ANNUAL REPORT TO BONDHOLDERS

CITY OF TALLAHASSEE

February 2009

City of Tallahassee
Elected Officials

John R. Marks, III
MAYOR

Andrew D. Gillum
MAYOR PRO TEM - COMMISSIONER

Allan J. Katz
COMMISSIONER

Debbie Lightsey
COMMISSIONER

Mark Mustian
COMMISSIONER

Administration

Anita Favors Thompson
CITY MANAGER

Gary Herndon
CITY TREASURER-CLERK

James R. English
CITY ATTORNEY

Sam McCall
CITY AUDITOR

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

Financial Advisor
Public Financial Management
Orlando, Florida

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2009 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 2009 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.
- $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

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EXECUTIVE SUMMARY

The City's Annual Report to Bondholders is designed to provide a reader, with no prior background, general information regarding the City and its debt. For those readers who regularly follow the City, much of the information contained herein may be repetitive. To assist those readers, the most significant changes since last year's report are highlighted below. Readers are encouraged to read the report in its entirety even though the City, by means of this executive summary, identifies only those events that it believes to be the most important that have occurred since the publication of the 2008 Annual Report to Bondholders.

Rate Increases

On March 12, 2008, the City Commission approved rate increases for the water, sewer, and gas utilities. The increases received final approval at a March 26, 2008 public hearing. Scheduled increases are as follows:

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%
Gas	April 1, 2008	4.1%
Gas	October 1, 2009	2.2%

The Commission has also approved annual adjustment of rates for all utilities based on the Consumer Price Index. The inflationary adjustments for the electric utility begin October 1, 2008 and for other utilities begin after the last scheduled increase above.

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 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.

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.

Further property tax reform has been proposed in the 2009 legislative session but no action has been taken and no impact is expected for the FY 2010 budget. 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.

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.

Although property valuations for the City have not declined to date as a result of market conditions, the City has been advised by Leon County Property Appraiser that taxable values are expected to decline for FY 2010. Also, continued discussion of property tax reform by the State Legislature could result in additional impact to ad-valorem taxes. The city is monitoring this legislation and will adjust future years' budgets accordingly.

Pension Plan

The City of Tallahassee pension Plan had a "negative unfunded liability" according to its most recent actuarial report, as of September 30, 2007. Since that time, market performance has affected the City of Tallahassee Pension Plan as it has affected virtually all investors. Based solely on the September 30, 2007 report and FY 2008 plan performance, it appears that the plan was approximately 95% funded at September 30, 2008. Funded status would have been further eroded by results since September 30, 2008; however, the City of Tallahassee Pension Plan's next actuarial report is not scheduled until September 30, 2009.

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

OPEB

The City of Tallahassee provides to our retired employees a health insurance subsidy that is considered another post-employment benefit (OPEB). The benefit has historically been funded through an annual appropriation and the expense recorded on a current or cash basis. The Government Accounting Standards Board (GASB) issued Statement 45 that requires the City, for the year ending September 30, 2008, to disclose the cost of the health insurance subsidy for current retirees and active employees (who receive the benefit of the subsidy when they retire). In addition to disclosing the present value of the estimated total cost, the notes to the City's financial statements must also describe efforts and progress being made to fund the liability. GASB does not prescribe a required funding method, but allows the City to determine the best method to fund the obligation.

As of October 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $101.8 million. The City's annual required contribution was $8.4 million. The OPEB liability and funding requirement are a combination of an *explicit* and *implicit* subsidy. The explicit subsidy is the actuarially calculated cost of paying a portion of premiums for our retirees. Of the City's estimated annual funding requirement and OPEB liability, approximately 50% is due to the *implied* subsidy.

Contributions made in FY 2008 totaled $2.5 million OPEB funding requirements are included in 2009 fiscal year budgets for all funds except for the General Fund. The General Fund was budgeted on a current or cash basis, and is approximately $900,000 short of the amount required to fund the explicit OPEB annual required contribution. The City is currently evaluating funding options and will make a final funding determination for all funds, including the General Fund, in connection with the FY 2010 budget.

Ratings

On January 16, 2009, Fitch downgraded the City's Capital Bonds from AA to AA-. The following table shows the City's outstanding bonds underlying ratings per issue:

		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 Revenue Bonds	2001	Aa3	AA-	AA-
Energy System Revenue Bonds	1998A	Aa3	AA-	AA-
Energy System Revenue Bonds	1998B	Aa3	AA-	AA-
CUS Bonds	2007	Aa2	AA	AA
CUS Bonds	2005	Aa2	AA	AA
CUS Bonds	2004	Aa2	AA	AA
Capital Bonds	2004	A1	N/A	AA-
Capital Bonds	2001	A1	N/A	AA-
Airport Revenue Bonds	2004	N/A	N/A	N/A

Most of the City's outstanding bonds were issued with insurance to enhance the credit rating associated with the debt. Over the past year, analysis of the monoline insurers has resulted in downgrades of the insurers' ratings by various rating agencies. The table below provides ratings for insurers for Tallahassee's outstanding bonds. The notation "W/D" indicates that ratings have been withdrawn for a given insurer.

			Insurance Provider Ratings		
Series Name	**Series**	**Bond Insurance Provider**	**Moody's**	**S&P**	**Fitch**
Energy System Revenue Bonds	2007	MBIA	A2	AA-	W/D
Energy System Revenue Bonds	2005	MBIA	A2	AA-	W/D
Energy System Revenue Bonds	2001	Ambac	Baa1	A	W/D
Energy System Revenue Bonds	1998A	FSA	Aa3	AAA	AAA
Energy System Revenue Bonds	1998B	FSA	Aa3	AAA	AAA
CUS Bonds	2007	N/A	N/A	N/A	N/A
CUS Bonds	2005	Ambac	Baa1	A	W/D
CUS Bonds	2004	FGIC	W/D	CCC	W/D
Capital Bonds	2004	FSA	Aa3	AAA	AAA
Capital Bonds	2001	FGIC	W/D	CCC	WD
Airport Revenue Bonds	2004	Ambac	Baa1	A	W/D

The credit ratings for most municipal bond insurers have dropped in the last year. The insurers are in various stages of restructuring their portfolios, including reinsurance of other highly rated credits previously insured by other insurers. For example, the City's FGIC insured Bonds are wrapped by MBIA and MBIA Bond Insurance policies have been transferred to MBIA Illinois to achieve higher credit ratings.

Smart Metering

On March 28, 2007, the City Commission gave approval to proceed with the City Utilities' advanced metering project (Smart Metering), and to negotiate with Honeywell to provide contract management services for deployment. Smart Metering will provide utility customers access to their consumption data (electric, gas and water) via an in-home display unit and the Internet so that customers can monitor their energy consumption and manage their usage preference through technology that will automatically control appliances in response to changes in price.

On December 4, 2007, the City Commission authorized a capital lease to provide financing for up to $36 million to fund Phase I of the Smart Metering Program, which consists of the advanced metering, network communications, and software systems. Funds will be advanced to the City over an 18-month construction period, after which principal and interest will be paid over 15-years. Phase II of the program will have a cost of approximately $14 million; the timing of Phase II is undetermined. Phase II will consist of the implementation of new dynamic pricing programs facilitated via in-home display, internet self-service, and programmable controllable thermostats. The schedule for Phase II has not yet been determined.

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, sophisticated government the opportunity to work together to create low cost, flexible financing instruments. The City had approximately $87 million in variable rate debt outstanding under the program as of September 30, 2008.

During the 2007 – 2008 credit and liquidity crisis, event risk increased substantially. The inability of the commission to renew term commitments with banking institutions providing lines and letters of credit remain the loan participants' primary risk (other than any default action on their own part). There is no cross default risk between participating governments; however, an individual loan is subject to acceleration in the event of default by that particular loan participant. While the Commission's event risks have increased during the global credit and liquidity crisis, the members have no obligation to the Commission other than repayment of their loan obligations. Participant loans may require restructuring or refunding from proceeds acquired from other funding sources in the event the Commission is unable to secure or renew commitments for credit enhancement and/or liquidity support leading to a retrenchment or premature termination of its lending programs.

The City will continue to monitor its debt under the SSGFC Program, including evaluation of the expected agreement described above. The City will also monitor market impacts on the variable interest rate paid by the City under SSGFC obligations.

Due to the credit and liquidity concerns outlined above, the City elected to reduce its exposure to variable rate debt issued through the SSGFC. In November and December 2008, the City paid $19,400,000 to Sunshine State to pay off loans in the amount of $3,550,000 and $1,150,000 and to partially pay off another loan in the amount of $14,700,000, leaving a balance on that loan of $2,299,730. Of the total paid, $10,000,000 was paid from cash on hand and $9,400,000 was paid from proceeds of a bond issued for the purpose of reducing SSGFC balances.

