

CITY OF INDEPENDENCE, MISSOURI

**Continuing Disclosure Statement
(SEC) Rule 15c2-12**

**For Fiscal Year Ending
June 30, 2016**

Prepared by the Department of Finance

Brian C. Watson, Director of Finance

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PART I - PURPOSE OF DOCUMENT

This document is a supplement to the City's Comprehensive Annual Financial Report (CAFR) for the fiscal period ending June 30, 2016 and is not to be distributed or used separately from the CAFR. The information contained in this document has been submitted by the City pursuant to a contractual undertaking the City made in accordance with SEC Rule 15c2-12. Nothing contained in the undertaking of this document shall be deemed to be a representation by the City that the financial information and operating data included in this report constitutes all of the information that may be material to a decision to invest in, hold or sell any securities of the City. The financial data and operating data presented in this document are as of the dates shown.

BOND ISSUES AND CUSIP NUMBERS

MDFB, Infrastructures Facilities Revenue Bonds (Hartman Heritage Center Project) dated September 1, 2003

CUSIP

60636CKT5
60636CKU2
60636CKV0
60636CKW8
60636CKX6

Neighborhood Improvement District Bonds (Noland & Englewood Projects) Series 2004, dated May 15, 2004

CUSIP

453632HC8
453632HD6
453632HE4

MDFB, Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2004, dated June 1, 2004

CUSIP

60636CNQ8
60636CNR6
60636CNK1
60636CNL9

Neighborhood Improvement District Bonds (Fall Dr Project) Series 2004B, dated September 13, 2004

CUSIP

453632HT1
453632HU8
453632HV6
453632HW4
453632HX2
453632HY0
453632HZ7
453632JA0

MDFB, Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2005B, dated March 1, 2005

CUSIP

60636CSD2

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2005C, dated March 1, 2005

CUSIP

60636CSN0
60636CSP5
60636CSQ3

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006A, dated March 15, 2006

CUSIP

60636CTM1
60636CTN9

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006B, dated March 15, 2006

CUSIP

60636CTR0
60636CTS8

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006C, dated March 15, 2006

CUSIP

60636CTJ8

MDFB, Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2006E, dated May 15, 2006

CUSIP

60636CTY5

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2006F, dated December 12, 2006

CUSIP

60636CVL0
60636CVM8

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Project Refunding) Series 2007A, dated May 30, 2007

CUSIP

60636CVX4
60636CVY2
60636CVZ9
60636CWA3
60636CWB1
60636CWC9

MDFB, Infrastructure Facilities Revenue Bonds (Hartman Project Refunding), Series 2007B, dated May 30, 2007

CUSIP

60636CWN5
60636CWP0
60636CWQ8
60636CWR6

MDFB, Infrastructure Facilities Revenue Bonds (Santa Fe Project Refunding) Series 2007C, dated May 30, 2007

CUSIP

60636CXB0
60636CXC8
60636CXD6
60636CXE4
60636CXF1
60636CXG9
60636CXH7

MDFB, Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2007D, dated May 30, 2007

CUSIP

60636CXT1
60636CXU8
60636CXV6
60636CXW4

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2007E, dated June 28, 2007

CUSIP

60636CYF0
60636CYG8
60636CYH6
60636CYJ2
60636CYK9
60636CYL7
60636CYM5
60636CYN3

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2008A, dated February 19, 2008

CUSIP

60636CA82

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2008B, dated February 19, 2008

CUSIP

60636CZE2

60636CZF9

60636CZG7

60636CZH5

60636CZJ1

60636CZK8

60636CZL6

60636CZM4

60636CZN2

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Project) Series 2008C, dated February 19, 2008

CUSIP

60636CZU6

60636CZV4

60636CZW2

60636CZX0

60636CZY8

60636CZZ5

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2008D, dated April 1, 2008

CUSIP

60636CC72

60636CC80

60636CC98

60636CD22

60636CD30

60636CD48

60636CD55

60636CD63

60636CD71

60636CD89

60636CD97

60636CE21

60636CE39

60636CE47

60636CE54

60636CE62

60636CE70

60636CE88

MDFB, Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2008E, dated April 1, 2008

CUSIP

60636CF95
60636CG29
60636CG37
60636CG45
60636CG52
60636CG60

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2008F, dated July 1, 2008

CUSIP

60636CH77
60636CH85
60636CH93
60636CJ26
60636CJ34
60636CJ67
60636CJ91

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Project) Series 2008G, dated July 1, 2008

CUSIP

60636CL23
60636CL31
60636CL49
60636CL56
60636CL64
60636CL72

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2008H dated November 1, 2008

CUSIP

60636CM71
60636CN39

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2009A dated February 1, 2009

CUSIP

60636CP29
60636CP37
60636CP45

MDFB, Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2009C, dated March 1, 2009

CUSIP

60636CQ85
60636CQ93
60636CR27
60636CR35
60636CR43
60636CR50
60636CR68
60636CR76
60636CR84
60636CR92
60636CS26
60636CS34
60636CS42

MDFB, Infrastructure Facilities Revenue Bonds (Electric System Improvements) Series 2009D, dated March 1, 2009

CUSIP

606042AC3
606042AD1
606042AE9
606042AF6
606042AG4
606042AH2
606042AJ8
606042AK5
606042AL3
606042AM1

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2009F, dated April 1, 2009

CUSIP

60636CS67
60636CS75
60636CS83
60636CS91
60636CT25
60636CT33
60636CT41
60636CT58
60636CT66
60636CT74
60636CT82
60636CT90
60636CU23

MDFB, Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2009C, dated October 1, 2009

CUSIP

60636CW39

MDFB, Infrastructure Facilities Revenue Bonds (Street Improvement Projects) Series 2009G, dated August 1, 2009

CUSIP

60636CU98

60636CV22

60636CV30

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2009H, dated August 1, 2009

CUSIP

60636CV48

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2009I, dated October 1, 2009

CUSIP

60636CW96

60636CX20

60636CX38

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2009J, dated October 1, 2009

CUSIP

60636CY37

60636CY45

60636CY52

60636CY60

60636CY78

60636CY86

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2010A, dated March 1, 2010

CUSIP

60636CY94
60636CZ28
60636CZ36
60636CZ44
60636CZ51
60636CZ69
60636CZ77
60636CZ85
60636CZ93
60636C2A6
60636C2B4
60636C2C2
60636C2D0
60636C2E8
60636C2F5
60636C2G3
60636C2H1
60636C2J7
60636C2K4
60636C2L2
60636C2M0
60636C2N8

MDFB, Infrastructure Facilities Revenue Bonds (Electric System Improvements) Series 2010B, dated November 15, 2010

CUSIP

606042AU3
606042AV1
606042AW9
606042AX7
606042AY5
606042AZ2
606042BA6
606042BB4
606042BC2
606042BD0
606042BE8
606042BF5
606042BG3
606042BH1
606042BJ7
606042BK4
606042BL2
606042BM0
606042BN8

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2011A, dated November 15, 2011

CUSIP

60636C3R8
60636C3S6
60636C3T4
60636C3U1
60636C3V9
60636C3W7

MDFB, Infrastructure Facilities Revenue Bonds (Hartman Project) Series 2011B, dated November 15, 2011

CUSIP

60636C4C0
60636C4D8
60636C4E6
60636C4F3
60636C4G1

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2011C, dated November 15, 2011

CUSIP

60636C4M8

MDFB, Infrastructure Facilities Leasehold Revenue Bonds (Dogwood Plant) Series 2012A, dated April 5, 2012

CUSIP

60636C5R6
60636C5S4
60636C5T2
60636C5U9
60636C5V7
60636C5W5
60636C5X3
60636C5Y1
60636C5Z8
60636C6A2
60636C6C8
60636C6D6
60636C6E4

MDFB, Infrastructure Facilities Revenue Bonds (Sewer System Improvements) Series 2012B, dated August 30, 2012

CUSIP

60636C6K0
60636C6L8
60636C6M6
60636C6N4
60636C6P9
60636C6Q7
60636C6R5
60636C6S3
60636C6T1

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2012C, dated October 30, 2012

CUSIP

60636C6Y0
60636C6Z7
60636C7A1
60636C7B9
60636C7C7
60636C7D5
60636C7E3
60636C7F0
60636C7G8
60636C8E2

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2012D, dated October 30, 2012

CUSIP

60636C7M5
60636C7N3
60636C7P8
60636C7Q6
60636C7R4
60636C7S2
60636C7T0

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2012E, dated October 30, 2012

CUSIP

60636C7Y9
60636C7Z6
60636C8A0
60636C8B8
60636C8C6
60636C8D4

MDFB, Infrastructure Facilities Revenue Bonds (Electric System Improvements) Series 2012F, dated December 3, 2012

CUSIP

606042CE7
606042CF4

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2013A, dated April 25, 2013

CUSIP

60636SBQ6
60636SBN3
60636SBP8

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2013B, dated April 25, 2013

CUSIP

60636SBQ6

MDFB, Infrastructure Facilities Revenue Bonds (Sewer System Improvements) Series 2013C, dated October 3, 2013

CUSIP

60636SCF9
60636SCG7
60636SCH5
60636SCJ1
60636SCK8
60636SCL6
60636SCM4
60636SCN2
60636SCP7
60636SCQ5
60636SCR3

MDFB, Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2013D, dated December 17, 2013

CUSIP

60636SBU7
60636SBV5
60636SBW3
60636SBX1
60636SBY9
60636SBZ6
60636SBR4
60636SCT9
60636SCU6
60636SCA0
60636SCB8

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Project Refunding) Series 2014A, dated May 22, 2014

CUSIP

60636SCX0
60636SCY8
60636SCZ5
60636SDA9
60636SDC5

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2014B, dated May 22, 2014

CUSIP

60636SDF8
60636SDG6
60636SDL5
60636SDM3

MDFB, Infrastructure Facilities Revenue Bonds (Sewer System Improvements) Series 2014C, dated November 12, 2014

CUSIP

60636SDP6
60636SDQ4
60636SDR2
60636SDS0
60636SDT8
60636SDU5
60636SDV3
60636SDW1
60636SDX9

MDFB, Infrastructure Facilities Revenue Bonds (Santa Fe Project Refunding) Series 2015A, dated March 12, 2015

CUSIP

60636SES9

60636SET7

60636SEU4

60636SEV2

MDFB, Infrastructure Facilities Revenue Bonds (Santa Fe Project Refunding) Series 2015B, dated March 12, 2015

CUSIP

60636SEW0

60636SEX8

60636SEY6

60636SEZ3

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2015C, dated October 6, 2015

CUSIP

60636SFC3

60636SFL3

60636SFE9

60636SFG4

60636SFK5

60636SFN9

60636SFQ2

60636SFR0

MDFB, Infrastructure Facilities Revenue Bonds (Crackerneck Project) Series 2015D, dated October 6, 2015

CUSIP

60636SFA7

60636SFB5

PART II - THE CITY

GENERAL INFORMATION

Incorporated in 1849, the City is the county seat of Jackson County and adjoins Kansas City, Missouri to the west. The City is the fourth largest city in Missouri.

The City is organized under the laws of the State of Missouri and operates under a Constitutional Charter approved by the voters in December 1961. The City is governed according to a Council-Manager Plan. The City Council, which consists of seven members including the Mayor, is the legislative governing body of the City. Non-partisan elections are held every two years to provide for staggered terms of office. The Mayor and two at-large council members are elected to four year terms and, in alternating elections, the four district council members are elected to four year terms.

The Mayor and members of the Council, their occupations and terms are listed below:

<u>Council Members</u>	<u>Occupation</u>	<u>Term</u>
Eileen Weir, Mayor	Public Relations	2018
John Perkins	Meat Cutter	2020
Curt Dougherty	Electrician	2020
Scott Roberson	Dentist	2020
Tom Van Camp	Retired	2020
Karen DeLuccie	Attorney	2018
Chris Whiting	Media Writer	2018

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Robert Heacock was appointed as City Manager in September 2004, after serving as Acting City Manager since March 2004. Mr. Heacock left the City in August 2015. John Pinch, former Deputy City Manager since November 2004, was appointed City Manager in October 2015, after serving as Acting City Manager since August 2015. Mr. Pinch retired in September 2016. Zachary Walker was appointed City Manager in October 2016. The Director of Finance, who is appointed by the City Manager, acts as the chief financial officer of the City. This position is held by Brian C. Watson, appointed in March 2014. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City. Dayla Bishop Schwartz was appointed to this position in July 2011.

Historically, the character of the City has been viewed as predominantly residential. In recent years industrial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of anticipated increases in industrial activity. The labor force encompasses a wide variety of skills

and occupations: technical, sales, and administrative support occupations (27.32%); managerial and professional (27.78%); production, transportation, and material moving (14.61%); service, craft, and repair occupations (30.2%); and farming (0.09%).

Employee Retirement System

The City participates in the Missouri Local Government Employees Retirement System (LAGERS) which is a statewide multi-employer retirement system and covers all City employees. Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4% of gross salaries and wages.

