discussion of Operations

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

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

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

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

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

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

Airport Financial Statistics

For Fiscal Year Ended September 30	2005	2006	2007	2008	2009
Revenue Per Enplaned Passenger	$ 17.03	$ 19.76	$ 23.35	$ 26.75	$ 29.79
Debt Per Enplaned Passenger	11.15	11.44	10.43	11.60	13.66

Aircraft Operations - Landings and Take-offs

For Fiscal Year Ended September 30	2005	2006	2007	2008	2009
Air Carrier Operations [(1)]	6,370	4,735	4,434	4,679	3,454
Air Taxi Operations [(2)]	30,989	29,995	29,147	28,131	23,172
General Aviation					
Itinerant Operations	37,380	37,688	37,041	33,643	30,468
Local Operations	11,422	12,564	13,120	14,174	15,459
Military					
Itinerant Operations	10,749	12,341	10,468	8,672	11,448

(1) Consists of planes of 50 or more seats

(2) Consists of planes having less than 50 seats

Enplanements by Carrier

For Fiscal Year Ended September 30	2005	2006	2007	2008	2009
USAirways/ Piedmont	-	-	110	275	160
Mesa [(1)]	31,465	6,851	339	15,149	94
PSA [(2)]	22,333	61,211	74,205	55,790	70,268
Delta	233,992	190,555	129,118	93,661	21,165
Skywest [(3)]	-	-	-	-	1,026
Atlantic Southeast	22,339	22,268	56,132	90,632	114,833
Chautauqua [(4)]	151,006	83,958	13,509	-	-
Continental Connection/Gulfstream [(5)]	16,118	26,583	27,336	19,946	23,499
Express Jet Airlines/Continental Express [(6)]	19,669	26,458	30,056	22,900	-
Comair [(7)]	53,163	11,129	2,351	171	-
Freedom [(8)]	-	41,710	108,162	74,544	-
American Eagle [(9)]	-	-	-	10,100	34,420
Pinnacle [(10)]	-	-	-	6,702	43,613
Shuttle America [(11)]	-	-	-	1,678	6,042
Mesaba [(12)]	-	-	-	-	13,822
Northwest Airlink	38,942	38,678	44,700	45,763	39,476
Mesaba [(13)]	-	-	-	-	2,674
Total Enplanements	589,027	509,401	486,018	437,311	371,092

(1) Mesa discontinued scheduled services May 2006; reinstated service in May 2008.

(2) PSA commenced services February 2005.

(3) Skywest services from January 2002 to April 2004.

(4) Chautauqua services from January 2003 to July 2007.

(5) Continental Connection re-commenced services September 2004.

(6) Express Jet Airlines/Continental Express commenced services May 2004; discontinued services September 2008.

(7) Comair discontinued services November 2005.

(8) Freedom Airines commenced services January 2006.

(9) American Eagle commenced service March 2008.

(10) Pinnacle commenced services July 2008.

(11) Shuttle America commenced services September 2008.

(12) Mesaba commenced services April 2009.

(13) Mesaba commenced services June 2009.

Selected Airport Statistics

Historical Operating Results in (000s)

For Fiscal Years Ended September 30

	2005	2006	2007	2008	2009
Operating Revenues (1)	10,030	10,068	11,514	11,695	11,053
Prepaid Fees Credit (1)	1,149	1,370	1,293	1,018	1,150
Operating Expenses (2)	(8,313)	(8,150)	(9,104)	(9,323)	(9,150)
Non-operating Revenues(Expenses)	51	134	154	138	81
Revenues Available for Debt Service	$ 2,917	$ 3,422	$ 3,857	$ 3,528	$ 3,134
Sr. Lien Debt Service	$ 963	$ 960	$ 962	$ 987	$ 959
Sr. Lien Debt Service Coverage	3.03x	3.56x	4.01x	3.57x	3.27x

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

(2) Excluding depreciation and amortization.

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

Dated: August 31, 2004

Purpose

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

Security

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

Form

$7,355,000 Serial Bonds

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

Agents

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

Ratings

Moody's:	Aaa
Fitch:	AAA

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

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2010	3.500%	$ 825,000	$ 133,338	$ 958,338
2011	3.750%	855,000	104,463	959,463
2012	4.000%	885,000	72,400	957,400
2013	4.000%	925,000	37,000	962,000
TOTALS		**$ 3,490,000**	**$ 347,200**	**$ 3,837,200**

OTHER DEBT FINANCING

Sunshine State Governmental Financing Commission

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

Variable Rate Loan

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

As of September 30, 2009, the City had outstanding six loan agreements with the Commission under this program, as described below:

- $18,200,000 in November 1986; secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City and has no specific claims on any revenue stream; mandatory amortization of principal in equal amounts during the years 2011-2016, with all principal to be retired by January 30, 2016; as of September 30, 2009 the balance outstanding on this loan was $2,299,730;
- $36,500,000 in April 1999; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a required final maturity of 2016; September 30, 2009 balance of $28,865,000;
- $7,909,000, in April 2001; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a final maturity of 2015; September 30, 2009 balance of $6,520,000; and
- $5,050,000, in April 2001; secured by a covenant to budget and appropriate from all non ad-valorem revenues of the City and has no specific claims on any revenue stream; interest to be paid monthly with annual principal payments due on October 1 beginning in 2001; loan has a final maturity of 2015; September 30, 2009 balance of $2,815,236.

Conduit Issues, Non-Profit Organizations

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

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

Conduit Issues, Industrial Development and Industrial Revenue Bonds

From time to time the City also acts as a conduit issuer for private industries in the issuance of Industrial Development Revenue Bonds. Originally, there were two issues for Rose Printing. A second issue was called and refinanced by the issuer during FY 2004. The refinancing paid off the full amount of this second issue; the refinancing was accomplished without City involvement. There is currently one issue of Industrial Development Revenue Bonds outstanding for which the City has acted as the conduit issuer. These bonds are issued pursuant to an indenture of trust between the City and a trustee, with the entity on whose behalf the bonds are issued being solely responsible for their repayment, with no resulting liability on behalf of the City. The Industrial Development Revenue Bond currently outstanding was issued as follows: $2,200,000 City of Tallahassee, Florida Industrial Development Revenue Bonds (Rose Printing Company, Inc. Project), Series 2000 A. Trustee - Wachovia Bank, NA, Jacksonville, Florida.