In December 2008, the City issued a single bond to BB&T for $9,400,000. The bond is secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City. The balance is due in annual installments of $865,000 to $1,345,000 from October 1, 2009 to October 1, 2016, bearing interest at 3.410%.

In March 2009, the City initiated a process to issue fixed rate debt in an amount sufficient to pay in full all remaining balances under the Commercial Paper Program; such balances total approximately $27 million. If such debt is issued, the City's principal amount outstanding will not change; however, the obligations will pay a fixed rate of interest rather than the variable rate associated with the SSGFC Commercial Paper Program.

Defeased Bonds

On November 5, 2008, the City defeased $5,000,000 of the 2004 Series Capital Bonds. By defeasing these bonds, the City effectively reduced debt service by $1,000,000 per year for the next five years.

Series 2008 Capital Revenue Bonds

In December 2008, the City issued a single private placement fixed-rate term bond to BB&T for $9,400,000 to pay on the balance of SSGFC debt. The bond will be paid off by the same revenue as the Sunshine State Loan over a term of eight years. The balance is due in annual installments of $856,000 to $1,345,000 from October 1, 2009 to October 1, 2016, bearing interest as 3.410%.

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.

Blueprint 2000

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

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.

Talgov.com

The September 30, 2008 Comprehensive Annual Financial Report (CAFR), which includes audited financial statements in accordance with generally accepted accounting principles, is available on the City's website at www.talgov.com. The website also has other useful information available, including the City's budget for FY 2009.

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 2009 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, obligaor, 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
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Tallahassee, Florida 32301-1731
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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. These services include public safety (police and fire), construction and maintenance of streets and sidewalks, stormwater management, recreation, planning and zoning, general administrative services, five utilities (electric, gas, water, sewer and solid waste collection), a mass transit bus system and a regional airport.

The economy of Tallahassee is strongly oriented toward governmental and educational activities. The presence of the State 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 2007 American Community Survey (the Survey) results show a racially diverse community, with minorities accounting for 42.9% of the Leon County population and 35.8% of the City population. The population is young, with a median age of 26.9. City of Tallahassee residents have historically attained a very high level of education. According to the Survey, 41.8% of area residents aged 25 or older have completed at least four years of college, compared to 25.8% of the state. The 2007 median family income in Leon County is $70,818, which is comparable to the national median. Workers in management or professional occupations amount to 45.3% compared to 34.6% nationally.

The level of governmental employment has a stabilizing effect on the economy and helps to minimize unemployment. In September 2008, unemployment was 5.2% in the Tallahassee Metropolitan Statistical Area (MSA), as compared to the State's unemployment rate of 7.1%. The percentage of 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 25,805 people since the 2000 Census (2.3% 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
2008 estimated	177,852	97,040	274,892
2010 projected	181,000	98,200	279,200
2020 projected	205,300	107,100	312,400
2030 projected	226,000	114,800	340,800

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
1998	2.9	4.5	4.5
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

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

Trade and Service Area

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

Education

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

The largest and oldest university in the City is Florida State University (FSU), which was founded in 1851, and is the home of the Florida State University Seminoles. Fall 2008 enrollment totaled 39,000 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 3.1686 mills and 3.2115 mills were the lowest of the ten largest cities in Florida for 2008 and 2009, respectively. 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 and 2009. Millage rates were increased for many cities in 2009 due to a combination of declining property values and legislative tax reform.

		Millage Rates			
City	**2008 Population**	**2006**	**2007**	**2008**	**2009**
Miami	395,434	8.50	8.37	7.30	7.64
Tampa	339,365	6.50	6.41	5.73	5.73
St. Petersburg	251,459	6.80	6.60	5.91	5.91
Hialeah	228,157	6.90	6.80	6.54	6.80
Orlando	234,130	5.70	5.70	4.93	5.65
Fort Lauderdale	180,400	5.10	4.81	4.12	4.12
Tallahassee	**177,852**	**3.70**	**3.70**	**3.17**	**3.21**
Hollywood	143,172	6.90	6.81	5.74	5.69
Pembroke Pines	151,747	4.60	4.60	3.89	4.43

(Jacksonville was not included in the table above 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 reduces taxable values for FY 2009. Revenues (including transfers) for business-type activities for FY 2008 were $572.9 million, an increase of $36.4 million compared to the prior year. Enterprise system capital needs in the City's water, sewer, and electric utilities accounted for much of this increase through charges for service.

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 three-year average of gross system revenues for each utility. The percentages for water, sewer and solid waste are 20%, 4.5%, and 0.75%, respectively. The transfer from gas 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 and will be $33.3 million in FY 2009.

Expense Considerations

General Government expenses increased by $691,306 in FY 2008, or .5% compared to the prior year. This is attributable to increases in personnel costs, utility costs, and transfers to other funds, largely offset by a reduction in debt service expense. Expenses for business-type activities for FY 2008 were $562.9 million, $26.4 million more than the prior year's expenses. Increases in expenses resulted from increased costs of fuel, purchased power, gasoline and debt service, which were partially offset by other operating expenditure reductions.

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 rollback 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 over riding millage caps by a super majority of the City Commission or by referendum. Further property tax reform has been proposed in the 2009 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 2009 and 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. 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, 2008, was approximately $92.8 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 2008's Budget and Rates

The City is home to several state and federal offices in addition to two universities and a community college. These tax-free entities limit the taxable base to roughly 50% of the City's property value. The FY 2009 millage rate was increased slightly from 3.1686 mills to 3.2115 mills due to decreases in taxable value resulting from legislative reform. Although property valuations for the City have not declined to date as the result of market conditions, the City has been advised by the Leon County Property Appraiser that taxable values are expected to decline for FY 2010. Also, continued discussion of property tax reform by the State Legislature could result in additional impact to ad-valorem taxes. The city is monitoring this legislation and will adjust future years' budgets accordingly.

The City's Capital Budget is appropriated at $233.7 million with $21.1 million budgeted in the General Fund and $212.6 million in the Enterprise 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 2013 that totals $901 million with appropriations made on an annual basis.

Selected General Government Statistics

Pledged Revenues (in 000s) City of Tallahassee, Capital Bonds					
For Fiscal Years Ended September 30	2004	2005	2006	2007	2008
Communication Services Tax	8,717	8,334	8,226	8,917	9,140
Half Cent Sales Tax	9,576	9,463	10,127	9,875	9,658
Guaranteed Entitlement	1,251	1,251	1,251	1,251	1,251
Total Revenue	19,544	19,048	19,604	20,043	20,049
Debt Service	1,878	6,267	7,674	7,676	7,672
Debt Service Coverage	**10.41x**	**3.04x**	**2.55x**	**2.61x**	**2.61x**

Property Tax Levies and Collections (in 000s)

Fiscal Year	Total Assessed Valuation	Taxable Assessed Valuation	Levy	Collection	Percentage (1)
1999	10,283,317	5,217,865	15,697	15,107	96
2000	10,653,603	5,558,879	16,775	16,081	96
2001	11,101,845	5,892,235	17,856	17,231	97
2002	11,718,893	6,335,214	18,927	18,172	96
2003	12,561,990	6,734,959	20,363	19,503	96
2004	13,321,051	7,370,184	24,988	24,053	96
2005	14,983,276	8,600,518	27,306	26,349	96
2006	17,643,758	10,083,178	31,875	30,191	95
2007	19,251,581	11,162,814	37,370	35,442	95
2008	19,251,581	11,162,814	35,416	33,592	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	$9,400,000 Series 2008	$86,210,000 Series 2004	$15,360,000 Series 2001
2009	7,733,552	1,123,213	4,733,229	1,877,110
2010	8,007,532	1,391,044	4,741,629	1,874,860
2011	8,006,712	1,393,534	4,733,679	1,879,500
2012	8,007,870	1,389,660	6,618,210	-
2013	8,003,152	1,389,592	6,613,560	-
2014	9,068,171	1,393,161	7,675,010	-
2015	9,063,455	1,390,195	7,673,260	-
2016	9,120,865	1,390,865	7,730,000	-
2017	7,675,000	-	7,675,000	-
2018	7,675,250	-	7,675,250	-
2019	7,672,500	-	7,672,500	-
2020	7,671,250	-	7,671,250	-
2021	7,675,750	-	7,675,750	-
2022	7,675,000	-	7,675,000	-
2023	7,673,500	-	7,673,500	-
2024	7,675,500	-	7,675,500	-
TOTALS	**$ 128,405,057**	**$ 10,861,261**	**$ 111,912,326**	**$ 5,631,470**

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

Dated: December 11, 2008

Purpose

Private placement bonds to repay a portion of the outstanding principal amount of the obligation evidenced by a loan agreement between the City of Tallahassee and the Sunshine State Governmental Financial Commission dated November 16, 1996, amended and restated on April 25, 2001, in the original principal amount of $18200,000, 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 form 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 and Olive, P.A., Tallahassee, Florida.