During the 2014-2015 fiscal year, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. The existing net pension obligation was removed and replaced with a net pension liability. As of June 30, 2016, the City's net pension liability was \$102,097,349. The actuarial determined contribution for the years ending June 30, 2015 and 2016 were \$12,187,371 and \$13,178,343 respectively.

Insurance

The City self-insures for workers' compensation claims up to a \$1,000,000 per accident retention limit. The City also purchases excess worker's compensation insurance coverage from Midwest Employers Casualty Company to reimburse the City for any claims exceeding the \$1,000,000 per accident retention limit. This policy provides \$2,000,000 in additional coverage. The Missouri Division of Workers' Compensation requires the City to maintain \$2,520,000 in security to provide self-insured workers' compensation coverage. The City purchases a surety bond from Liberty Mutual Insurance Company for \$2,320,000 and \$200,000 in an escrow account to comply with requirement.

The City purchases all-risk property insurance from National Union Fire Insurance Company, Associated Electric and Gas Insurance Services (AEGIS), Zurich American Insurance Company, and Liberty International Insurance Company that provides coverage for all real and personal property owned by the City. The replacement cost property insurance policy has a blanket loss limit of \$400 million. Risks covered include property damage, flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The all-risk property insurance coverage is subject to a \$50,000 per occurrence deductible, except for a \$500,000 per occurrence deductible at the Blue Valley Power Plant, the Missouri City Power Plant and all electrical substations. The deductible for General Fund locations with an insured value of less than \$100,000 was reduced to \$10,000 effective July 1, 2015. This coverage also includes \$125,000,000 in coverage limits for boiler & machinery insurance coverage.

The City purchases general liability, public officials' liability, and third party automobile liability insurance coverage from the Missouri Public Entity Risk Management Fund (MOPERM). The MOPERM policies provides the City with \$2,734,567 in coverage for all claims arising out of a

single accident or occurrence and \$410,185,139 for any one person in a single accident or occurrence, subject to a \$25,000 general liability deductible, a \$25,000 public officials' deductible and a \$100,000 deductible for third party automobile liability. The City obtains collision and comprehensive coverage for Fire Trucks and leased vehicles through MOPERM. The City self-insures all other vehicles for collision and comprehensive coverage.

The City purchases excess liability insurance coverage from Allied World Insurance Company. This policy provides an additional \$10,000,000 in liability insurance above each of MOPERM's liability coverage lines for claims that are not subject to the State's Sovereign Immunity Statute.

Payment Record

The City has never defaulted on any obligations.

Obligations of the City

General Obligation Debt

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "City purposes" not to exceed 10% of the assessed value of taxable tangible property. The State Constitution also permits a city, by vote of two-thirds of the voting electorate under a special election or four-sevenths under a general election, to incur additional general obligation indebtedness not exceeding, in the aggregate, an additional 10% of the assessed value of taxable tangible property. The additional indebtedness is allowed for the purpose of acquiring rights-of-way, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric or other light and plants, provided that the total general obligation indebtedness of the city does not exceed 20% of the assessed valuation of taxable property.

The City had no General Obligation debt outstanding as of June 30, 2016.

Revenue Debt

The following is a summary of the City's Revenue Bond debt and the balance payable at June 30, 2016:

Power and Light Fund:

\$33,645,000 Series 2010 B annual installments of \$600,000 to \$4,030,000 through 2035; interest at 2.00% to 5.250% \$ 17,615,000

\$55,185,000 Series 2012 A annual installments of \$150,000 to \$11,900,000 through 2037; interest at 2.00% to 5.00% 53,765,000

\$52,525,000 Series 2012 F annual installments of \$140,000 to \$3,630,000 through 2037; interest at 3.00% to 4.00% 48,600,000

Total Power and Light fund 119,980,000

Water Fund:

\$36,240,000 Series 2013 D annual installments of \$1,480,000 to \$4,260,000 through 2029; interest at 2.00% to 5.00% 29,730,000

Total Water Fund 29,730,000

Sanitary Sewer Fund:

\$37,035,000 Series 2012 B annual installments of \$745,000 to \$2,220,000 through 2041; interest at 2.00% to 5.00% 34,740,000

\$43,800,000 Series 2013 C annual installments of \$250,000 to \$2,855,000 through 2042; interest at 2.00% to 5.25% 43,050,000

\$21,170,000 Series 2014 C annual installments of \$250,000 to \$6,150,000 through 2043; interest at 2.00% to 5.00% 20,920,000

Total Sanitary Sewer fund 98,710,000

Events Center Fund:

\$12,325,000 Series 2008 D semi-annual installments of \$30,000 to \$410,000 through 2038; interest at 4.00% to 5.75% 10,820,000

\$11,815,000 Series 2011 A annual installments of \$70,000 to \$1,585,000 through 2038; interest at 2.00% to 5.50% 11,255,000

\$68,945,000 Series 2012 C annual installments of \$105,000 to \$12,540,000 through 2038; interest at 2.00% to 4.00% 67,750,000

Total Events Center Fund 89,825,000

Total revenue bonds \$ 338,245,000

Governmental Activities

The following is a summary of the City's Loans Payable-Missouri Development Finance Board:

\$4,020,000 Series 2009 (Streets Projects) annual installments of \$395,000 to \$515,000 through 2018; interest at 3.50% to 4.375%.	\$ 1,485,000
Total Governmental Activities Loans Payable	\$ <u>1,485,000</u>

Neighborhood Improvement District

\$995,000 Series 2004 (Noland Road and Englewood Improvements) annual installments of \$55,000 to \$85,000 through 2019; interest at 4.50% to 5.75%	\$ 240,000
\$111,000 Series 2004 (Fall Drive Sanitary Sewer Project) annual installments of \$5,000 to \$6,000 through 2024; interest at 5.375% to 5.50%	59,000
Total Neighborhood Improvement District	\$ <u>299,000</u>

Blended Component Unit (Tax Increment Revenue Bonds)

\$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of \$50,000 to \$90,000 through 2020; interest at 3.00% to 4.50%	\$ 340,000
\$14,030,000 Series 2006 B (Crackerneck Creek TIF) annual installments of \$1,340,000 to \$8,225,000 through 2026; interest at 5.30% to 6.00%	14,030,000
\$1,590,000 Series 2006 (Drumm Farm TIF) annual installments of \$70,000 to \$170,000 through 2020; interest at 4.00% to 4.625%	615,000
\$4,980,000 Series 2006 F (HCA - Centerpoint TIF) annual installments of \$120,000 to \$445,000 through 2028; interest at 4.00% to 4.25%	3,720,000
\$19,390,000 Series 2007 A (Eastland Center TIF) annual installments of \$815,000 to \$2,570,000 through 2022; interest at 4.00% to 5.00%	8,865,000
\$10,330,000 Series 2007 B (Hartman Heritage TIF) annual installments of \$555,000 to \$1,060,000 through 2020; interest at 4.00% to 5.00%	4,070,000
\$995,000 Series 2007 D (Drumm Farm TIF) annual installments of \$70,000 to \$80,000 through 2020; interest at 4.00% to 4.50%	315,000
\$19,720,000 Series 2007 E (HCA - Centerpoint TIF) annual installments of \$425,000 to \$2,670,000 through 2028; interest at 4.75% to 5.125%	15,240,000

\$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of \$370,000 to \$2,515,000 through 2022; interest at 4.00% to 5.125%	5,330,000
\$1,230,000 Series 2008 E (Drumm Farm TIF) annual installments of \$30,000 to \$420,000 through 2022; interest at 3.250% to 5.00%	980,000
\$6,720,000 Series 2011 B (Hartman Heritage TIF) annual installments of \$365,000 to \$1,815,000 through 2021; interest at 2.000% to 4.125%	4,805,000
\$490,000 Series 2011 C (HCA - Centerpoint TIF) annual installments of \$50,000 to \$165,000 through 2017; interest at 2.000% to 3.000%	55,000
\$12,050,000 Series 2012 D (HCA - Centerpoint TIF) annual installments of \$575,000 to \$1,865,000 through 2027; interest at 3.00% to 4.00%	9,675,000
\$3,965,000 Series 2012 E (Eastland Center TIF) annual installments of \$310,000 to \$805,000 through 2022; interest at 2.00% to 3.00%	2,660,000
\$14,005,000 Series 2013 A (Crackerneck Creek TIF) annual installments of \$50,000 to \$5,200,000 through 2028; interest at 4.693% to 4.993%	14,005,000
\$10,835,000 Series 2013 B (Crackerneck Creek TIF) one installment of \$10,835,000 through 2029; interest at 4.125%	10,835,000
\$4,855,000 Series 2014 A (Eastland Center TIF) annual installments of \$500,000 to \$1,095,000 through 2022; interest at 3.000%	3,845,000
\$2,030,000 Series 2014 B (HCA - Centerpoint TIF) annual installments of \$105,000 to \$495,000 through 2027; interest at 2.000% to 4.000%	1,815,000
\$5,225,000 Series 2015 A (Santa Fe TIF) annual installments of \$100,000 to \$285,000 through 2044; interest at 3.000% to 4.000%	5,125,000
\$3,545,000 Series 2015 B (Santa Fe TIF) annual installments of \$55,000 to \$215,000 through 2044; interest at 3.000% to 5.250%	3,490,000
\$47,060,000 Series 2015 C (Crackerneck Creek TIF) annual installments of \$1,200,000 to \$5,670,000 through 2045; interest at 3.000% to 5.000%	47,060,000
\$2,390,000 Series 2015 D (Crackerneck Creek TIF) annual installments of \$1,180,000 to \$1,210,000 through 2024; interest at 2.750% to 3.000%	2,390,000
Total TIF Loans Payable	<u>\$ 159,265,000</u>

Capital Leases

Capital leases payable at June 30, 2016, are comprised of the following:

Motorola Solutions (radio equipment) semi-annual installments of \$56,700 to \$78,539 through 2022; interest at 3.4593%	\$ 859,140
PNC Equipment Finance (fire truck) annual installments of \$51,525 to \$71,106 through 2026; interest at 3.00%	624,897
Total Capital Lease Obligations	\$ <u>1,484,037</u>

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
1 Independence School District	Public School District	2,200
2 Orbital ATK (Lake City)	Small Arms Ammunition	1,722
3 Centerpoint Medical Center	Health Care	1,400
4 City of Independence	Local Government	1,097
5 Government Employee Hospital (GEHA)	Medical Ins. Service Center	743
6 Rosewood Health Center at the Groves	Retirement Community	444
7 Burd & Fletcher	Paper Carton Manufacturing	274
8 Jackson County Circuit Court	Judicial System	274
9 Cable Dahmer Automotive	Vehicle Sales & Repair	271
10 Unilever	Food Manufacturing	260

Source: Independence Council for Economic Development and MARC.

General and Demographic Information

Population: The following tables set forth certain population information:

Year	City of Independence	Jackson County	State of Missouri
2011	116,830	675,373	6,010,587
2012	117,213	677,558	6,025,468
2013	117,240	680,290	6,043,708
2014	117,494	683,683	6,063,827
2015	117,255	687,623	6,083,672

Source: US Census Bureau

Population Distribution by Age:

Age	City of Independence	Jackson County	State of Missouri
Under 5	6.8%	7.0%	6.3%
Age 5 - 9	6.5%	6.9%	6.5%
Age 10 - 14	5.7%	6.5%	6.6%
Age 15 - 19	5.4%	6.3%	6.8%
Age 20 - 24	6.4%	6.7%	7.0%
Age 25 - 34	13.9%	14.9%	13.1%
Age 35 - 44	11.8%	12.7%	12.2%
Age 45 - 54	13.6%	14.0%	14.2%
Age 55 - 59	7.4%	6.6%	6.8%
Age 60 - 64	5.7%	5.6%	5.9%
Age 65 - 74	8.9%	7.0%	8.1%
Age 75 - 84	5.5%	4.1%	4.6%
Age 85 and older	2.5%	1.8%	2.0%
Median Age	39.7	36.4	38.1

Source: US Census Bureau

Unemployment: : The following table sets forth annual average unemployment figures for the last five years and the most recent data for the current year for the Kansas City MSA, Jackson County and the State of Missouri:

	2011	2012	2013	2014	2015
Kansas City MSA					
Total Labor Force	1,046,187	1,043,554	1,038,039	1,109,434	1,121,620
Unemployed	83,648	69,393	66,101	61,664	53,595
Unemployment Rate	8.0%	6.6%	6.4%	5.6%	4.8%
Jackson County					
Total Labor Force	334,179	332,986	330,285	363,483	367,142
Unemployed	31,697	25,572	24,749	25,465	21,541
Unemployment Rate	9.5%	7.7%	7.5%	7.0%	5.9%
State of Missouri					
Total Labor Force	3,021,597	2,992,858	3,018,056	3,058,118	3,113,760
Unemployed	254,554	207,391	197,309	186,901	155,584
Unemployment Rate	8.4%	6.9%	6.5%	6.1%	5.0%

Source: MERIC MO Economic Research and Information Center/MO Dept of Economic Development

Income Statistics

The following table sets forth estimated income statistics for 2015:

	Per Capita	Mean Family
City of Independence	\$23,390	\$66,244
Jackson County	26,328	77,476
State of Missouri	26,006	77,368

Source: US Census Bureau

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City:

Year Round Units	Number of Units	Percentage of Units
Single Detached	39,148	72.10%
Single Attached	2,604	5.00%
Double	1,684	3.40%
3 to 19 Units	6,810	12.40%
20+ units	2,383	4.70%
Mobile Home	1,159	2.30%
All Other	26	0.00%
Total Units	53,814	100%

Source: US Census Bureau

The median value of owner occupied housing units in the area of the City and related areas for 2015 is as follows:

	Owner Occupied Median Value
City of Independence	\$98,800
Jackson County	125,800
State of Missouri	136,700

Source: US Census Bureau

Building Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued either for new construction or for major renovation:

	2012	2013	2014	2015	2016
Residential					
Number of Permits	193	181	179	211	212
Estimated Cost	11,952,062	15,361,748	21,919,226	18,098,763	15,810,869
Non-Residential					
Number of Permits	155	181	169	156	153
Estimated Cost	17,197,248	50,869,887	38,221,049	35,725,237	90,442,753

Source: City's Community Development Department

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

The City currently produces financial statements that are in conformity with generally accepted accounting principles. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. The City has implemented the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*.