Optional Redemption

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

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2009	3.410%	865,000	258,213	1,123,213
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		**$ 9,400,000**	**$ 1,461,261**	**$ 10,861,261**

$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 and Olive, P.A., Tallahassee, Florida.

Ratings
Moody's:	A1 underlying
Fitch:	AA- underlying (AAA insured by FSA)
Standard & Poors:	AA underlying (AAA insured by FSA)

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
2009	3.000%	1,220,000	3,513,229	4,733,229
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		**$ 74,215,000**	**$ 37,697,326**	**$ 111,912,326**

(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 and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's:	A1 underlying
Fitch:	AA- underlying (AAA insured by FSA)
Standard & Poors:	AA underlying (AAA insured by FSA)

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
2009	3.750%	1,660,000	217,110	1,877,110
2010	3.800%	1,720,000	154,860	1,874,860
2011	5.000%	1,790,000	89,500	1,879,500
TOTALS		**$ 5,170,000**	**$ 461,470**	**$ 5,631,470**

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	$93,000,000	2010
Gas System Revenue	$ 7,000,000	2009

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

ENERGY SERVICES

The 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 2011. On January 23, 2009 BG&E notified the City that they were canceling the project proposed to be built in Leon County, but planned to provide the contracted energy from a facility constructed in a nearby community. The City also has a contract with Renewable Fuels Tallahassee (RFT) for the purchase of 35 MW of renewable energy also beginning in 2011. 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. 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.

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

The ESD Retail Energy Services Division includes Energy Conservation/Customer Services and Marketing & Sales 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 achieve these goals the City issued an RFP for a DSM Program Manager who is tasked with reducing demand by 2 MW in 2008, 11 MW in 2009, 28 MW in 2010, 47 MW demand in 2011 and ultimately 59 MW by 2012. The DSM Program Manager will begin work after a contract is executed in mid-2009. The DSM Program Manager will achieve the targeted goals through a combination of residential and commercial load control, HVAC, water heating, lighting, appliances, new construction and solar efficiency measures, rebates and other measures.

In addition to the DSM Program Manager's initiatives, the Retail Energy Services Division has expanded services, rebates and assistance directly to our customers. To facilitate the implementation of the City's expanded internal programs, Energy Services hired a DSM Administrator in October 2008.

The expanded program offerings include:

- 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;
- 80/20 ceiling insulation program for all customers and a special insulation program for low-income customers;
- Net-metering for Photovoltaic (PV) installations allowing customers to sell excess power back to the City;
- New gas rebates for appliances not previously covered and increases in rebate amounts for all appliances;
- Low-income programs targeting customers who wish to upgrade to efficient appliances but cannot afford the up front costs; and
- Compact Fluorescent Light bulbs are traditionally distributed by our energy auditors at home shows and other local events. This year, Energy Services partnered with Sam's Club to offer a discount on the purchase of 8-pack CFL bulbs.

Energy Services continues to offer our traditional programs as follows:

- Energy assistance programs that provide home and business energy audits, investigations of high utility bills, financial assistance for energy efficiency improvements, and related customer services;
- Customer Retention/Key Accounts programs that establish and maintains communication with high-use utility customers, including development and administration of long-term contracts;

- 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 113,002 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, 2008, the City sold 2,694,106 MWh of electric energy to ultimate customers and 31,257 MWh to other utilities and received total operating revenues of approximately $347,649,420. Although the City continued to experience moderate growth in customers of 1.0% from 111,836 in FY 2007 to 113,002 in FY 2008, retail sales during FY 2008 were 2,694,106 MWh, a decrease of 1.2% over FY 2007. This slight decrease is attributable to moderate weather, 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 the 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 and new gas turbine peaking generators. While many of these types of improvements are ongoing, including the initial phases of deployment of a comprehensive "Smart Metering Program", these initiatives have already improved system reliability, efficiency, and customer service.

In 2004 the City initiated an extensive Integrated Resource Planning (IRP) process to determine the best way to serve future power supply resource requirements and meet several strategic goals. The goals included fuel diversity, reliability, economics and the environment. The 2004 IRP lasted over 30-months and during that period the City Commission made a number of key decisions that provided the City the ability to conclude the process in December 2006 with adoption of a five-year resource plan which included: repowering Hopkins Unit No. 2, continued participation in the Taylor Energy Center (TEC) permitting process, an aggressive DSM plan that targets 59 MW of demand saving by 2012, a renewable energy purchase from BG&E; and continued monitoring and evaluation of resource alternatives and regulatory trends. In July 2007 the City and its partners cancelled the Taylor Energy Center project (as discussed later), however the adoption of the five-year resource plan has allowed the City to continue to participate in the dynamic changes in the industry and be flexible in addressing those future power supply requirements, while still addressing the identified goals.

Based on the decisions made by the Commission during the 2004 IRP process, key strengths of the City's power supply portfolio that address current concerns with climate change, while addressing near term resource requirements are:

- With the completion of the Hopkins Repowering in 2008, the weighted average age of 75% of the City's natural gas generating fleet is three and one-half years and the weighted average heat rate of that portion of the natural gas generating fleet will be 7,900 btu/kwh;
- In 2011, 20% of the City's energy will be renewable if the currently contracted power purchase agreements are met, and the City's Demand Side Management (DSM) program will delay the need for additional power supply resources to meet reserve margins until 2016;
- 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
- The renewable resource contracts 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 restructuring. The electric base rate reduction strategy (1994 - 2001) and the accrual of operating reserves have positioned the City competitively while providing a great deal of flexibility, including the ability to defease existing indebtedness and directly fund certain capital projects that would otherwise be debt-financed. The Electric Operating Reserve had a balance of $92.7 million at September 30, 2008 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 it 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 230 MW conventional steam generating unit to a 296 MW combined cycle generating unit. This conversion will be 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 will be 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 City has Sargent & Lundy (S&L) as the City's design engineer for this project. S&L performed the design engineering and technical specification development. S&L also provided construction management and commissioning/start-up support to the City for this conversion. The City procured the major equipment including, but not limited to, the combustion turbine/generator/ heat recovery steam generator, boiler feed pumps and motors, main power transformer, iso-phase bus, and power distribution building and equipment. The City engaged BE&K Construction Company as the HP2 repowering general work contractor. The contract with BE&K is a hybrid contract that contains a fixed price component, a cost reimbursable component for the materials and equipment, and a target work hour portion for the labor of installation. Under this hybrid contract, the City and BE&K share the cost risk associated with the uncertainties due to the current market conditions. All permits have been issued for the project and construction activities commenced in November of 2006. The construction activities progressed well and BE&K achieved mechanical completion on May 4, 2008, approximately 6 weeks later than the planned mechanical date of March 15, 2008. The City is responsible for commissioning and start up. 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 operation on natural gas and the unit met all performance targets and environmental requirements. Liquid fuel commissioning is scheduled to occur in the spring of 2009. As of January 2009, the City expects all aspects of the project to be fully completed by the summer of 2009. The majority of the project contracts have been closed out and settled. The project is currently budgeted at $156 million. As of January 2009, the City expects the final project cost to be between $143 and $145 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

Following the completion of the City's most recent Integrated Resource Planning (IRP) Study, changes in some components of the approved resource plan were made. These changes included the cancellation of the Taylor Energy Center (TEC) project and the addition of a second renewable energy purchase. Cancellation of the TEC project had no impact on the timing of the City's capacity need, since this addition was done for fuel/resource diversity and not to meet a capacity shortfall (the City's DSM portfolio has delayed any capacity need until 2016). The additional renewable energy purchase, from Renewable Fuels Tallahassee (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 RFT, like the one from BG&E, is an energy-only transaction and therefore has no impact on the City's capacity needs. Recent development challenges for both the BG&E and RFT projects may affect the timing of the City's purchases from those facilities. The City will monitor these projects 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 at least 2016. 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. During FY 2009, the electric utility will conduct sensitivity studies to assess the risk exposure related to this DSM portfolio, and will 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. All required air, water, solid, and hazardous waste, etc. permits, plans and environmental procedures are current, or have been applied for, and the Electric Utility is in compliance with these permits, plans, and procedures at this time.

In 2005 the EPA issued the final Clean Air Interstate Rule (CAIR). In June of 2006, the FDEP adopted the state implementation plan for CAIR. CAIR will reduce the amount of NOx and SO2 emissions in 2009 with a second reduction occurring in 2015. Under the CAIR rules, a NOx cap and trade program is being established, and in November 2007 the City was allocated 345 allowances by the EPA for the ozone season and 700 annual allowances under the initial allocation. As a result of the HP2 repowering project, the City believes that the initial NOx allowances will be sufficient to address the projected system NOx emissions following the 2009 implementation date.

In 2006, the EPA and FDEP issued the final Best Available Retrofit Technology (BART) rules as part of the overall Regional Haze Rulemaking Project. After computer modeling, regulatory analysis, and a review of the current electric generating units’ retirement dates, it was determined by the City and the FDEP that modifications or retrofits would not be required as a result of the BART rules. However, at the current time, the City cannot address what impacts future potential rules promulgated under the Regional Haze Program may have on its operations.

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 it's development of a regulatory, market-based cap-and-trade emissions limiting program. Although the FDEP has held several rule development workshops on this subject, no proposed rule language has yet been published. While it appears most likely that the FDEP will develop a cap-and-trade program as opposed to a carbon tax system, the details of this program including how allowances will be distributed remains unknown. Moreover, the potential for the development of national legislation and therefore federal pre-emption is high. As such the City cannot fully address at this time what the impacts of these proposed regulations may have on City operations.

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.

Base rates were last changed on October 1, 2008, when they were increased by 5.4%. This increase was equal to the increase in the Consumer Price Index for the 12 months ended August 2008. Section 21-241 of the Tallahassee Code of Ordinances allows for this CPI adjustment each October 1 in the absence of Commission action to modify the rates. This change followed a 2.7% base rate increase that became effective on October 1, 2007. Consistent with prior practice, routine rate reviews will be conducted to ensure that 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 2009 are $56 million with the total five-year plan totaling $354 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 $18.4 million for Smart Metering. The aggregate budgeted funding for Smart Metering is $35.3 million. In addition, there is $6.9 million in the FY 2009 capital budget and an aggregate of $63.6 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 2010. 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 500 customers;
- Eligible customers comprise nearly 90% of the annual revenue from all non-residential classes on the City's electric system. About 50% of electric retail revenue comes from the non-residential classes; and
- Of the City's 20 Largest Electric Utility customers, 18 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 replace one temporary substation with a permanently located substation. New distribution circuits from each of these substations will relieve loading on existing circuits and increase system reliability.

The City continues to evaluate its transmission system to maintain the reliability of its grid and to ensure compliance with 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 2009 - 2012 to address this limitation.

THE GAS SYSTEM

Energy is the country's lifeblood. It feeds industries, keeps families warm, and allows citizens to enjoy the highest quality of life. Currently, the energy landscape is challenged by high-energy prices and unstable foreign-energy markets. 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. Natural gas with its environmental, efficiency, and economic benefits will play a significant role from helping to slow global climate change to contributing to economic growth for decades to come.

The City owns, operates, and manages a natural gas distribution system, which provides firm and interruptible gas service to 25,094 customers as of December 31, 2008 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 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 the inter-cooperated limits of Tallahassee, Florida and Midway, Florida. The Gas Utility has approximately 818 miles of main, and employs 40 full-time employees whom maintain and operate the gas system. The Gas Utility's annual system sales for FY 2008 were 2,438,470 Mcf, as well as annual revenues exceeding $35.1 million, and the number of service connections were 26,386.

Financial Results

The Gas Utility, along with the rest of the nation, felt the effects of a weakening economy and the slowdown in the new housing market. However, even during this economic slowdown period, the Gas Utility was able to show moderate customer growth, which resulted in an increase in FY 2008 revenue and sales results:

- Total revenue increased by 6.7%;
- Revenue per customer increased by 6.2%;
- Total sales increased by 5.3%; and
- Sales per customer increased by 4.8%.

The FY 2008 gas system revenues of $35,157,373 were an increase over the previous year, but were 4.8% lower than the budgeted revenue of $36,940,227. Actual revenues were lower than budgeted primarily due to lower than budgeted new service connections because of the statewide market and economic pressures in the residential and commercial sectors. Gas Utility operating expenses also increased slightly in FY 2008 from FY 2007 by $737,276. This increase is primarily due to inflationary cost, regulatory program mandates, enhanced marketing programs, technology improvements, and facility and infrastructure investments.

The net effect is a moderate FY 2008 surplus, from which $2.323 million was transferred to the City's general fund. The general fund transfers are in accordance with the City's budgetary policy. The Gas RR&I Fund transfer of $1,609,436 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 $24,347,157 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 85% of the capital budget appropriations are geared towards system expansion, and the remaining 15% 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 appropriated capital projects.

Management Discussion of Operations

The Gas Utility management team realizes that continuing to improve our information technology systems, as well as developing new creative sales approaches will improve customer growth and enhance customer satisfaction. The success of our utility depends on retaining satisfied customers, promoting and creating a demand for our product to new customers, and enhancing our 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. Automated vehicle location (AVL) has continued to improve operational efficiencies, including reduced emergency response times, which results in faster response times. We are continuously deploying new technology to improve efficiency and customer service. In order to protect revenue, we are testing residential gas system meters randomly by meter type and age, while all commercial (large capacity meters) are tested on an annual basis to ensure accuracy.

In the midst of this economic slowdown in the building industry the Gas Utility increased its rebates with the assistance of Demand Side Management (DSM) funds to encourage fuel switching, multiple appliance use, and sales diversity by focusing its sales force on the remodeling and existing home market. While the sales and marketing force is focusing efforts on the existing 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 is looking to the future by preparing for further extension into Wakulla County to provide gas service to the City of Crawfordville. Furthermore, our Gas Utility management team is preparing for the competitive challenges that lie ahead by focusing on future alternative fuel markets in regards to discussions of possible pilot program partnerships with the Leon County School Board for natural gas powered school buses, as well as, internal City natural gas vehicle deployments, and by attracting new residential and commercial developments throughout the corporate limits of Tallahassee.

The Gas Utility is in the process of expanding 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 study also suggested that the rates be again adjusted to compensate for revenue deficiency on October 1, 2010. 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	2004	2005	2006 [1]	2007	2008
Residential					
Average Annual Customers	87,160	88,788	91,490	93,258	94,406
Energy Sales (MWh)	1,062,416	1,071,278	1,115,569	1,093,440	1,059,465
Average Annual Use Per Customer (kWh)	12,189	12,066	12,193	11,725	11,222
Average Annual Revenue per Customer	**$ 1,280**	**$ 1,244**	**$ 1,557**	**$ 1,627**	**$ 1,628**
Commercial, Industrial and Interdepartmental					
Average Annual Customers	17,593	17,890	14,000	14,136	14,255
Energy Sales (MWh)	1,594,229	1,611,071	1,612,073	1,604,234	1,604,760
Average Annual Use Per Customer (kWh)	90,617	90,054	115,148	113,486	112,575
Average Annual Revenue Per Customer	**$ 7,489**	**$ 7,275**	**$ 11,829**	**$ 12,745**	**$ 13,109**
Public Street Lighting					
Average Annual Customers	334	341	4,493	4,443	4,341
Energy Sales (MWh)	16,338	15,959	30,650	29,704	29,881
Average Annual Use Per Customer (kWh)	37,388	46,802	6,822	6,686	6,883
Average Annual Revenue per Customer	**$ 4,482**	**$ 4,197**	**$ 857**	**$ 935**	**$ 992**
Total Sales to Ultimate Customers					
Average Annual Customers	105,087	107,019	109,983	111,836	113,002
Energy Sales (MWh)	2,672,983	2,698,308	2,758,292	2,727,377	2,694,106
Average Annual Use Per Customer (kWh)	**25,436**	**25,213**	**25,079**	**24,662**	**23,841**
Off System Sales					
Sales for Resale (MWh)	67,112	106,177	51,125	30,723	31,257
Total Sales (MWh)	**2,740,095**	**2,804,485**	**2,809,418**	**2,758,101**	**2,725,363**

(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 - Selected Operating Costs and Ratios

For Fiscal Years Ended September 30	2004	2005	2006	2007	2008
Revenue per kWh					
Retail Customers	0.105	0.103	0.127	0.139	0.145
Commercial and Industrial Customers	0.083	0.081	0.103	0.112	0.116
Public Street Light	0.092	0.090	0.126	0.140	0.144
Expenses Per kWh					
Total Operating Expense per kWh	0.0790	0.0811	0.1016	0.1021	0.1201
Financial Ratios					
Debt to Total Assets	0.473	0.432	0.527	0.635	0.643
Operating Ratio	0.849	0.912	0.895	0.889	0.888
Current Ratio	2.824	2.883	4.029	4.202	4.510