An annual budget is prepared under the direction of the City Manager and submitted to the City Council for consideration prior to the fiscal year commencing on July 1. The operating budget includes proposed expenditures and revenue sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through the adoption of an ordinance. The primary basis of budgetary control is at the departmental level. The City Manager is authorized to transfer budgeted amounts between programs within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending June 30, 2016 was performed by RSM US LLP, in Kansas City, Missouri. Copies of the audit reports for the past five years are on file in the City Clerk's Office and are available for review.

Property Valuations

Assessment Procedures: All taxable real and personal property within the City is assessed annually by the County Assessor. Missouri law requires that real property be assessed at 19% for residential property, 12% for agricultural and horticultural property, and 32% for utility, industrial, commercial, railroad and all other properties.

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the Missouri General Assembly adopted a maintenance law in 1986. Beginning January 1, 1987, and every odd-numbered year thereafter, each County Assessor must adjust the assessed valuation of all real property located within his or her county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The assessment ratio for personal property is generally 33% of estimated market value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, ½%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%. The City does not levy a tax on personal property.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

Current Assessed Valuation: The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City according to the assessment of January 1, 2015 (the last completed assessment):

	<u>Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Market Value</u>
Real Estate:			
Residential	814,095,793	19%	4,284,714,700
Commercial	242,938,873	32%	759,183,978
Agricultural	1,227,696	12%	10,230,800
RR & Utilities	8,295,250	32%	25,922,656
Sub-Total	<u>1,066,557,612</u>		<u>5,080,052,134</u>
Personal Property*	<u>248,605,246</u>	<u>33.30%</u>	<u>746,562,300</u>
Total	<u>\$1,315,162,858</u>		<u>\$5,826,614,435</u>

Source: Jackson and Clay Counties Assessor's Offices.

* Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated valuation for personal property would likely be greater than that shown above. See "Assessment Procedure" discussed above.

History of Property Valuation: The total assessed valuation of all taxable tangible property situated in the City, including state assessed railroad and utility property, for each of the following fiscal years ended June 30, has been as follows:

Year	Assessed Valuation	Percent Change
2016	\$1,315,162,858	3.9%
2015	\$1,265,681,078	-1.2%
2014	\$1,280,827,879	0.1%
2013	\$1,279,153,384	0.0%
2012	\$1,279,233,589	-0.6%
2011	\$1,287,157,541	-0.9%
2010	\$1,298,840,974	-0.4%
2009	\$1,303,873,966	-7.7%
2008	\$1,411,932,554	0.8%
2007	\$1,400,611,015	6.1%

Major Property Taxpayers: The following table sets forth the ten largest real property taxpayers in the City based upon assessed valuation as of January 1, 2015:

Name of Taxpayer	Type	Local Assessed Valuation	Percentage of Total Local Assessed Valuation
1 Simon Property Group LP	Retail Center	27,649,830	2.10%
2 Cole DRR Mt Independence LLC	Retail Center	12,556,958	0.95%
3 Space Center of Kansas City	Underground Storage	6,283,301	0.48%
4 Southern Union Company	Railroad	5,953,893	0.45%
5 Comcast Cablevision	Communications	5,384,210	0.41%
6 Mansion Apartments	Communications	4,925,942	0.37%
7 Sprint	Residential Housing	4,732,041	0.36%
8 Wal-Mart	Utility	4,270,143	0.32%
9 AT&T	Retail	4,270,063	0.32%
10 Independence Station Inc	Healthcare	3,331,913	0.25%

Source: Jackson County Collection Department

PART III - DEPARTMENTS

Information is provided for certain departments only as may be necessary to properly report specific operations of the City and therefore comply with the disclosure requirements intended by this document.

UTILITIES

Public Utilities Advisory Board

The Public Utilities Advisory Board (the "Board") is a seven member advisory board created by the City Charter and appointed by the Council for overlapping four year terms. The Board's powers and duties are solely advisory. It is vested with the power to inspect all public utilities owned and operated by the City and all public utilities operating under franchises or permits granted by the City. It may require from any City department official or agency any information available concerning public utilities, is empowered to subpoena witnesses to testify and to compel the production of documents and other effects as evidence, and to conduct public hearings on matters relating to public utilities. The Board reports its findings and recommendations to the people of the City, to the Council, and to the City Manager as it deems appropriate. The Board is required to report to the people and to the Council at least annually. On its own initiative or at the request of the Council or the City Manager, the Board may study and give its findings and recommendations on any question or matter pertaining to the use, ownership, service, operation or franchising of public utilities. As a matter of practice, the Board meets periodically with the Electric Utility Director, Water Department Director, and Director of Water Pollution Control, and receives reports from these directors on the status of operations, financial condition, or other operational aspects of the utilities and considers policy recommendations of the staff on important utility matters.

Current Members of the Board and their respective terms are set forth below:

<u>Board Member</u>	<u>Term Expires</u>
Blair L. Wildermuth	7/1/2020
Harold Day	7/1/2020
Mark McDonald	7/1/2017
Garland Land	7/1/2018
Patricia Schumacher	7/1/2018
Randy Vest	7/1/2019
Jack Looney	7/1/2017

City Charter Provisions

The City Charter approved by the voters in December 1961, and revised at elections held in April 1972, and August 1979, provides as follows:

"The municipally owned and operated electric system is a public utility and shall be operated in a businesslike manner.

The electric utility shall not be operated for the benefit of other municipal functions, and shall not be used directly or indirectly as a general revenue producing agency for the city, but it may pay to the city an amount in lieu of such taxes as are normally placed upon private business enterprises. After providing for depreciation accruals and amortization of bonds, and for reasonable accumulation of surplus, the electric utility shall apply all annual profits to rate reductions.

The electric utility and such other public utilities and enterprises as the city may acquire shall be operated from funds separate from the general fund. An accounting system for each such fund shall be established within the general accounting system of the city, and shall be so set up and maintained as to reflect annually or as often as the council may require the financial condition of the enterprise and its income and expense."

The City's accounting system for the Power & Light Fund is generally in accordance with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts for Electric Utilities. The accounting system for the Water Fund and Sanitary Sewer Fund are generally in accordance with National Association of Regulated Utilities Commissions (NARUC).

Power & Light Department

General Background

The Power & Light Department (Department) is responsible for the operation of the System which provides electrical service to its customers. The Department began operation in 1901 with two reciprocating steam engine generators which had a combined rating of 700 kilowatts. This plant was subsequently redesigned with steam turbine generators eventually replacing the steam engine driven generators. From 1901 to 1955 all improvements were financed by revenues without resorting to outside capital. Since 1955, utility expansion and improvements have been financed with a combination of revenue bonds and utility revenues.

The Department serves retail customers only within the limits of the City. Prior to August 1, 1997 the Department's service territory consisted of 48.68 square miles, while the City limit area is 78 square miles. On August 1, 1997 the City purchased the electric distribution system from the Kansas City Power & Light Company, which had been serving the remaining 29.5 square

miles, except for the area occupied by the Lake City Arsenal, a United States Government Reservation (approximately 6.5 square miles). The purchase of the KCPL distribution properties added approximately 1,442 residential and small commercial customers to the Department's service territory. On August 1, 1997 the Kansas City Power & Light Company was granted a 20 year non-exclusive franchise to continue serving the Lake City Arsenal United States Government Reservation area.

For fiscal year ending June 30, 2016, electric retail sales totaled 987,083 megawatt-hours (MWh). The maximum system peak load for the fiscal year ending June 30, 2016 of 276.9 megawatts (MW) occurred on July 13, 2015. The all-time maximum system peak load of 314.9 MW occurred on August 21, 2003.

Organization

The Department is divided into six divisions: 1) Administration/Planning; 2) Support Services; 3) Production; 4) Transmission and Distribution; 5) Engineering; and 6) System Operations. The Department had 239 budgeted full-time positions as of July 1, 2016.

Administration/Planning Division - The Administration/Planning Division includes the general administration of the Department, power supply planning, retail and wholesale rate development and financial planning.

Customer and Support Services Division - The Customer and Support Services Division includes functions of warehousing materials, inventory control, purchasing procedures, utility vehicle repair and maintenance, contract administration, energy conservation rebate programs, stores, meter reading, marketing and customer services and certain utility accounting functions.

Production Division - The Production Division operates and maintains all wholly-owned City power generating plant facilities.

Transmission and Distribution Division - The Transmission and Distribution Division has control over the construction, operation and maintenance of the transmission and distribution facilities of the Department.

Engineering Division - The Engineering Division is responsible for the planning, estimating and drafting of all transmission, distribution and substation projects.

System Operations Division - The System Operations Division is responsible for the dispatch control of power generation, power purchase/sale transactions, operations of the transmission system, and communications.

The Department also provided support services from other departments of the City. These support services include purchasing, accounting, legal, customer service and billing and other

administrative services. For fiscal year 2016, the Department was billed \$4,239,797 by the other departments of the City for such support services. The Department also provides customer meter reading service to the City's Water and Water Pollution Control departments. For fiscal year 2016, the Power and Light Department billed \$1,335,425 for meter reading and field services to these other departments.

Management

Overall administration of the Department and development of basic department policy is performed by the Electric Utility Director and his staff. The Electric Utility Director is responsible for the operation of the utility and is appointed by the City Manager.

The key managerial staff of the Department and a brief summary of their professional backgrounds are listed as follows:

E. Leon Daggett - Electric Utility Director. Mr. Daggett was appointed Electric Utility Director on October 31, 2006. He holds a BS degree in Business Administration from the University of St. Francis in Fort Wayne, Indiana. Prior to employment with the Department, he served as General Manager with the Kansas City Kansas Board of Public Utilities. Mr. Daggett also has over 30 years of management experience in the electric utility industry.

Andrew M. Boatright - Deputy Director. Mr. Boatright was appointed Deputy Director on April 4, 2016. Prior to this, he served as the Electric Utility Manager for the City of Westerville (Ohio) Electric Division and has also held positions at Richmond (Indiana) Power & Light and at the City of Rensselaer (Indiana). He is a graduate of Purdue University with a Bachelor of Science in Electrical Engineering Technology and holds a Master's Degree in Business Administration from Otterbein University. He is currently the American Public Power Association Board Chair.

Martin D. Barker - Production Manager. Mr. Barker was appointed Power Production Manager in December of 2001. He holds a BSME degree from Kansas State University. He has over 30 years of electric power plant experience including 23 years in management at a power plant in Illinois and 3 years as a design engineer with a consulting engineering company.

B. Russell Groves - Engineering Manager. Mr. Groves was appointed Power Engineering Manager in February of 2016. He holds a BSEE from Mississippi State University. He has worked in the Department for over 8 years. He also has experience in the manufacturing sector for electrical power equipment, the heavy industrial manufacturing sector, as well as the energy industry.

Michael J. Huff - Transmission & Distribution Manager. Mr. Huff was appointed Transmission & Distribution Manager in August of 2014. He has worked at the Department since 1983 serving in the T&D and Production divisions with over 18 years in management and supervision.

Mary Kay Villegas-Alitz - Support Services Manager. Mrs. Villegas-Alitz joined the Department in June 2008. She holds a BA degree from the University of St. Mary's and an MBA from Baker University. Prior to joining the Department, she served over 10 years in various leadership positions with Kansas City Power & Light and another 12 years with IBM.

Paul F. Lampe – System Operations Manager. Mr. Lampe was appointed System Operations Manager in August of 2013. He holds a BSEE degree from University of Missouri-Rolla and a MSEE from Kansas State University. He has worked at the Department since November of 1999 serving in the Engineering & System Operations areas of the Department. Prior to employment with the Department, he served for seven years with a major international engineering consulting firm.

Randy L. Hughes – Planning and Rates Manager. Mr. Hughes joined the Department in September 2010. He holds a BS degree in Mechanical Engineering from the University of Missouri at Rolla and an MBA from Rockhurst University. He has over 34 years of experience in the Utility Industry in various leadership roles with Kansas City Power & Light, including 10 years as Manager of Resource Planning.

Power Supply

Currently, the Department has 385 MW of accredited generating capacity including 200 MW of capacity (9 generating units) which is owned and operated by the Department. The amount of accredited capacity is based on the capacity accreditation rules of the Southwest Power Pool (SPP), in which the Department is a member.

On April 5, 2012, pursuant to an Asset Purchase Agreement with Dogwood Energy, LLC, the Department purchased a 12.3% undivided interest (approximately 75 MW) in the Dogwood Energy Facility – a nominal 610 megawatt natural gas-fired combined cycle generating plant located in Pleasant Hill, Missouri. The Facility was originally developed as a joint venture between Aquila, Inc. and Calpine Corporation. The facility (originally named Aries) was placed into commercial operation in two phases: first as a peaking facility during the summer of 2001 and then as a combined cycle plant on February 27, 2002. In addition to the Department, Kansas Power Pool (KPP), Missouri Joint Municipal Electric Utility Commission (MJMEUC), and the Unified Government of Wyandotte County (KCBPU) also purchased 7.0%, 8.2%, and 17.0% shares respectively of the Dogwood Energy Facility in 2012. Dogwood Energy, LLC maintains the remaining ownership share (55.5%) in the facility.

Each of the owners has entered into certain project agreements that provide for the joint ownership and operation of the Dogwood Facility. Under the project agreements, each of the owners are responsible for their respective share of the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the facility. The owners also share in any revenues from sales of unused capacity and energy in the facility. In addition, the Department utilized tax-exempt bonds to finance the purchase price of the facility and is responsible for payment of the debt service on these bonds.

In January 2004, the Department entered into a participation power agreement with Omaha Public Power District (OPPD). Under this agreement, the Department purchases an 8.33% share (approximately 57 megawatts) of a new 682 megawatt coal-fired baseload generating unit built at OPPD's existing Nebraska City power station site (Nebraska City Unit 2). The agreement provides that OPPD is the owner/operator of the unit and OPPD sells the Department's share of the output on an actual cost-based approach. OPPD issued tax-exempt bonds to pay for the construction of the unit and the Department is obligated to pay its appropriate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the unit. The unit began commercial operation on May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the Department for the life of the proposed unit.

In July 2005, the Department executed a certain purchase power agreement with the Missouri Joint Electric Utility Commission (MJMEUC). This agreement was further amended and restated in June 2006. Under the agreement, the Department purchases 53 MW of capacity and energy from MJMEUC's ownership interest in Kansas City Power & Light's (KCPL) Iatan 2 generating unit. In June 2006, MJMEUC entered into an Ownership Agreement with KCPL for an 11.76 percent undivided ownership share (nominal 106 MW) in the nominal 903 MW Iatan 2 unit. Under the purchase power agreement with the Department, MJMEUC sells 50 percent (nominal 53 MW) of its Iatan 2 capacity and energy to the Department on a cost-based approach. The unit began commercial operations on December 31, 2010. The term of this agreement is designed to be for the life of the Iatan 2 unit.

In August 2008, the Department executed a certain renewable energy purchase agreement with Smoky Hills Wind Project II, LLC. The Smoky Hills agreement is for a 15 MW purchase from a wind generation project located in central Kansas - the Smoky Hills Wind Farm. The City's purchase is from Phase II which added 148 MW of wind generation to the existing 100 MW Phase I. Energy deliveries from the wind farm began on December 8, 2008 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties.

In May 2015, the Department executed a certain renewable energy purchase agreement with Marshall Wind Energy LLC. The Marshall Wind agreement is for a 20 MW purchase from a wind generation project located in north central Kansas – Marshall Wind Farm. Energy deliveries from the wind farm began on March 22, 2016 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties.

The Department believes that its total accredited generating capacity resources, including the Department's interest in the Dogwood facility and the other capacity purchases, is sufficient to meet its projected annual system peak load, including 13.7 percent reserves (SPP reserve requirement), through 2025.

A breakdown of Department power supply resources are shown in the following table:

Power Supply Resources

	Current Accredited Net Capacity (MW)	Year of Initial Operation	Fuel Type
<u>CITY OWNED AND OPERATED UNITS</u>			
Blue Valley			
Unit No. 1	21	1958	gas/oil
Unit No. 2	21	1958	gas/oil
Unit No. 3	51	1965	gas/oil
Total Steam Units	93		
Substation Generation			
J-1 (Substation J)	15	1968	oil
J-2 (Substation J)	15	1968	oil
I-1 (Substation I)	19	1972	oil
I-2 (Substation I)	19	1972	oil
H-1 (Substation H)	19	1972	gas/oil
H-2 (Substation H)	20	1974	gas/oil
Total Combustion Turbine Units	107		
Total IPL System (Owned)	200		
<u>JOINTLY OWNED UNITS</u>			
Dogwood Energy Facility (1)	75	2001	gas
<u>CONTRACT RESOURCES</u>			
Marshall Wind Farm (2)	0	2016	wind
MJMEUC-Iatan Unit No. 2	53	2010	coal
OPPD- Nebraska City Unit No. 2	57	2009	coal
Smoky Hills Wind Farm Phase 2 (3)	0	2008	wind
Total Contract Resources	110		
Total Resources	385		

- (1) Dogwood Energy Facility is a large natural-gas fired combined cycle generating facility with a total accredited net capacity of 610 MW. The City purchased a 12.3% ownership share in this facility on April 5, 2012.
- (2) The City has a 20 MW of energy from the Marshall Wind Farm. The City has yet to accredit the capacity of the wind farm.
- (3) The City has a 15 MW of energy from the Smoky Hills Wind Farm - Phase 2. The City has yet to accredit the capacity of the wind farm.

Environmental Regulations

The Department operates its generation in accordance with the applicable federal and state emission rules and regulations. Blue Valley Unit No. 3 is subject to the Phase II requirements of the federal Acid Rain Program (ARP). Blue Valley Units No. 1 and No. 2 and the Missouri City units are exempt from the ARP requirements. Currently Blue Valley Unit No. 3 is allocated 4,670 tons of sulfur dioxide (SO₂) stack emission allowances annually. The Department has utilized this unit in a least cost manner while considering the cost of the SO₂ emissions. As of January 1, 2016, the accumulated available SO₂ emission allowances carried forward into calendar year 2016 was 27,911 tons. These allowances are of little compliance or economic value due to the passage of the Cross State Air Pollution Rule in 2014, and Blue Valley's cessation of coal firing on September 9, 2015.

In addition to the ARP requirements for Blue Valley Unit No. 3, the Department is restricted to SO₂ emissions (three hour average basis) of 6.3 pounds per million Btu for all three units at Blue Valley station and 8.0 pounds per million Btu for both units at its Missouri City station in accordance with the State of Missouri environmental regulations. During the fiscal year ending June 30, 2016, the Department was in compliance with such SO₂ regulations.

Blue Valley Unit No. 3 is also regulated for nitrogen oxide (NO_x) emissions. The unit is limited to 0.35 pounds per million Btu during the defined ozone season (May 1 through September 30) and 0.40 pounds per million Btu during the rest of the year. Low NO_x burners were installed on this unit to comply with this regulation. The average NO_x emission rate was 0.0 pounds per million Btu during the 2015 ozone season and 0.181 pounds per million Btu for the entire calendar year 2015.

Blue Valley Unit No. 3 was also subject to the federal/state regulations in conjunction with the Clean Air Interstate Rule ("CAIR") which was to further regulate SO₂ and NO_x emissions. Blue Valley Unit No. 3 was also subject to the Clean Air Mercury Rule ("CAMR") which was to regulate mercury emissions. Both the CAIR and CAMR rules were vacated by the United States Court of Appeals for the District of Columbia. The proposed CAIR replacement rule was published in the federal register on July 6, 2010 and finalized as the Cross-State Air Pollution Rule ("CSAPR") on August 8, 2011. Scheduled to be effective January 1, 2012, CSAPR would have limited the Blue Valley Unit No. 3 to an annual total of 587 tons of SO₂ emissions and 147 tons of NO_x emissions. In addition, it would have limited emissions of NO_x during the ozone season to a combined total of 77 tons. CSAPR was vacated by the D.C. Court on August 21, 2012, and CAIR left in-place. The Environmental Protection Agency ("EPA") appealed this decision to the Supreme Court and the Court upheld CSAPR, overruling the lower court's ruling, on April 29, 2014. The CSAPR limits mentioned above are in effect for the 2015 operating season and beyond (i.e., 587 tons SO₂, 147 tons NO_x, and 77 tons NO_x ozone season). The Supreme Court lifted the stay on CSAPR so CAIR is no longer in-place. In July 2015, the D.C. Circuit Court remanded CSAPR without vacating it and directed EPA to revise CSAPR allocations to comply with the 2008 Ozone Standard. Once EPA updates CSAPR, the aforementioned allocations will likely drop. Compliance options for the upheld CSAPR include

the addition of pollution control equipment, fuel switch to natural gas, or early retirement. The installation of pollution control equipment is not cost effective and the units are still an essential part of our power portfolio; consequently, the compliance plan for the next few years will be to run on natural gas.

The proposed CAMR replacement rule (i.e., Mercury and Air Toxics Standards or MATS rule for power plants) was proposed on May 3, 2011. The final rule was published February 16, 2012. Compliance will be required three years and 60 days after publication of the rule in the Federal Register, thus Blue Valley 3 became compliant on April 16, 2015. Compliance options for Blue Valley Unit 3 include the addition of pollution control equipment, fuel switch to natural gas, or early retirement. The installation of pollution control equipment is not cost effective; consequently, the compliance plan after April 16, 2015 is to run the unit on natural gas.

The Blue Valley Units No. 1 and No. 2 and the Missouri City units were to be subject to the National Emission Standards for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers and Process Heaters (“Industrial Boiler MACT”) which was to regulate the emitted amount of mercury, hydrogen chloride, particulates, and carbon monoxide. On June 8, 2007, the Industrial Boiler MACT rule was vacated by the United States Court of Appeals for the District of Columbia. On July 30, 2007 the vacature was mandated making the rule void. The EPA published the proposed revised Industrial Boiler MACT (“IB-MACT”) rule in the federal register on June 4, 2010 and the rule was finalized on February 21, 2011. On May 18, 2011, the EPA published a notice delaying the effective date of the rule pending the completion of reconsideration or judicial review, whichever is earlier. The EPA completed its reconsideration and published the final rule on January 31, 2013. Compliance with the IB-MACT rule is now required by January 31, 2016. Compliance options include the addition of pollution control equipment, fuel switch to natural gas, or early retirement. The installation of pollution control equipment is not cost effective. Consequently, the compliance plan for Blue Valley Units 1 and 2 will be to run on natural gas after January 30, 2016. The Missouri City units ceased generation on September 19, 2015.

The Blue Valley and Missouri City Units are subject to the Missouri Department of Natural Resources’ (“MDNR”) Kansas City Ozone Maintenance Plan. The goal of the Maintenance Plan is to ensure the ozone levels do not increase to the point of causing a violation of the ozone air quality standard. Under Section 110(a)(1) of the Clean Air Act, one required element of the Maintenance Plan is a set of contingency measures with trigger levels based on measured regional ozone levels. The MDNR’s contingency control measures for the Missouri portion of the maintenance area have been designed as a two-phased approach with implementation occurring when the trigger of a specific phase occurs. The Phase I contingency measures have been triggered based on ozone levels in the years 2005 through 2007. Phase I includes early implementation of control devices (e.g., Low NO_x Burners) on CSAPR affected coal-fired electric generating units (“EGU”) as a means to reduce NO_x at several major NO_x point sources. Blue Valley Unit 3 is a CSAPR-affected EGU. MDNR Air Pollution Control Program is currently working with the Department in developing the most appropriate set of NO_x emission reductions for the Maintenance Plan contingency measures.

The EPA published the final Greenhouse Gas (“GHG”) Tailoring Rule on June 3, 2010. The GHG Tailoring rule regulates GHG emissions (i.e., carbon dioxide (“CO₂”), methane, etc.) under Prevention of Significant Deterioration (PSD) and Title V permitting programs and will be implemented in phases. Beginning January 2, 2011, the Blue Valley units must comply with the PSD provisions of the rule. Under these provisions, any construction project on the units must be evaluated for potential significant GHG emission increases. If any construction project produces a significant increase in GHG emissions then best available control technology (BACT) must be installed. As part of the Tailoring Rule, the USEPA released technical guidelines on what constitutes BACT for GHGs in October 2010. As of July 1, 2011 (Phase II), a new source with potential GHG emissions above 100,000 tons per year is subject to PSD permitting requirements for GHGs. With respect to the Title V permitting program, beginning January 2, 2011, new or existing Title V major sources are subject to Title V requirements for GHGs. The Department is monitoring the activities of the EPA and the MDNR will take the necessary action to comply with any future compliance rules regarding GHG emissions and how it will impact the Blue Valley units.