Electric System - General Statistics

For Fiscal Years Ended September 30	2004	2005	2006	2007	2008
Generating Capacity (MW) (Summer)	652	652	744	744	812
Capacity Purchases (MW) (Summer)	70	36	11	11	11
Net System Energy Generated (MW)	1,978,596	2,451,611	2,484,333	2,312,775	2,325,306
Net Peak Demand (MW) Summer	565	598	577	621	587
Net Peak Demand (MW) Winter	509	532	537	528	526
Average Residential Monthly Bill ($)	115	112	141	148	149
Number of Street Lights	16,466	16,682	16,812	17,168	17,497

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

For Fiscal Years Ending September 30	2009	2010	2011	2012	2013
Annual 60-Minute Peak Demand (1)					
Summer - MW	627	620	612	611	612
Winter - MW	565	559	551	551	553
Annual Energy Sales - GWh (2)	2,792.38	2,817.07	2,817.44	2,838.93	2,855.28
Sales to Talquin Customers Served by the City - GWH	27.10	27.74	28.36	28.98	29.60
Purchases from Talquin	20.46	20.95	21.41	21.88	22.35
Losses and Unaccounted for Energy - GWh	165.96	167.43	167.45	168.73	169.70
Annual Energy System Requirements - GWh	2,958.34	2,984.50	2,984.89	3,007.66	3,024.99
Annual System Load Factor (3)	53.86%	54.95%	55.68%	56.19%	56.42%

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

(2) Includes 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	2004	2005	2006	2007	2008
Residential (firm)					
Average No. of Customers	22,672	23,200	24,092	24,443	24,753
Usage (Mcf)	687,412	653,058	625,392	630,125	617,233
Average Sales Per Customer (Mcf)	30	28	26	26	25
Non-residential (firm)					
Average No. of Customers	1,634	1,630	1,645	1,671	1,679
Usage (Mcf)	1,315,914	1,450,904	1,524,897	1,534,875	1,650,507
Average Sales Per Customer (Mcf)	805	890	927	919	983
Interruptible					
Average No. of Customers	16	17	16	16	15
Usage (Mcf)	158,097	173,268	167,772	150,126	170,730
Average Sales Per Customer (Mcf)	9,881	10,192	10,486	9,383	11,382
Total Gas System					
Average No. of Customers	24,322	24,847	25,753	26,130	26,447
Usage (Mcf)	2,161,423	2,277,231	2,318,060	2,315,126	2,438,470
Average Sales Per Customer (Mcf)	89	92	90	89	92
Miles of Gas Lines	731	744	780	806	818
Heating Degree Days (HDD)	1,686	1,518	1,329	1,456	1,389

Gas System - Projected Sales Volumes in MCF*

For Fiscal Years Ending September 30	2009	2010	2011	2012	2013
Residential	723,243	735,232	747,380	759,695	771,090
Commercial	719,924	722,964	726,011	729,065	732,710
Contract Interruptible	576,698	576,698	576,698	576,698	576,698
Small Interruptible	162,656	162,656	162,656	162,656	162,656
Flexible Interruptible	243,905	243,905	243,905	243,905	243,905
Total	2,426,426	2,441,455	2,456,650	2,472,019	2,487,059

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

Electric System Ten Largest Retail Customers

Fiscal Year Ended September 30, 2008

Customers	*Revenue*	*kWh*	*Percent of Total Retail Sales* *Revenue*	*kWh*
Florida State University	$ 24,413,378	236,189,344	7.08%	8.77%
State of Florida	19,984,776	178,364,260	5.79%	6.62%
City of Tallahassee	11,518,154	95,944,620	3.34%	3.56%
Florida A & M University	6,485,632	62,732,411	1.88%	2.33%
Leon County School Board	6,206,467	49,462,329	1.80%	1.84%
Tallahassee Memorial HealthCare	4,966,918	48,023,370	1.44%	1.78%
Publix Markets	3,370,869	29,775,396	0.98%	1.11%
Federal Government	3,118,600	27,899,978	0.90%	1.04%
Leon County	3,030,970	26,423,601	0.88%	0.98%
Wal-Mart	2,649,853	24,712,486	0.77%	0.92%
TOTAL	**$ 85,745,616**	**779,527,795**	**24.86%**	**28.93%**

Gas System Five Largest Customers by Consumption

Fiscal Year Ended September 30, 2008

Customers	*Revenue*	*Gas Usage*	*Percent of Total Retail Sales* *Revenue*	*Gas Usage*
Florida State University	$ 3,960,280	4,057	12.40%	17.52%
Florida A & M University	2,134,567	2,117	6.69%	9.14%
Tallahassee Memorial HealthCare	1,322,840	1,460	4.14%	6.31%
Peavy & Son Construction Co.	752,395	768	2.36%	3.32%
State of Florida	823,745	619	2.58%	2.67%
TOTAL	**$ 8,993,827**	**9,020**	**28.17%**	**38.96%**

Electric Rates (effective 10/01/08)

	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	$2.110
Nonresidential Service Per 100 Cubic Feet	$1.319
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	2004	2005	2006	2007	2008
Electric Operating Revenues					
Retail Sales	$ 239,917	$ 248,149	$ 325,573	$ 331,365	$ 353,939
Sales for Resale	6,504	7,821	6,278	3,591	3,185
Other Operating Revenues	7,344	16,427	5,585	11,180	11,440
Total Electric Operating Revenue	253,765	272,397	337,436	346,136	368,564
Electric Operating Expenses					
Fuel	114,734	133,887	194,623	185,069	197,300
Purchased Power	42,102	33,652	28,801	34,289	39,009
Other	59,505	59,945	56,733	62,335	61,247
Total Electric Operating Expenses	216,341	227,484	280,157	281,693	297,556
Net Electric Revenues	37,424	44,913	57,279	64,443	71,008
Non-Operating Revenues:					
Other Income & Deductions	1,999	1,378	1,238	124	3,763
Total Net Electric Revenues	**39,423**	**46,291**	**58,517**	**64,567**	**74,771**
Gas Operating Revenues					
Total Gas Operating Revenues	26,486	29,112	32,964	32,334	34,815
Gas Operating Expenses	20,391	23,933	28,291	27,502	29,159
Net Gas Revenues	6,095	5,179	4,673	4,832	5,656
Non-Operating Revenues	-	141	247	315	330
Total Net Gas Revenues	**6,095**	**5,320**	**4,920**	**5,147**	**5,986**
Total Available for Debt Service	**$ 45,518**	**$ 51,611**	**$ 63,437**	**$ 69,714**	**$ 80,757**
Existing Debt Service	$ 21,493	$ 21,490	$ 26,463	$ 28,692	$ 33,695
Coverage	2.12x	2.40x	2.40x	2.43x	2.40x

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	$49,220,000 Series 1998 B
2009	33,686,279	12,485,850	8,320,263	1,541,110	10,129,056	1,210,000
2010	33,694,678	12,361,250	8,454,763	1,545,690	10,122,975	1,210,000
2011	33,701,713	12,267,650	8,546,738	1,547,350	10,129,975	1,210,000
2012	33,693,850	12,364,150	8,448,050	1,540,850	10,130,800	1,210,000
2013	33,702,063	12,264,650	8,550,875	1,546,725	10,129,813	1,210,000
2014	33,699,338	12,268,400	8,545,425	1,544,025	10,131,488	1,210,000
2015	33,422,688	12,360,150	8,444,475	1,278,025	10,130,038	1,210,000
2016	33,378,588	12,270,150	8,545,475	1,228,025	10,124,938	1,210,000
2017	33,380,288	12,261,900	8,547,425	1,227,750	10,133,213	1,210,000
2018	33,380,738	12,266,150	8,546,175	1,234,750	10,123,663	1,210,000
2019	33,380,600	12,251,900	8,548,425	1,233,750	10,136,525	1,210,000
2020	32,140,213	12,249,650	8,550,425	-	10,130,138	1,210,000
2021	32,142,123	12,253,400	8,548,985	-	10,129,738	1,210,000
2022	32,142,435	12,252,400	8,545,660	-	10,134,375	1,210,000
2023	32,143,510	10,056,400	8,549,010	-	10,128,100	3,410,000
2024	32,130,835	8,379,650	8,545,510	-	10,125,675	5,080,000
2025	34,921,590	11,169,500	8,544,940	-	10,126,150	5,081,000
2026	35,504,825	11,750,000	8,544,250	-	10,128,575	5,082,000
2027	35,504,250	11,737,750	8,547,000	-	10,137,000	5,082,500
2028	35,501,250	11,745,500	8,546,500	-	10,127,250	5,082,000
2029	27,149,000	18,606,750	8,542,250	-	-	-
2030	27,147,000	18,603,250	8,543,750	-	-	-
2031	27,145,500	18,600,500	8,545,000	-	-	-
2032	27,912,250	19,362,000	8,550,250	-	-	-
2033	27,916,500	19,373,000	8,543,500	-	-	-
2034	27,912,000	19,367,500	8,544,500	-	-	-
2035	27,916,500	19,369,500	8,547,000	-	-	-
2036	20,241,750	20,241,750	-	-	-	-
2037	20,238,750	20,238,750	-	-	-	-
TOTALS	**$ 904,831,103**	**$ 410,779,450**	**$ 230,236,618**	**$ 15,468,050**	**$ 202,589,485**	**$ 45,757,500**

$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, Energy System Refunding Revenue Bonds, Series 2002, 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:	Squire, Sanders, & Dempsey, L.L.P., Miami, Florida.