On June 2, 2014, the EPA proposed the Greenhouse Gas Standards for Existing Power Plants, aka the Clean Power Plan. This proposed rule seeks to cut carbon dioxide emissions for existing plants 30 percent nationwide and 21 percent for the State of Missouri from 2005 levels by 2030. The proposed rule would require the State of Missouri to meet CO₂ emission targets of 1,621 lbs/MWH by 2020 and 1,544 lbs/MWH by 2030. The comment period on this proposed regulation ended December 1, 2014. On August 3, 2015 the final Clean Power Plan was released with deeper CO₂ cuts than those in the proposed plan. The final rule requires Missouri to meet CO₂ emission targets of 1,621 lbs/MWH by 2022 and 1,272 lbs/MWH by 2030. On February 9, 2016, the Supreme Court stayed the implementation of the Clean Power Plan pending judicial review. It is unknown at this time what would be included in the State of Missouri’s implementation plan to meet these targets and how it will impact the Department’s power plants.

The Department has been in compliance with the current regulations and expects to comply with future regulations through a combination of unit commitment strategy, use of compliant fuel, participation in cap and trade programs, and/or future environmental equipment enhancements on the units.

Fuel Supply

The Department currently uses coal, natural gas, and Ultra-low sulfur No. 2 fuel oil in its power production facilities. For the year ending June 30, 2016, the total fuel burn mix for the Department’s owned and operated generation energy supply consisted of 78.8% coal, 20.7% gas and 0.5% No. 2 fuel oil. This is the fuel supply managed by the Department.

The Department purchased its coal supply under a contract with an Illinois coal mining company. The final base price was \$70.00 per ton delivered based on an 11,150 Btu per pound heat content. The base term of this contract ended on December 31, 2014. Due to environmental regulations, the Department stopped burning coal at Department Owned facilities in late 2015. The coal

stockpiles were exhausted by the end of 2015.

The Department currently contracts the management of its natural gas supply with an Oklahoma gas management company. This natural gas supply contract consists of gas supply and pipeline transportation service to the local gas distribution company's system. In 2015, the Department sought a new natural gas supply contract to replace the expiring contract. The current term of this gas supply contract is through April 30, 2017 with the option to extend the contract for three additional years. The local distribution company delivers the gas to the Department at two different power plant sites under the local distribution company's tariffs as filed with the Missouri Public Service Commission.

The Department purchases its No. 2 fuel supply on the spot market on an as-needed basis.

Current Purchases/Sales of Capacity and Energy

The Department purchased a significant portion of its energy needs under two long-term purchase agreements – a participation power agreement with MJMEUC and a participation power agreement with OPPD. Additionally, the Department has entered into two long-term purchase agreements for renewable energy. Finally, the Department purchases and sells energy in the SPP Integrated Market ("IM").

Under the participation power agreement with MJMEUC, the Department purchases 53 MW of capacity and associated energy from the Iatan 2 generating unit. The delivered cost of this capacity and energy under the agreement, including all demand and energy costs, totaled approximately \$19,100,000 for 330,313 megawatt-hours of delivered energy during fiscal year 2016. The projected annual cost of the MJMEUC agreement for fiscal year 2017 is estimated at approximately \$20,300,000.

Under the participation power agreement with OPPD, the Department purchases approximately 57 MW of capacity and associated energy from the Nebraska City 2 generating unit. The delivered cost of this capacity and energy under the agreement, including all demand and energy costs, totaled approximately \$15,300,000 for 412,849 megawatt-hours of delivered energy during fiscal year 2016. The projected annual cost of the OPPD agreement for fiscal year 2017 is estimated at approximately \$16,400,000.

The Department also purchases 15 MW of wind energy under a renewable energy purchase agreement with Smoky Hills. The delivered cost of this energy, totaled approximately \$2,500,000 for 55,734 megawatt-hours of delivered energy during fiscal year 2016. The projected annual cost of the Smoky Hills agreement for fiscal year 2017 is estimated at approximately \$2,750,000.

In March 2016, the Department began purchasing 20 MW of wind energy under a renewable energy purchase agreement with Marshall Wind. The delivered cost of this energy totaled approximately \$600,000 for 18,674 megawatt-hours of delivered energy during fiscal year 2016. The projected

annual cost of the Marshall Wind agreement for fiscal year 2017 is estimated at approximately \$3,100,000.

In July 1997, the Department became a participant to the Western Systems Power Pool Agreement (WSPP Agreement). The WSPP Agreement provides for short-term electric power transactions by and among its members. Transactions under the WSPP Agreement are executed under rate schedules that allow for market-based pricing. During fiscal year 2016, the Department had no activity under this agreement.

In March 2014, SPP began operating the IM and the Department participates as a market participant. Under the IM, SPP operates a Day-Ahead market including transmission congestion rights, a reliability unit commitment process and real-time balancing market with the purpose to maximize cost-effectiveness, provide market participants with greater access to reserve energy, and improve regional balancing of electricity supply and demand. In fiscal year 2016, the Department purchased 91,854 megawatt-hours in the Integrated Market for a total cost of \$2,500,000. The Department also sold 158,903 megawatt-hours of energy for approximately \$3,100,000.

Regional Reliability Organization

The SPP, an organization of electric utilities serving the south-central part of the United States, was established to oversee and maintain the reliability of the bulk electric power system. The Department has been a member of the SPP since 1970 and operates its electric system in accordance with the SPP rules. Beginning in the year 2000 and due to the restructuring of the electric industry, the SPP began the administration and operation of a regional transmission tariff where certain SPP members elected to have the SPP operate their transmission facilities under this tariff. At that time, the Department elected not to become a transmission owning member and to maintain its own transmission facilities.

In April 2015, the Department filed to become a transmission owning member in SPP effective June 2015. As a transmission owner member, the City designates its transmission facilities to the SPP for operation and administrative control.

In return for turning over control of our transmission facilities to SPP, SPP will pay the Department for use of the transmission system by the Department and by other entities utilizing the SPP transmission system which now would include the Department's facilities. The amount of revenue received is based on the Department's cost to own, maintain and operate the transmission system (i.e., Annual Transmission Revenue Requirements).

SPP submitted tariff revisions with the Federal Energy Regulatory Commission (FERC) on April 13, 2015 to include the Department's transmission revenue requirements within the KCPL pricing zone. FERC accepted SPP's revision with an effective date of June 1, 2015. KCPL contested the filing and the matter was settled in March 2016, subject to final approval by FERC which was granted on July 28, 2016.

Interconnections

The Department currently has three transmission interconnection agreements with other electric utilities which govern the transfer of power and energy to and from these utilities. The interconnections were established and are governed by various agreements, which are summarized in the following paragraphs:

KCP&L – Greater Missouri Operations (GMO). An interconnection between the Department and KCP&L-Greater Missouri Operations (GMO) is made at GMO's Sibley Substation and is governed by a Municipal Participation Agreement dated December 2, 1968. The interconnection is made between the Department's 161-kV transmission line and the 161-kV bus in GMO's substation. This agreement provides the terms and conditions under which the parties can purchase Reserve Capacity, Standby Service, Requisitioned Power and Accompanying Energy, and Economy Energy. This agreement went into effect December 1, 1969 and was to remain in effect until May 31, 1990 and thereafter from year to year until terminated by either party. Forty-eight months written notice is required for termination of this agreement. Currently, neither party has provided a notice of termination.

Associated Electric Cooperative Inc. An interconnection with Associated Electric Cooperative Inc. (AECI) was made to provide for the transfer of power from the Missouri City Power Plant to the Department. The interconnection is made between the Department's Eckles Road Switching Station and AECI's Missouri City-Pittsville 161-kV line and is governed by an Interchange Agreement dated August 8, 1979. Although the primary purpose of the interconnection is to provide for the delivery of the Missouri City Power Plant output (currently rated at 38 megawatts), this agreement also provides for other transactions between the parties, such as Standby Service, Economy Energy, Short-Term Power, Participation Power, Firm Power and Surplus Energy. This agreement went into effect June 1, 1980 and will remain in effect until June 1, 1995, continuing in effect from year to year thereafter until terminated by either party. Three years written notice is required for termination of this agreement. Currently, neither party has provided a notice of termination.

Kansas City Power & Light Company. The Department maintains six interconnection points with KCPL, three at the 69-kV level and three at the 161-kV level. The 69-kV interconnections include: (i) interconnection at the Department's Substation H, (ii) interconnection at the City Limits with KCPL's 69 kV line between Hawthorn Substation and Sugar Creek Substation to the Department's Substation F, and (iii) interconnection at the Department's Substation A.

The 161-kV interconnections include: (i) interconnection at KCPL's Blue Mills Substation, (ii) interconnection at the City limits along the Hawthorn to Substation M line, and (iii) interconnection at the City limits along the KCPL Blue Valley

Substation to the Department Substation N line.

These interconnections were governed under a Municipal Participation Agreement originally dated July 12, 1965 and amended on a number of occasions thereafter. The Municipal Participation Agreement expired on July 31, 2011. A new Interconnection Agreement was negotiated between the parties which replaced the old agreement and became effective on August 1, 2011. The initial term of the Interconnection Agreement is through July 31, 2023 and shall continue year to year thereafter until terminated by either party. Five years written notice is required for termination of this agreement.

Transmission System

The Department's transmission system is comprised of approximately 26 miles of 161-kV lines and approximately 67 miles of 69-kV lines. The transmission system is interconnected with the neighboring utilities at both the 161-kV level and the 69-kV level as described above. Load flow studies indicate that these interconnections provide a total import capability of 318.7 MW on a single contingency basis. This import capability includes power generated from the Department's Missouri City plant when in operation.

Substations

Station	Substation Class, Type	Station Capacity (1)	Nominal Voltage
A	transmission	200 MVA	161/69 kV
B	distribution	60 MVA	69/13.8 kV
C	distribution	60 MVA	69/13.8 kV
E	distribution	40 MVA	69/13.8 kV
F	distribution	25 MVA	69/13.8 kV
H	distribution	60 MVA	69/13.8 kV
I	distribution	60 MVA	69/13.8 kV
J	distribution	90 MVA	69/13.8 kV
K	distribution	60 MVA	69/13.8 kV
L	distribution	60 MVA	69/13.8 kV
M	transmission	100 MVA	161/69 kV
N	transmission	100 MVA	161/69 kV
P	distribution	60 MVA	69/13.8 kV
R	distribution	60 MVA	69/13.8 kV
Eckles Road (2)	transmission	-	161 kV

(1) Forced air rating at 55 degrees C rise.

(2) The Eckles Road is a switching station on the 161 kV line from Substation A to KCPL-GMO's Sibley Station. The Eckles Road station ties into the 161 kV line owned by AECl running from Missouri City Station to Pittsville. There are no transformers located at this station site.

Distribution System

The existing distribution system currently serves nearly 57,000 customers and consists of approximately 564 circuit miles of 13-kV overhead lines and 231 circuit miles of 13-kV underground lines.

Proposed Capital Improvements

As of June 30, 2016, the Department had a total of \$25,541,911 of funded, but uncompleted major capital improvement projects. These uncompleted projects include \$10,537,076 for production plant capital improvements and \$15,004,835 for transmission, distribution and other plant capital improvements. For fiscal year ending June 30, 2017 the Department expects to undertake a total of \$10,390,000 for other capital improvement projects, of which \$1,250,000 are for production plant improvements and \$9,140,000 are for transmission and distribution plant and other improvements at the current service center. For the five fiscal years ending June 30, 2021, the Department is currently estimating a total of \$40,465,000 in additional major project

capital improvements. These additional capital expenditures include \$14,245,000 in production plant improvements and \$26,220,000 in transmission, distribution and general plant improvements.

Capital improvements undergo an annual evaluation by the Department and may change as the result of such evaluations. Additional information regarding the Capital Improvements Program for fiscal year 2016-2017 can be found in Part V of this document.

Electric Rates

The City Council has sole authority to establish electric rates. The Council has adopted electric class rate schedules by ordinance after receiving recommendations from the Department and consideration of rate studies performed by outside consultants. The City Council has also granted the Department the authority to automatically adjust monthly energy rates of its electric class rate schedules in accordance with a Power Supply Fuel-Energy Cost Adjustment Schedule (“FCA”). The Department makes reviews of the rate structure at least annually to determine if modifications are needed.

As provided in the bond indentures, the City covenants to charge and collect rates for the electric power and energy supplied by the System as shall be required to provide revenues and income sufficient to pay the cost of the following: operating expenses, 100% of aggregate debt service on all bonds and any other charges required to be paid out of revenues. Other charges to be paid out of revenues are generally defined by the City to include the payment in lieu of taxes to the City, the financing of system capital improvements and replacements that are not bond financed by the City, and system working capital requirements. In addition, the City covenants to make an annual review of the sufficiency of the rates.

In November 2008, the City Council adopted multiple schedules of customer class rate increases following a 5-year cost-of-service study and rate plan performed by Sawvel and Associates, Inc. Under the adopted rate plan, base rates were increased by 9% beginning January 1, 2009, 5% on July 1, 2009, 5% on July 1, 2010, 5% on July 1, 2011, and 5% on July 1, 2012. In addition to any base rate increases, customer billing increases/decreases may result from projected increased fuel and purchased power costs which are passed along to customers pursuant to the FCA.

For the year ending June 30, 2016, the average monthly billed FCA rate decreased from a charge of \$27.71 per MWh in the fiscal year ending June 30, 2015 to a charge of \$21.51 per MWh. Overall, the base rate increase and the change in the FCA rate resulted in approximately a 3.8 percent average billing rate decrease for all retail customers for the 12 month period ending June 30, 2016 compared to the previous 12 month period. The Department's electric service rate schedules are generally similar in type and number to the rate schedules of other electric utilities adjoining its service territory.

The Department currently has the following basic customer class rate classifications: residential, small general service, large general service, and large power service. In addition to the basic rate

class rate schedules, the Department has special service rate schedules for residential all-electric service, total electric general service, schools and churches, sewer pumping, separately metered general service space heating, unmetered private outdoor lighting and public street lighting, interruptible industrial service, and customer-generator net metering service. In each of the rate schedules, the rate structure is designed to generally approximate the costs incurred in supplying electricity for the class. Each rate schedule has an availability clause which defines the customer load types who are eligible to be billed under the rate schedule. Customers are billed monthly and a minimum billing is established for each rate schedule. The overall rate structure is designed to assist the Department in load management and marketing objectives of system load factor improvement.

The residential classifications include the majority (over 90%) of customers being served by the Department. Seasonal rates have been established in the residential customer classifications to partially recognize the cost differential of summer season air conditioning loads which predominate in the residential class and to encourage the winter season use of electricity (electric space heating).

In the commercial and industrial customer classifications, the rate designs generally include separate demand and energy charges, and pricing differentials for service voltage delivery such as secondary and primary voltage delivery. These rates charge individual customers different average rates per kilowatt of hour use for customers with different load factors and therefore encourage the customer to utilize electric service at a constant level of use.

In April 1990, the Department began a rebate program to encourage use of energy efficient air conditioners, water heaters and heat pumps by residential customers. The rebate scale increases with increased efficiency of the unit purchased. Current rebates range from \$109 to \$701. Through December 2015, over 9,969 rebates have been paid for a total of \$2,457,865.

The Power & Light Fund makes a payment annually from revenues to the City's General Fund as a payment in lieu of taxes. Pursuant to the City Charter, the payment is limited to an amount that would normally be paid by a privately-owned electric utility. The current payment in lieu of tax practice is the result of a Declaratory Judgment issued by the Jackson County Circuit Court on March 10, 1980. The components are: (1) 9.08% gross receipts tax (applied against gross operating revenues), (2) applicable City property taxes on facilities owned by the Department within the City, and (3) applicable City sales tax payment on all purchases made by the Department within the City. For years ending June 30, 2015 and June 30, 2016, the Department's total payment in lieu of taxes to the City amounted to \$13,388,446 and \$13,212,505 respectively. Payment for City electric service is made by the City to the Department under the appropriate retail rate classification.

Delinquent electric bills are processed as follows: a bill in arrears is considered delinquent after 30 days. A second bill is then issued with the customer having 10 to 15 days to pay both bills. After the 10 to 15 days have passed with no payment of both bills, the customer's service is subject to discontinuance. The Department's policy is to attempt to notify the customer by

telephone or personal contact before service is discontinued. In fiscal year 2016, out of approximately \$127 million in billed retail revenue, \$670,618 was charged off as uncollectible or 0.53% of total billed retail revenues.

Operating Statistics

The following tables show that during the past five years, the Department experienced a slight increase in the number of consumers served. As shown in the following table, the actual system energy requirements are significantly impacted by the variation in the number of summer season cooling degree days incurred in each annual period. As a result of the predominance of residential customers, peak load occurs during the summer months to satisfy the demand placed on the system by residential and commercial air conditioning use. In the winter months, the load decreases to approximately one-half of its summer peak due to the general use of natural gas as the fuel for residential and commercial heating.

Historical Annual Peak Demand and Energy Requirements

Fiscal Year Ended June 30	Annual Peak Demand		Annual Energy Requirements For City Load	
	Percent Increase		Percent Increase	
	(MW)	(Decrease)	(MWh)	(Decrease)
2012	310.4	3.6	1,123,025	(2.4)
2013	304.6	(1.9)	1,086,487	(3.3)
2014	272.4	(10.6)	1,082,302	(0.4)
2015	276.1	1.4	1,029,407	(4.9)
2016	276.9	0.3	1,036,593	0.7

Fiscal Year Ended June 30	Annual Load Factor(%)	Average Number of Monthly Metered Accounts	Annual Requirements Per Meter (kWh/Meter)	Summer Season Cooling Degree Days *
				(65°F Base)
				2012
2013	40.7	56,297	19,299	1,524
2014	45.4	56,474	19,165	1,416
2015	42.6	56,709	18,152	1,251
2016	42.7	56,908	18,215	1,464

* May thru September each year. Cooling Degree Days based on temperatures recorded at Department's Blue Valley Power Plant site weather station.

Power Generation, Revenue Produced and Customers Served

	Fiscal Years Ending June 30,				
	2012	2013	2014	2015	2016
Energy Supplied (MWh):					
Net Generation, City Power Plants	271,460	286,682	170,118	219,911	286,004
Purchased Power Energy from					
Other Utilities	928,803	880,110	968,562	892,334	909,486
Unintentional Interchange	0	0	0	0	0
Gross Energy Supplied	1,200,263	1,166,792	1,138,680	1,112,245	1,195,490
Energy Sold to Other Utilities	-77,238	-80,305	-56,378	-82,838	-158,897
Total energy, City Load	1,123,025	1,086,487	1,082,302	1,029,407	1,036,593
Border Customer Purchases	1,204	1,360	1,493	1,218	997
Total Energy, City Load and City Border Customers	1,124,229	1,087,847	1,083,795	1,030,625	1,037,590
Border Customer Sales	-3,358	-3,209	-3,376	-3,237	-3,170
Total Energy, City System	1,120,871	1,084,638	1,080,419	1,027,388	1,034,420
Consumption By Classes (MWh) *					
Residential	521,530	521,822	518,024	488,009	483,477
Commercial	487,833	458,384	454,630	451,830	446,415
Industrial	48,992	53,313	51,624	51,422	53,096
Other	10,697	10,524	5,973	4,224	4,095
Total Retail Sales	1,069,052	1,044,043	1,030,251	995,485	987,083
Sold to Other Utilities (inc. border customers)	80,596	83,514	59,754	86,075	162,068
Total MWh Sales	1,149,648	1,127,557	1,090,005	1,081,560	1,149,151
Revenue by Classes (\$000) *					
Residential	\$71,334	\$71,667	\$72,259	\$70,622	\$68,081
Commercial	58,366	56,044	56,809	58,251	54,249
Industrial	4,462	4,839	4,867	4,727	4,187
Other	1,644	606	599	493	367
Total Retail Sales	\$135,806	\$133,156	\$134,534	\$134,093	\$126,884
Sold to Other Utilities	1,909	2,380	2,254	2,369	3,298
Total	\$137,715	\$135,536	\$136,788	\$136,462	\$130,182
Average Number of Meters (Total System)	56,292	56,297	56,474	56,709	56,908
Average Number of Meters (Residential)	51,124	51,155	51,342	51,604	51,817

* Includes change in unbilled MWh and Revenue.

The following table is a listing of the twelve largest commercial and industrial customer accounts served by the Department. The table shows the annual kilowatt hour energy usage and total billed revenues for the periods shown. As can be seen from the listing, sales to the Department's twelve largest customers have been relatively stable and in aggregate total, account for a

relatively small portion of the Department's total sales and revenues. The largest single customer accounts for approximately 1.6% of retail sales of the system and 1.4% of retail billed revenues.

Twelve (12) Largest Commercial and Industrial Customer Accounts

July 2015 - June 2016	kWh	Revenue
1 Centerpoint Medical Center	16,156,800	\$1,762,306
2 Unilever	18,566,400	1,498,222
3 Burd & Fletcher (Combined Accts.)	18,039,100	1,064,545
4 Smart Warehouse	11,453,664	957,222
5 Simon Property Group LP	10,057,000	934,290
6 HCP MOB Centerpoint/Boyer Company	6,330,600	646,898
7 City's Rock Creek Sanitary Sewer Plant	5,102,400	631,750
8 Costco Wholesale Inc.	5,040,900	562,693
9 Independence Event Center	4,080,400	517,731
10 Price Chopper (Noland Road)	4,084,800	434,335
11 Price Chopper (23rd Street)	4,093,200	430,141
12 WalMart Stores Inc	3,930,560	424,555
Total	<u>106,935,824</u>	<u>\$9,864,690</u>
Percent of Total Retail Billed Sales	10.7%	7.7%

July 2014 - June 2015	kWh	Revenue
1 Unilever	19,591,200	\$1,983,245
2 Centerpoint Medical Center	15,467,400	1,798,091
3 Burd & Fletcher (Combined Accts.)	17,786,500	1,230,108
4 Simon Property Group LP	11,185,400	1,111,228
5 Smart Warehouse	9,748,200	867,342
6 HCP MOB Centerpoint/Boyer Company	6,189,600	671,459
7 City's Rock Creek Sanitary Sewer Plant	4,680,000	607,286
8 Costco Wholesale Inc.	4,685,700	557,783
9 Independence Event Center	3,911,200	520,362
10 Price Chopper (23rd Street)	4,285,500	476,818
11 Price Chopper (Noland Road)	4,021,920	454,710
12 WalMart Stores Inc	3,786,240	431,190
Total	<u>105,338,860</u>	<u>\$10,709,621</u>
Percent of Total Retail Billed Sales	10.6%	8.0%

Twelve (12) Largest Commercial and Industrial Customers (continued):

	Total kWh Over 24 Months	Total Revenue Over 24 Months
24 Months Totals (July 2014-June 2016)		
1 Centerpoint Medical Center	31,624,200	\$3,560,397
2 Unilever	38,157,600	3,481,467
3 Burd & Fletcher (Combined Accts.)	35,825,600	2,294,653
4 Simon Property Group LP	21,242,400	2,045,518
5 Smart Warehouse	21,201,864	1,824,564
6 HCP MOB Centerpoint/Boyer Company	12,520,200	1,318,357
7 City's Rock Creek Sanitary Sewer Plant	9,782,400	1,239,035
8 Costco Wholesale Inc.	9,726,600	1,120,476
9 Independence Event Center	7,991,600	1,038,094
10 Price Chopper (23rd Street)	8,378,700	906,959
11 Price Chopper (Noland Road)	8,106,720	889,046
12 WalMart Stores Inc	7,716,800	855,745
Total	<u>212,274,684</u>	<u>\$20,574,310</u>
Percent of Total Retail Billed Sales	10.7%	7.8%

The following tables provide financial information for the past five fiscal years. For the fiscal year ending June 30, 2016, the Department posted a negative net operating income due to mild weather patterns and lower sales revenues, major maintenance expenditures at the power production facilities and payroll increases related to the bargaining unit's contract resolution which was retroactive to November 1, 2014.

Condensed Statement of Operations

	Fiscal Years Ending June 30,				
	2012	2013	2014	2015	2016
Total Operating Revenue	139,878,341	137,749,294	138,813,984	139,078,098	134,747,475
Operating Revenue Deductions					
Fuel	11,306,266	11,754,177	8,363,955	7,923,688	8,283,604
Purchased Power	45,395,666	38,459,878	45,502,136	45,365,460	42,690,233
Production	14,039,429	14,876,011	13,481,334	12,285,667	16,607,755
Transmission & Distribution	15,789,624	17,054,562	19,053,833	20,451,270	20,796,769
Customer Service	4,060,694	3,831,416	3,868,172	4,163,095	4,247,247
General & Administrative	15,324,567	16,413,826	17,762,528	20,079,178	21,869,347
Total O&M	105,916,246	102,389,870	108,031,958	110,268,358	114,494,955
Total Operating Revenue Deductions	<u>135,978,043</u>	<u>134,972,089</u>	<u>141,476,377</u>	<u>144,512,280</u>	<u>144,688,712</u>
Net Operating Income	3,900,298	2,777,205	-2,662,393	-5,434,182	-9,941,237
Total Non-Operating Deductions (net)	<u>-2,093,274</u>	<u>-5,598,629</u>	<u>3,001,684</u>	<u>-6,005,541</u>	<u>-3,989,597</u>
Net Income	1,807,024	-2,821,424	339,291	-11,439,723	-13,930,834
Capital Contributions	154,564	585,917	438,026	518,197	1,135,134
Change in Net Assets	1,961,588	-2,235,507	777,317	-10,921,526	-12,795,700

Debt Service Coverage

Year Ended June 30	Gross Revenues (1)	Operating Expenses (2)	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
2012	140,997,371	104,196,848	36,800,523	6,862,435	5.36
2013	138,561,630	100,672,846	37,888,784	10,180,037	3.72
2014	139,621,307	106,187,200	33,434,107	10,868,306	3.08
2015	139,687,551	107,899,251	31,788,300	8,935,556	3.56
2016	135,479,674	110,381,924	25,097,750	8,934,956	2.81

(1) Includes operating sales revenue, interest earned on investment funds and miscellaneous other income.