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 thereafterin 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 thereafterin the following principal amounts in the year specified:

October 1	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 thereafterin the following principal amounts in the year specified:

October 1	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
2009	4.000%	2,490,000	9,995,850	12,485,850
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		**$ 200,975,000**	**$ 209,804,450**	**$ 410,779,450**

$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 Refunding Revenue Bonds, Series 2002.

Form

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

Agents

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

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
2009	3.500%	2,300,000	6,020,263	8,320,263
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		**$ 126,570,000**	**$ 103,666,618**	**$ 230,236,618**

(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, Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005.

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 and Olive, P.A., Tallahassee, Florida.

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
2009	4.300%	940,000	601,110	1,541,110
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		**$ 11,730,000**	**$ 3,738,050**	**$ 15,468,050**

$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 and Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005.

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 and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's:	AA3 underlying
Fitch:	AA- underlying (AAA insured by FSA)
Standard & Poors:	AA- underlying (AAA insured by FSA)

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
2009	4.125%	3,905,000	6,224,056	10,129,056
2010	5.000%	4,060,000	6,062,975	10,122,975
2011	5.250%	4,270,000	5,859,975	10,129,975
2012	5.250%	4,495,000	5,635,800	10,130,800
2013	5.250%	4,730,000	5,399,813	10,129,813
2014	5.250%	4,980,000	5,151,488	10,131,488
2015	5.250%	5,240,000	4,890,038	10,130,038
2016	4.750%	5,510,000	4,614,938	10,124,938
2017	4.750%	5,780,000	4,353,213	10,133,213
2018	4.750%	6,045,000	4,078,663	10,123,663
2019	4.750%	6,345,000	3,791,525	10,136,525
2020	4.750%	6,640,000	3,490,138	10,130,138
2021	4.750%	6,955,000	3,174,738	10,129,738
2022	4.750%	7,290,000	2,844,375	10,134,375
2023	4.750%	7,630,000	2,498,100	10,128,100
2024	4.750%	7,990,000	2,135,675	10,125,675
2025	4.750%	8,370,000	1,756,150	10,126,150
2026	4.750%	8,770,000	1,358,575	10,128,575
2027	5.000%	9,195,000	942,000	10,137,000
2028	5.000%	9,645,000	482,250	10,127,250
TOTALS		**$ 127,845,000**	**$ 74,744,485**	**$ 202,589,485**

$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 Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005.

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 and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's:	AA3 underlying
Fitch:	AA- underlying (AAA insured by FSA)
Standard & Poors:	AA- underlying (AAA 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 disposed of all or a portion of the Energy System and such sale or disposition will, in the opinion of Bond Counsel, absent a redemption of all or a portion of the Series 1998 B Bonds, adversely effect the exclusion of interest on the Series 1998 B Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998 A Bonds shall be subject to a special mandatory redemption at the prices (expressed as a percentage of par) set forth below, plus accrued interest to the redemption date. In the event less than all of the Series 1998 B Bonds are subject to such special mandatory redemption, the City shall select the Series 1998 B Bonds to be subject to redemption in such a manner, as it shall so determine.

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

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2009	5.000%	-	1,210,000	1,210,000
2010	5.000%	-	1,210,000	1,210,000
2011	5.000%	-	1,210,000	1,210,000
2012	5.000%	-	1,210,000	1,210,000
2013	5.000%	-	1,210,000	1,210,000
2014	5.000%	-	1,210,000	1,210,000
2015	5.000%	-	1,210,000	1,210,000
2016	5.000%	-	1,210,000	1,210,000
2017	5.000%	-	1,210,000	1,210,000
2018	5.000%	-	1,210,000	1,210,000
2019	5.000%	-	1,210,000	1,210,000
2020	5.000%	-	1,210,000	1,210,000
2021	5.000%	-	1,210,000	1,210,000
2022	5.000%	-	1,210,000	1,210,000
2023	5.000%	2,200,000	1,210,000	3,410,000
2024	5.000%	3,980,000	1,100,000	5,080,000
2025	5.000%	4,180,000	901,000	5,081,000
2026	5.000%	4,390,000	692,000	5,082,000
2027	5.000%	4,610,000	472,500	5,082,500
2028	5.000%	4,840,000	242,000	5,082,000
TOTALS		**$ 24,200,000**	**$ 21,557,500**	**$ 45,757,500**

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 102.97 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 in compliance with the National Pollution Discharge Elimination System.

Rate Setting

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

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

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 gal
- Next 13,000 gallons - $1.94/1,000 gal
- Additional gallons - $2.44/1,000 gal

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, 2011, 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 required 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 Contribution to General Fund in accordance with the City's financing policy.

The comparison of revenues from FY 2007 to FY 2008 reflected that Water maintained their revenues at $27 million and Wastewater experienced a moderate increase at $44.7 million. However, the zero growth rate and wet weather season resulted in revenues falling short of the FY 2008 Budgets by 8% in Water and 3% in Wastewater. Due to a change in the city's allocated cost procedures, actual results reflected certain costs not included in the FY 2008 budget. As a result, Water reflected a 4% loss and Wastewater reflected a 1% loss. Management has adjusted future year budgets and implemented tighter cost controls to weather the future impact from the economic downturn.

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 previous charges had been in effect since 1994. 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 27 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. Nineteen of the 27 wells are equipped with standby generators or engines that provide pumping capacity during emergency situations. The wells have an aggregate total production capacity of approximately 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 incorporated and unincorporated urbanized areas of Leon County. The City also provides water service in St. Marks and portions of Wakulla County by an interconnecting main.

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. Over 11 billion gallons of water was produced by the Water System in FY 2008.

Emergency Operations Plan; Consumer Confidence Report; and Operations Excellence Award

The Emergency Operations Plan (EOP) for the Water System was evaluated and updated by a consultant during 2008 to ensure its completeness and effectiveness, and it was also field tested prior to the beginning of the hurricane season in June 2008.

The Water System published and distributed its Consumer Confidence Report (CCR) in FY 2008 in accordance with federal and state requirements. The Florida Department of Environmental Protection has recognized the 2008 CCR as the "Best in State" in the large groundwater system category and has submitted it to the Environmental Protection Agency (EPA) for consideration of the EPA Region IV award.

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 has been completed in the east service area, and the preliminary design and permitting has commenced, with full design pending the results of water quality testing. The final design of the production well facilities is expected by the end of 2009, with construction starting in early 2010. The northeast test well has also been completed, and water quality testing indicates that additional treatment, such as iron removal, may be necessary. Consequently, the City is undertaking a brief study to determine the availability and suitability of alternate sites with better water quality. Nevertheless, design of the northeast production well is scheduled to commence in 2009.

Other major water projects completed in 2008 include refurbishment/upgrading of Water Well Houses Nos. 6 and 7, the cleaning/re-painting of Storage Tanks Nos. 5 and 7, and upgrading the motor and surveillance controls at major Well No. 17. Two additional well houses and the electrical equipment will be addressed during 2009. Various projects to replace/upgrade undersized or aging water distribution system infrastructure were completed in 2008 and will continue under a recurring project in successive years to maintain water system infrastructure reliability.

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 32.0 mgd, approximately 890 miles of gravity mains, 105 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 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 sewer 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 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 is 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 27.5 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.

The LBR Plant is an activated sludge plant with a capacity of 4.5 mgd. Treated effluent from the LBR Plant is pumped to holding ponds at the TPS Plant 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 DEP 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 DEP 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 three years by January 2011. However, as noted in the Executive Summary under the Wastewater Permit Update, the City has requested that the LBR construction schedule 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. Conferences with DEP indicate the agency's willingness to meet the schedule extension request. 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. Both plant upgrades include the addition of high-level disinfection 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 by 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 requested that this schedule be extended one year to allow for an extensive evaluation and selection of the drying technology. DEP has indicated willingness to issue a minor permit modification for the one-year extension.

The City has moved forward to implement the Capital Improvement Program (CIP) for the AWT and Biosolids improvements. The designs for the initial improvements (i.e., those that must be completed within the first three years), have reached the 60% completion level. The City has also executed contracts with MWH Constructors to serve as the Construction Manager. The Construction Manager at Risk (CMAR) is the project delivery method. CMAR has advantages to meet the accelerated construction schedule, control costs, and minimize risk.