(2) Excludes Depreciation, Amortization, Non-operating Expenses, OPEB, and payment in lieu of taxes to General fund.

Condensed Balance Sheet

	Fiscal Years Ending June 30,				
	2012	2013	2014	2015	2016
Net Utility Plant	236,233,563	232,662,454	230,232,241	221,724,615	225,353,906
Current Assets	60,096,681	72,227,861	84,667,685	87,410,690	79,040,698
Deferred Charges and Other Assets	18,053,962	29,382,946	18,067,459	19,035,416	30,903,502
Total Assets	314,384,206	334,273,261	332,967,385	328,170,721	335,298,106
Current Liabilities	13,849,277	16,249,325	14,839,384	14,950,930	21,240,023
Long-Term Liabilities and Deferred Credits	125,805,161	148,672,219	147,998,966	163,911,656	177,545,648
Total Equity	174,729,768	169,351,717	170,129,035	149,308,135	136,512,435
Total Liabilities and Equity	314,384,206	334,273,261	332,967,385	328,170,721	335,298,106

Employee Relations

As of July 1, 2016 the Department had 239 budgeted full-time positions, of which 171 are hourly personnel and 68 are salaried personnel engaged in Production, Transmission, Distribution, Engineering, System Operations, Administration, and Support Services.

Hourly employees at the Department are represented by the International Brotherhood of Electrical Workers Local No. 53 (IBEW). There have been no work stoppages, slowdowns or strikes since September 1, 1978.

The current agreement between the City and the IBEW, approved by Council action on August 3, 2015, provides for annual wage increases and working conditions effective retroactive to November 1, 2014, and thereafter until October 31, 2019.

The City complies with its statutory duty to meet and confer with the IBEW representative concerning wages and working conditions.

Water Department

Description of the Water System

The City purchased the Missouri Water Company in 1986 through the issuance of \$47,500,000 variable interest rate revenue bonds. The bonds were converted to flexible interest rate bonds under the Second Amended and Restated Indenture of Trust dated June 1, 1987. The bonds were converted to fixed interest rates and the principal outstanding was reduced by \$6,050,000 on January 6, 1999. During June 2004, the City issued, through the Missouri Development Finance Board, \$14,785,000 of additional obligations. The proceeds of this issue were used for infrastructure improvements to the water system. During March 2009, the City issued additional obligations of \$17,520,000 through the Missouri Development Finance Board to absorb capital improvement costs. During December 2014, all outstanding bonds were refunded by the issuance of bonds amounting to \$38,220,000.

The water system includes 42 supply wells (including one horizontal collector well), treatment facilities, and the water distribution system, all of which are owned, operated and maintained by the City Water Department (Department). The water distribution system includes approximately 760 miles of water main ranging in size from 2 inches to 36 inches, and five storage facilities with capacity totaling 10 million gallons. These facilities provide water service to approximately 48,601 customers on a retail basis, and resale (wholesale) water service to 12 customers.

Organization

The Department is divided into four divisions: 1) Administration; 2) Customer Service & Accounts; 3) Production; and 4) Transmission and Distribution.

Administrative Division - The Administration Division includes the complete operation and monthly reporting of the Water Department.

Customer Services & Accounts Division - The Customer Services & Accounts Division includes functions of field service, billing, cashiering, collection and customer inquiry.

Production Division - The Production Division is responsible for water treatment, water quality and pumping from the water treatment plant and towers and reservoirs within the system.

Transmission and Distribution Division - The Transmission and Distribution Division is responsible for the construction, engineering, operation and maintenance of the transmission and distribution facilities of the Department.

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, and other administrative services. For fiscal year 2016, the Department was billed \$2,320,620 by the City for City-provided support services. The Department also provides customer service and billing to the City's Power & Light and Water Pollution Control Departments. For fiscal year 2016, the City's Power & Light and Water Pollution Control Departments were billed \$1,807,794 by the Water Department for customer service and billing services.

Management

Overall administration of the Department and development of basic department policy is performed by the Water Director and his staff. The Water Director is responsible for the operation of the utility and is appointed by the City Manager.

The key managerial staff of the Department and a brief summary of their professional backgrounds are listed as follows:

Daniel D. Montgomery - Water Systems Director. Mr. Montgomery was appointed Water Systems Director in April of 2003 and has been with the Department for 33 years. Mr. Montgomery holds a BS in Civil Engineering degree from the University of Missouri at Kansas City. He is a Registered Professional Engineer in the state of Missouri and holds a Class "A" Water Certification and Distribution System III Certification from the Missouri Department of Natural Resources.

Thomas A. Heinkel - Customer Service Manager. Mr. Heinkel has been with the City for 22 years and was appointed Customer Service Manager in November of 2003. Mr. Heinkel holds a BA in Biology from Texas Lutheran University.

Karen L. Kelley - Water Production Manager. Ms. Kelley was appointed Water Production Manager in October of 1991 and has been with the Department for 35 years. Ms. Kelley holds a BS in Biology degree from the University of Missouri at Kansas City. She holds a Class "A" Water Certification and Distribution System III Certification from the Missouri Department of Natural Resources.

Mathew L. McLaughlin - Water Distribution/Engineering Manager. Mr. McLaughlin has been with the City for 18 years and was appointed Water Distribution/Engineering Manager in February 2014. Mr. McLaughlin holds a BS in Civil Engineering degree from Iowa State University. He is a Registered Professional Engineer in the state of Missouri and holds a Distribution III

Certification and a Class “A” Water Certification from the Missouri Department of Natural Resources.

History

Prior to 1956, the Missouri Water Company distributed water purchased from Kansas City, Missouri to customers in and around the City of Independence. In 1954, a water resources study was performed that identified the Missouri River as the most economical source of raw water for the Independence area. Additional studies established that the aquifer, associated with the Missouri River at the Courtney Bend, could produce sufficient quantities of raw water to meet the current and projected needs. In addition, utilizing groundwater as the source of supply provided a more consistent, easier to treat, source. In 1956, the Missouri Water Company constructed the Courtney Bend Water Treatment Plant (WTP) to supply water to the City of Independence and surrounding areas. Both the well field and treatment plant have been expanded several times since their acquisition from the Missouri Water Company.

Water Supply

The Courtney Bend Well Field was established in 1956 on the south bank of the Missouri River where the Highway 291 bridge crosses the river. Forty-one vertical wells ranging in depth from 76 to 130 feet and capacity from 500 to 3,000 gallons per minute (gpm) pump raw water from the alluvial aquifer. In addition, a 125-foot deep horizontal collector well adds an additional 7,000 gpm to the capacity of the well field.

Water Treatment

The Courtney Bend WTP, constructed in 1956 for the Missouri Water Company and purchased by the City in 1986, is located at Highway 291 and the Missouri River. The plant was expanded in 1961, 1963, 1969, 1976, 1986, 1992, and finally in 2005 to its current capacity of 48 million gallons per day (mgd). The Courtney Bend Plant incorporates softening, clarification, filtration, and chemical disinfection into its treatment process. The major process components of the WTP are summarized below:

Solids Contact Basins		Chemicals (cont.)	
Number	8	Chlorine	
Capacity, ea, mgd	6	Average, ppd	638
Settling Basins		Range, ppd	500 - 1085
Number	6	Ammonia	
Capacity, ea, mgd	8.4	Average, ppd	60
Filters		Range, ppd	50 - 130
Number	14	Phosphate	
Capacity, ea, mgd	4	Average, ppd	152
Chemicals		Range, ppd	90 - 160
Lime			
Average, ppd	50,000		
Range, ppd	40,000 - 83,000		

Distribution System

The distribution system consists of pumps, piping, and storage facilities necessary to serve the retail and wholesale consumers. The system also has four emergency interconnects with the Kansas City, Missouri Water Department's distribution system and a 200 kW electrical generator for providing emergency power to the 35th Street and 39th Street Pumping Stations.

Piping : The Department had, at the end of fiscal year 2015, approximately 760 miles of piping ranging in size from 2 inches to 36 inches. The majority of the system mains are 6 inches in diameter.

Pumping Stations : Five main pumping stations operated and maintained by the Water Department supply treated water to the distribution system. The Courtney Bend High Service Pumping Station, Van Horn Pumping Station, 39th Street Pumping Station, and 35th Street Pumping Station are all controlled from the Courtney Bend Treatment Plant. The fifth station, the Chrysler Pumping Station, is an automatic booster station controlled off of system pressure.

The High Service Pumping Station at the Courtney Bend WTP contains 5 pumps with an operating head of 525 feet and capacity of 8,300 gpm.

The Van Horn Pumping Station contains three electric-driven pumps that can be controlled from the Courtney Bend WTP. Local control of the electrically driven pumps can also be done from within the pumping station. The capacity of the pumps include one 1200 and two 1,800 gpm.

The 35th Street Pumping Station contains two electrically driven 2,250 gpm pumps and one 1750 gpm pump. Each pump can be remotely controlled from the Courtney Bend WTP or manually controlled from within the pumping station.

The 39th Street Pumping Station contains three electrically driven pumps, each with a capacity of 2,100 gpm. These pumps can be controlled either remotely from the Courtney Bend WTP, or manually from within the pumping station.

The Crysler Booster Pumping Station has two electric, 150 gpm, automatic pumps designed to maintain system pressure at 40 psi for service to approximately 100 consumers. This is an automated system and provisions for control of this system at the treatment plant are not provided. System operations are monitored at the plant, however, the discharge pressure is confirmed by pressure readings from the Crysler Booster Station.

Storage : The City of Independence Water Department currently has five storage facilities located at various sites within the distribution system. Two of the facilities are elevated storage tanks. These include the North Main and Dodgion elevated tanks. The total storage capacity of the elevated tanks is 1 million gallons (MG). The three remaining facilities are ground storage reservoirs. These include the Van Horn, 35th Street, and 39th Street reservoirs. They have a total capacity of 9 MG. The total capacity of storage for the system is 10 MG. The North Main and Dodgion Tanks are the elevated storage facilities available to the Water Department. The Dodgion elevated tank generally sets the hydraulic grade line for the distribution system.

The Van Horn, 35th Street, and 39th Street ground storage reservoirs are typically remotely filled from the Courtney Bend WTP. Reservoirs are filled remotely from the water treatment plant or can be filled from the reservoir location. The following summarizes the characteristics of the storage facilities:

North Main Elevated Tank		Van Horn Storage Reservoir		39th Street Storage Reservoir	
Capacity, MG	0.5	Capacity, MG	2.0	Capacity, MG	5.0
Diameter, ft	50	Diameter, ft	135	Diameter, ft	130
Height to HWL, ft	39.3	Height, ft	19	Height, ft	50
	121.3 ft. above ground				
Dodgion Elevated Tank		35th Street Storage Reservoir			
Capacity, MG	0.5	Capacity, MG	2.0		
Diameter, ft	50	Diameter, ft	80		
Height to HWL, ft	39	Height, ft	54		
	130 ft. above ground				

Emergency Interconnections : The Water Department has four emergency interconnections with the City of Kansas City, Missouri Water Department's distribution system to supply either system with water in an emergency. The capacity of each system varies based upon system pressure and direction of flow. The emergency interconnections are located at I-435 and Truman Road, Highway 40 and Noland Road, Highway 40 and Hunter, and in the vicinity of Blue Ridge Boulevard and Wilson Road.

Support Facilities

The Water Department administration operates out of a two-story office building located at 11610 Truman Road, Independence, Missouri. As a result of a space utilization study conducted in 1997, the building layout and occupancy was revised to provide a more customer-friendly environment while allowing the City to consolidate some of its administrative tasks. The structure was renamed the Utility Customer Service Center and Water Administration Building to reflect all of the functions provided at this location. The building houses the administrative, engineering, and customer service departments of the Water Department. To accommodate its customers and workers, the Water Department added an elevator to the two-story structure and improved the restroom facilities for compliance with the Americans with Disabilities Act.

Two interconnected buildings located at Truman and Forest contain the bulk of the service, maintenance, and construction force. The Service building contains primary facilities such as workshops for servicing, cleaning, and repairing meters, as well as a garage area for maintenance and cleaning of department vehicles. The second building, the Construction/Maintenance building, has a garage area, workshop area, and storage area. A storage yard for miscellaneous pieces of materials and equipment is located adjacent to these buildings.

Maintenance

The Water Department's currently established maintenance program that is incorporated into their Capital Improvements Plan has allowed the Department to continue to meet system demands.

Financial Data

The principal source of revenue of the Water Department to meet costs of providing water service is derived from rates and charges for water sales. Other income is derived from re-connection fees, penalties for late payment, rent on portable meters, interest income, and other miscellaneous sources.