The City's estimate of the financial impact of the advanced wastewater treatment improvements stipulated renewed operation permits will exceed $200 million. 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.

Master Sewer Plan and Master Treatment Plan

A contact 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 will be performed and result in a 20-year capital improvement plan set forth in five-year increments for replacement, rehabilitation, and addition of sewer system infrastructure.

Phase I of the Master Sewer Plan was completed in 2006 and resulted in the development of a computer model of the sewer collection gravity system and also the identification of deficiencies in Sewer System capacities. Phase II will begin in mid 2009 and will entail the development of computer model of the wastewater pumping system and a ten-year capital improvement plan to address Sewer System deficiencies and improvements needed to meet future growth, focusing on the potential growth impacts in the unincorporated area. Phase II of the MSP should be completed in 2009.

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 the Settlement Agreement and the 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.

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 scheduled to start 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 implemented in 2009.

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. Two 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 103.3 (per GIS) square miles within the City's incorporated limits. The Stormwater Drainage System consists of approximately 385 (per Jon Yarbrough) 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 is 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 storm water 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 2008, the actual operating revenues for the Stormwater Drainage System were $14.9 million while expenditures were $12.3 million resulting in actual income before transfers of $2.6 million. In accordance with the financing policy, $136,000 was transferred to the Stormwater Renewal, Replacement and Improvement Fund, to offset the need for future debt.

The Stormwater Drainage System is operated on a full cost recovery basis with associated revenues and expenditures accounted for within the Stormwater Fund. Stormwater maintenance activities are provided by the Public Works Department, but are funded from the Stormwater Fund. In FY 2008 the cost for those activities was approximately $4.6 million. In addition to maintenance, a major portion of annual revenue goes to capital improvements to improve and expand the physical Stormwater Drainage System. The FY 2009 Five-Year Capital Improvement Program includes 28 projects. The total cost of these projects is approximately $30.1 million, which is required for FY 2009 through FY 2013. At this time, no debt funding is anticipated for any ongoing or future stormwater projects.

During FY 2008 the base stormwater fee was $7.27 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 $7.27 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 ($7.27 per ERU) to get the monthly fee for that specific non-residential site.

The Stormwater Drainage System has approximately 80,600 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 is being phased in over five years, in 20% increments. Pollution from stormwater is referred to as “non-point source” because it originates from rainwater simply running off the land where it picks up a variety of pollutants. This is to be contrasted to “point sources” such as an industrial plant discharge, or a municipal sewage treatment plant discharging into a stream. Due to its ubiquitous nature, stormwater pollution is very difficult to manage. The new stormwater pollution reduction program will focus on 20-watersheds that have been identified through research and testing by the City to have the highest pollutant loads. While not a final solution, the program is viewed as a responsible and realistic start for what will have to be a very long-term effort.

At the time of the Commission’s decision to raise fees to fund the pollution control program, the base stormwater fee was $6.25 per ERU. Four step increases of 34-cents each have been implemented in the interim period, resulting in a current FY 2009 fee of $7.61 per ERU. The projected FY 2009 revenue based on the current fee is $15.9 million. The fifth and final 34-cent incremental increase is anticipated in October 2009, which will increase the total fee to $7.95 per ERU for FY 2010.

Selected Consolidated Utility System Statistics

Water System					
Fiscal Year Ended September 30	2004	2005	2006	2007	2008
Miles of Water Mains	1,131	1,143	1,147	1,175	1,181
Plant Capacity	74	74	74	74	74
Daily Avg. Consumption (MGD)[(1)]	30	29	36	31	28
Residential					
Avg. No. of Customers[(2)]	64,138	65,795	67,486	68,394	68,754
Avg. No. of Service Points[(3)]	68,168	69,869	71,704	72,909	73,530
Water Sold (000)	5,228,428	4,145,788	5,955,449	6,179,543	5,462,313
Avg. Sales Per Customer	76,699	59,337	83,056	84,757	74,287
Commercial					
Avg. No. of Customers[(2)]	6,712	6,778	6,882	7,011	7,076
Avg. No. of Service Points[(3)]	7,869	7,997	8,183	8,367	8,539
Water Sold (000)	4,500,698	3,584,185	4,178,752	5,029,763	4,698,880
Avg. Sales Per Customer	571,953	448,191	510,663	601,143	550,285

(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	2004	2005	2006	2007	2008
Miles of Sanitary Sewers	949	968	968	999	1,008
Annual Flow-Millions of Gallons	6,063	7,130	6,293	6,166	6,335
Daily Average Treatment (MGD)	16.61	19.53	17.24	16.91	17.31
Rainfall (fiscal year totals)	62.56	57.72	46.43	50.29	57.73
Gallons Treated Per Customer	94,137	107,920	92,645	89,633	90,619
Avg. No. of Customers					
Residential	58,413	59,988	61,747	62,775	63,573
Commercial	5,993	6,075	6,175	6,274	6,340
Rated Capacity	32	32	32	32	32

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, 2008)

Customer	Water Usage	Billed Amount	Percentage of Revenues
Florida State University	3,060,528	$470,836	2.25%
State of Florida	2,450,527	$396,499	1.90%
City of Tallahassee	2,274,485	$430,554	2.06%
Florida A&M University	1,728,160	$285,390	1.37%
Tallahassee Memorial Health Care	1,141,615	$155,670	0.74%
Federal Government	1,075,876	$156,963	0.75%
Leon County School Board	1,013,068	$174,611	0.84%
Leon County Government	962,109	$147,737	0.71%
St. Joe/Arvida	641,873	$40,751	0.19%
Tallahassee Community College	273,581	$48,197	0.23%

Sewer System Ten Largest Customers by Consumption (as of September 30, 2008)

Customer	Sewer Usage	Billed Amount	Percentage of Revenues
Florida State University	2,165,565	$980,966	2.73%
State of Florida	1,408,785	$722,054	2.01%
Florida A&M University	1,228,392	$574,925	1.60%
Federal Government	992,186	$416,214	1.16%
Leon County Government	885,949	$426,839	1.19%
Tallahassee Memorial Health Care	739,937	$307,980	0.86%
Leon County School Board	730,399	$376,101	1.05%
City of Tallahassee	365,835	$232,863	0.65%
Blairstone Apartments	233,375	$86,984	0.24%
Capital Regional Medical Center	140,713	$59,147	0.16%

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

Fiscal Year Ended September 30	2004	2005	2006	2007	2008
Operating Revenues					
Water	$ 21,873	$ 21,599	$ 23,511	$ 25,901	$ 24,650
Sewer	28,202	28,738	30,447	34,080	41,309
Total Operating Revenues	50,075	50,337	53,958	59,981	65,959
Operating Expenses					
Water	14,109	15,975	17,669	16,243	17,295
Sewer	22,631	24,330	24,948	27,131	27,492
Total Operating Expenses	36,740	40,305	42,617	43,374	44,787
Net Operating Revenue	13,335	10,032	11,341	16,607	21,172
Gross Stormwater Revenue	11,874	14,006	14,557	15,350	16,516
Other Revenue	757	750	1,006	1,289	1,398
Total Pledged Revenue Available for Debt Service	$ 25,966	$ 24,788	$ 26,904	$ 33,246	$ 39,086
Debt Service	$ 6,154	$ 5,749	$ 6,311	$ 6,318	$ 12,929
Coverage	4.22x	4.31x	4.26x	5.26x	3.02x

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
CONSOLIDATED DEBT SERVICE

Bond Year Ending October 1	Total	$ 164,460,000 Series 2007	$ 36,100,000 Series 2005	$23,900,000 Series 2001
2009	14,036,275	7,949,825	4,156,875	1,929,575
2010	15,642,075	9,559,825	4,154,675	1,927,575
2011	15,686,525	9,605,425	4,158,025	1,923,075
2012	15,695,650	9,606,625	4,162,250	1,926,775
2013	15,694,888	9,610,025	4,158,813	1,926,050
2014	15,693,238	9,605,425	4,161,063	1,926,750
2015	14,444,438	11,458,025	752,813	2,233,600
2016	14,440,788	11,458,425	752,813	2,229,550
2017	14,440,788	11,457,425	752,813	2,230,550
2018	14,435,288	11,456,425	752,813	2,226,050
2019	14,438,788	11,459,925	752,813	2,226,050
2020	13,314,988	11,457,175	1,857,813	-
2021	13,310,848	11,457,235	1,853,613	-
2022	13,314,098	11,457,735	1,856,363	-
2023	13,313,998	11,457,885	1,856,113	-
2024	13,314,528	11,456,665	1,857,863	-
2025	13,315,078	11,458,715	1,856,363	-
2026	13,313,863	11,457,250	1,856,613	-
2027	13,316,613	11,458,250	1,858,363	-
2028	13,314,613	11,458,250	1,856,363	-
2029	13,312,113	11,456,500	1,855,613	-
2030	13,318,113	11,457,250	1,860,863	-
2031	11,459,500	11,459,500	-	-
2032	11,457,250	11,457,250	-	-
2033	11,454,750	11,454,750	-	-
2034	11,456,000	11,456,000	-	-
2035	11,454,750	11,454,750	-	-
2036	11,455,000	11,455,000	-	-
2037	11,455,500	11,455,500	-	-
TOTALS	**$ 391,300,335**	**$ 319,453,035**	**$ 49,141,700**	**$ 22,705,600**

$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.

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:

October 1	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:

October 1	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
2009		-	7,949,825	7,949,825
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**	**$ 154,993,035**	**$ 319,453,035**

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

Dated: October 1, 2005

Purpose

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

Security

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

Form

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

Agents

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

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

$36,100,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SERVICES
REFUNDING REVENUE BONDS, SERIES 2005

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2009	3.000%	2,740,000	1,416,875	4,156,875
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		**$ 33,450,000**	**$ 15,691,700**	**$ 49,141,700**

(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 Revenue Bonds, Series 1995, not refunded by the Series 2001 Bonds or the Energy System Revenue Bonds.

Form

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

Agents

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

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
2009	5.000%	1,040,000	889,575	1,929,575
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		**$ 16,575,000**	**$ 6,130,600**	**$ 22,705,600**

TALLAHASSEE REGIONAL AIRPORT

Introduction

The City of Tallahassee owns and operates the Tallahassee Regional Airport (TLH), located on a 2,749-acre site, seven miles southwest of the City's central business district and within the corporate City limits. The Airport's market service area is a 100-mile radius, which includes Tallahassee and 32 counties in Florida, Georgia, and Alabama. In addition to a commercial passenger facility, TLH hosts an air cargo facility, a 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; Delta Connection added jet service to Fort Lauderdale in 2001. During 2004, Continental Express began jet service to its Houston hub, US Airways upgraded service to its Charlotte hub with regional jets and has added flights, Continental Connection (Gulfstream International Airlines) began service to Tampa and added service to Orlando and Palm Beach in 2006. Beginning March 2008, American Eagle, an affiliate of American Airlines, began offering two daily flights between Tallahassee and its Miami hub. In September 2008, Continental Express discontinued its service to its Houston hub and in October 2008, Delta Air Lines discontinued its service to intrastate Florida markets due to the high operating costs of Regional Jets. In October 2008, Continental Connection (Gulfstream International Airlines) discontinued service to Palm Beach and began service to Ft. Lauderdale. In April 2009, Delta reinstated service to Fort Lauderdale, Tampa and Orlando using SAAB turbo-prop aircraft. American Eagle is adding a third flight to Miami in March 2009. In February 2009, Continental Connection (Gulfstream International Airlines) will reinstate non-stop service to Palm Beach International Airport.

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 2008, TLH had 871,607 passengers (a 9.94% 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 2008, actual operating income was $2,987,084 or $521,782 more than budget. Actual expenditures were 3.98% above budget projections. Revenues were 7.62% above projections primarily due to interim adjustments to airline rates and charges.

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 2004 to FY 2008), the Airport has accepted over $23.97 million in grant funds from FAA and FDOT. This includes approximately $2.93 million per year from the FAA and $1.86 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 three 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 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	2004	2005	2006	2007	2008
Revenue Per Enplaned Passenger	$ 16.45	$ 17.03	$ 19.76	$ 23.35	$ 26.75
Debt Per Enplaned Passenger	12.48	11.15	11.44	10.43	11.60

Aircraft Operations - Landings and Take-offs

For Fiscal Year Ended September 30	2004	2005	2006	2007	2008
Air Carrier Operations (1)	5,099	6,370	4,735	4,434	4,679
Air Taxi Operations (2)	28,622	30,989	29,995	29,147	28,131
General Aviation					
Itinerant Operations	39,114	37,380	37,688	37,041	33,643
Local Operations	12,665	11,422	12,564	13,120	14,174
Military					
Itinerant Operations	11,215	10,749	12,341	10,468	8,672

(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	2004	2005	2006	2007	2008
USAirways/ Piedmont	11,417	-	-	110	275
Mesa (1)	25,109	31,465	6,851	339	15,149
PSA (2)	-	22,333	61,211	74,205	55,790
Delta	210,604	233,992	190,555	129,118	93,661
Comair (3)	60,914	53,163	11,129	2,351	171
Atlantic Southeast	40,278	22,339	22,268	56,132	90,632
Skywest (4)	12,095	-	-	-	-
Chautauqua (5)	101,466	151,006	83,958	13,509	-
Freedom (6)	-	-	41,710	108,162	74,544
Pinnacle (7)	-	-	-	-	6,702
Shuttle America (8)	-	-	-	-	1,678
Northwest Airlink	32,380	38,942	38,678	44,700	45,763
AirTran Airways (9)	8,754	-	-	-	-
AirWisconsin (10)	74,266	-	-	-	-
Continental Connection/Gulfstream (11)	445	16,118	26,583	27,336	19,946
Express Jet Airlines/Continental Express (12)	6,986	19,669	26,458	30,056	22,900
American Eagle(13)	-	-	-	-	10,100
Total Enplanements	584,714	589,027	509,401	486,018	437,311

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

(2) PSA commenced service February 2005.

(3) ComAir discontinued service November 2005.

(4) Skywest discontinued service April 2004.

(5) Chautauqua services discontinued service in 2007.

(6) Freedom Airlines commenced service January 2006.

(7) Pinnacle commenced service July 2008.

(8) Shuttle America commenced service September 2008.

(9) AirTran discontinued service September 2004.

(10) AirWisconsin discontinued service January 2004.

(11) Continental Connection commenced service September 2004.

(12) Express Jet Airlines/Continental Express commenced service May 2004.

(13) American Eagle commenced service March 2008.

Selected Airport Statistics

Historical Operating Results in (000s)

For Fiscal Years Ended September 30

	2004	2005	2006	2007	2008
Operating Revenues (1)	9,616	10,030	10,068	11,347	11,695
Prepaid Fees Credit (1)	665	1,149	1,370	1,147	1,018
Operating Expenses (2)	(7,702)	(8,313)	(8,150)	(9,104)	(9,323)
Non-operating Revenues(Expenses)	44	51	134	154	138
Revenues Available for Debt Service	$ 2,623	$ 2,917	$ 3,422	$ 3,544	$ 3,528
Sr. Lien Debt Service	$ 1,058	$ 963	$ 960	$ 962	$ 987,163
Sr. Lien Debt Service Coverage	2.48x	3.03x	3.56x	3.68x	3.57x

(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 and 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
2009	3.250%	800,000	159,338	959,338
2010	3.500%	825,000	133,338	958,338
2011	3.750%	855,000	104,463	959,463
2012	4.000%	885,000	72,400	957,400
2013	4.000%	925,000	37,000	962,000
TOTALS		**$ 4,290,000**	**$ 506,538**	**$ 4,796,538**

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, 2008, 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, 2008 the balance outstanding on this loan was $16,999,730; however, subsequent payments reduced the outstanding balance of $2,299,730 at December 31, 2008;
- $3,550,000 in May 1991, description same as (1); September 30, 2008 balance of $3,550,000; however, the loan was paid in full subsequent to September 30, 2008;
- $1,150,000 in September 1991; description same as (1); September 30, 2008 balance of $1,150,000; however, the loan was paid in full subsequent to September 30, 2008;
- $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, 2008 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, 2008 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, 2008 balance of $2,815,236.

Commercial Paper Program

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

As of September 30, 2008, the City has outstanding loan agreements with the Commission under this program, as described below:

- $11,370,000 Gas System Loan, secured by a pledge of subordinate revenues from the Gas System, for the purpose of Gas System expansion and improvements. The City makes scheduled annual payments of principal, in addition to the interest, September 30, 2008 balance of $8,712,000;
- $10,000,000 General Government Loan maturing through final maturity in 2025, secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City and has no specific claims on any revenue streams; mandatory amortization of principal in equal amounts; September 30, 2008 balance of $8.500,000; and
- $10,550,000 General Government Loan maturing October 1, 2030, secured by a pledge of subordinate revenues from the Electric System; September 30, 2008 balance was $10,118,000.

In March 2009, the City initiated a process to issue fixed rate debt in an amount sufficient to pay in full all remaining balances under the Commercial Paper Program; such balances total approximately $27 million. If such debt is issued, the City's principal amount outstanding will not change; however, the obligations will pay a fixed rate of interest rather than the variable rate associated with the SSGFC Commercial Paper Program.

Conduit Issues, Non-Profit Organizations

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

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

Conduit Issues, Industrial Development and Industrial Revenue Bonds

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