Analysis of historical trends provides a reasonable basis for projection of customers served, their water use, and the potential revenues to support future operations.

Customers Served: As shown in the following table, the number of customers served by the Water Department totaled 48,615 as of June 30, 2016. In addition to retail water service to residential, commercial, industrial, and public authority customers, the Water Department provides water service on a wholesale basis to Lee's Summit, Blue Springs, Oak Grove, Grain Valley, Sugar Creek, Lake Tapawingo, Buckner, Jackson County PWSD No. 2, Jackson County PWSD No. 15, Jackson County PWSD No. 17, Jackson County PWSD No. 16, and Lafayette County PWSD No. 1. The number of customers served increased over the 4-year period 2013 to 2016 at an annual rate of .34 percent.

Historical Customers, Water Sales, and Revenues

Customer Classification	Year Ended June 30			
	2013	2014	2015	2015
Residential	44,501	44,617	44,760	44,985
Commercial	3,092	3,099	3,086	3,088
Industrial **	6	6	6	6
Public Authority	77	77	78	81
Resale *	13	14	14	14
Private Fire Protection	432	440	440	441
Total	48,121	48,253	48,384	48,615

Water Sales - 1,000 Gallons

Residential	3,156,886	2,907,837	2,689,690	2,739,822
Commercial	1,008,200	867,269	786,224	788,945
Industrial	239,315	318,659	220,065	216,786
Public Authority	69,550	62,909	73,073	58,618
Resale	4,901,471	4,802,914	4,633,854	4,893,719
Private Fire Protection	NA	NA	NA	NA
Total	9,375,422	8,959,588	8,402,906	8,697,890

Water Sales - \$

Residential	13,080,814	13,052,557	13,147,584	14,272,445
Commercial	3,847,161	3,555,507	3,491,458	3,759,332
Industrial	547,930	769,857	605,223	694,902
Public Authority	270,391	262,012	318,503	281,902
Resale	7,714,290	8,136,297	8,322,743	9,461,694
Private Fire Protection	143,551	159,329	179,049	191,403
Public Fire Protection	1,017,256	1,231,475	1,373,671	1,488,625
Other Sales	370,511	369,562	292,706	301,029
Total	26,991,904	27,536,596	27,730,937	30,451,332

* Two (2) of the twelve customers have two (2) meter connections.

** Two (2) of the six customers have two (2) meter connections.

The following tables indicate the top water users for the last fiscal year:

Wholesale Water Supply Contracts

Customer Name	Water Sales (1,000 Gallons)	Water Sales (Dollars)
Lee's Summit*	2,645,634	\$5,099,910
Blue Springs*	739,710	1,419,284
District #2, Jackson County	438,230	841,936
District #1, Lafayette County	236,145	455,002
Oak Grove	198,148	382,392
Grain Valley	174,098	335,536
District #15, Jackson County	158,242	305,070
Buckner	97,345	187,681
Sugar Creek	55,685	109,347
District #17, Jackson County	30,119	69,771
Lake Tapawingo	18,600	47,889
District #16, Jackson County	101,763	207,876
	<u>4,893,719</u>	<u>\$9,461,694</u>

Large Consumption Water Customers

Customer Name	Water Sales (1,000 Gallons)	Water Sales (Dollars)
Audubon (LaFarge)**	114,844	\$385,549
Unilever (Lipton Tea)**	42,610	137,002
Centerpoint Medical Center	22,612	59,856
Independence Center	15,925	42,530
Smart Warehouse	8,696	29,256
Blue Ridge MHC	12,099	40,209
	<u>216,786</u>	<u>\$694,402</u>

Water Sales Volume: Total water sales volumes decreased at an annual rate of 2.47 percent from 2013 to 2016. During the 4-year period, wholesale customers purchased approximately 54.28 percent of the water sold by the Water Department. Water sales volumes are shown in the previous table.

Water Sales Revenues : As shown in the previous table, water sales revenues, including revenues from public and private fire protection charges, experienced an annual growth rate of

4.10 percent from 2013 to 2016. Because wholesale customers pay a lower rate than retail customers, water sales revenues do not increase proportionate to water sales volumes. Reported water sales revenues include a gross receipts tax of 9.08 percent on all water sales. The gross receipts tax is collected by the Water Department and transferred to the General Fund as a Payment In Lieu of Taxes (PILOT). As of July 1, 2004 the PILOT was charged on all water sales.

Operation and Maintenance Expenses: Operation and maintenance expenses for the period 2013 to 2016 are shown in the following table:

Historical Operation and Maintenance Expense

Description	Year Ended June 30			
	2013	2014	2015	2016
	\$	\$	\$	\$
Source of Supply				
Operations	382,789	421,108	348,348	340,997
Maintenance	362,233	265,738	299,464	623,195
Total Source of Supply	745,022	686,846	647,812	964,192
Power and Pumping				
Operations				
Fuel/Power Purchased	1,787,783	1,808,777	1,792,336	2,017,365
Other	298,476	276,428	292,482	296,538
Maintenance	36,167	33,673	40,116	40,455
Total Power and Pumping	2,122,426	2,118,878	2,124,934	2,354,358
Water Treatment				
Operations				
Chemicals	1,404,697	1,480,573	1,230,072	1,426,872
Other	673,645	645,683	700,101	722,968
Maintenance	649,698	972,693	419,168	992,934
Total Water Treatment	2,728,040	3,098,949	2,349,341	3,142,774
Transmission & Distribution				
Operations	1,582,827	1,667,620	1,556,917	1,590,557
Maintenance	1,942,212	1,740,301	1,666,538	1,520,502
Total Transmission & Distribution	3,525,039	3,407,921	3,223,455	3,111,059
Customer Accounting & Collection				
Operations	1,780,875	1,734,470	1,937,307	1,657,083
Sales Promotion				
Operations	26,730	39,298	43,158	41,251
Administrative & General				
Operations				
Outside Services Employed	1,132,140	1,000,455	1,115,523	1,262,662
Employee Pensions & Benefits	1,745,095	1,829,398	2,448,300	2,597,506
Other	1,625,831	1,556,844	1,536,414	1,576,175
Maintenance	109,083	144,902	138,708	145,501
Total Administrative & General	4,612,149	4,531,599	5,238,945	5,581,844
Subtotal Operations Expense	12,440,888	12,460,654	13,000,958	13,529,974
Subtotal Maintenance Expense	3,099,393	3,157,307	2,563,994	3,322,587
Total Operation & Maintenance Expense	15,540,281	15,617,961	15,564,952	16,852,561

Debt Service Coverage

The Bond Indenture states that the Water Department shall charge and collect rates, fees and other charges as required to provide revenues at least sufficient to pay operating expenses, all fees and amounts due under the Letter of Credit Agreement, and “an amount equal to 125 percent of the reasonably estimated debt service on the Bonds for such fiscal year”. For purposes of this debt service coverage test, the provisions of the Indenture are interpreted as meaning that net revenues, after payment of operating expenses, must be 125 percent of principal and interest on

the Bonds. Revenues, expenses, and debt service payments during the past four years are summarized in the following table for purposes of determining the debt service coverage ratio.

Historical Debt Service Coverage

Year Ended June 30	Gross Revenues (1)	Operating Expenses (2)	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
2013	28,165,483	16,255,647	11,909,836	5,183,608	230%
2014	29,374,518	16,856,321	12,518,197	4,858,831	258%
2015	29,739,720	16,376,953	13,362,767	5,511,338	242%
2016	32,783,397	17,560,790	15,222,607	5,466,338	278%

(1) Includes operating sales revenue, interest earning on investment funds and miscellaneous other income. Excludes contributed capital.

(2) Excludes Depreciation, Amortization, Non-operating expenses, OPEB, and payment in lieu of taxes to General Fund.

Proposed Capital Improvement Program : The Water Department annually develops a six-year capital improvement program. Additional information regarding the Capital Improvements Program for fiscal year 2016-2017 can be found in Part V of this document. The proposed capital improvement program for the next three years primarily reflects planned rehabilitation, replacement, and new water system components. The program includes main replacement, new main installation, and security upgrades.

Employee Relations

The Department currently has 91 full-time positions, of which 65 are hourly personnel engaged in Production, Transmission, Distribution, Engineering and Support Services, and 26 are Administrative or Supervisory Personnel.

Hourly employees at the Department are represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local No. 13558 effective July 1, 2013 and thereafter until June 30, 2017. There have been no work stoppages, slowdowns or strikes.

The group of hourly employees that were represented by the Service Employees Union decertified and is now in the International Brotherhood of Electrical Workers Local 53, Missouri Division, Maintenance and Clerical Bargaining Unit effective January 20, 2016 through January 19, 2017.

The City complies with its statutory duty to meet and confer with the Steelworkers Local No. 13558 and IBEW Local 53 representative concerning wages and working conditions.

Water Pollution Control Department

Description of the Sanitary Sewer System

The Water Pollution Control Department's (Department) purpose is to protect the public health from the spread of waterborne disease and to abate or reduce pollution for the protection of our water resources.

The Department maintains over 620 miles of sanitary sewer by daily pressure cleaning, root sawing, minor repair or major rehabilitation. The City's sewers carry almost 20 million gallons of wastewater each day. The average depth of the sanitary sewers is greater than 8 feet below ground (the deepest sewer line is more than 70 feet underground). The sewer system is inspected by pulling video cameras through the lines to detect any damage. Minor damage caused by settling soil, roots, chemical deterioration or simply old age, can sometimes be repaired without digging (trenchless technology). Major repairs however, may require deep excavation and pipe replacement. In addition, Water Pollution Control administers rehabilitation projects each year to correct problems of aging or over loaded sewers (some of the City's sewers are over 100 years old). The Department operates and maintains the City's wastewater treatment plant, a secondary biological treatment facility that is designed to treat 10 million gallons per day and incinerates solids removed from the waste stream.

The Department also maintains the City's separate storm water sewers and catch basins, which convey runoff from yards, parking lots and streets to the natural waterways that flow throughout the City. There are over 230 miles of storm sewer pipe and over 13,800 structures in the City. Though not as deep as sanitary sewers, storm sewers require constant maintenance and cleaning due to the impact of the Midwest's weather conditions. In addition to the daily maintenance and cleaning, the department performs sampling and testing of storm water and enforces the City's storm water management program for compliance with storm water regulations. There are 47 employees who clean, repair and plan for the replacement projects for the City's sanitary and storm water sewers.

Organization

The Department consists of five Divisions: 1) Administration; 2) Wastewater Treatment; 3) Collection System Maintenance; 4) Environmental Compliance Testing; and 5) Storm Water.

Administration Division - The Administration Division is responsible for the general administration of the Sanitary Sewer Utility and Storm Water Management Program.

Wastewater Treatment Division - The Wastewater Treatment Division operates and maintains the Department wastewater treatment plant and pumping stations.

Collection System Maintenance Division - The Collection System Maintenance Division is responsible for maintenance and repair of the 615 miles of sanitary sewers and approximately 220 miles of storm water sewers.

Environmental Compliance Testing Division - The Environmental Compliance Testing Division laboratory service is responsible for National Pollutant Discharge Elimination System (NPDES) Permit testing and reporting, and testing of plant processes.

Stormwater Division - The Stormwater Division manages stormwater capital projects, maintains and repairs the stormwater system, and is responsible for compliance with the State Operating Permit for the Independence Municipal Separate Storm Sewer System.

The Department is also provided with support from other departments of the City. These services include customer service, purchasing, accounting, legal, and other administrative type services. For fiscal year 2016, the Department was billed \$1,518,804 by the City for City provided services.

Management

Overall administration of the Department and development of basic department policy is performed by the Water Pollution Control Department Director and his staff. The Director is responsible for the operation of the utility and is appointed by the City Manager.

The key managerial staff of the Department and a brief summary of their professional backgrounds are listed as follows:

Dick Champion Jr., Director, was appointed in 1983 and has over 46 years of experience in his field. Mr. Champion holds a B.S. in Political Science from University of Central Missouri, a Missouri Class 'A' Wastewater Operator's License, and a Class 'A' Collection System Operator's license.

Robert Patten, Assistant Director, was appointed to the position in 1984. He holds a MS in Biology from the University of Missouri at Kansas City and a Missouri Class 'A' Wastewater Operator's License.

Lisa Phelps, Deputy Director, was appointed in 2015. She holds a B.S. in Management/Computer Information Systems from Park University, a Missouri Class 'C' Wastewater Operator's License, Missouri Class 'C' Drinking Water Treatment License and Missouri Class 'DS III' Distribution License.

Denise Messina, Utility Accounting Manager, was appointed to this position in 1991 and previously served as the City's Assistant Controller since 1988. Ms. Messina came to the City after serving as Chief Accountant with the Missouri Water Company since 1982. Ms. Messina holds a B.S. in Business Administration from the University of Missouri.

Karla Pierce, Environmental Compliance Manager, was appointed in 2014. She holds a B.A with emphasis in biology, geology and chemistry from Wichita State University and Missouri Class 'A' Treatment Licenses in Wastewater and Water.

Richard Kemple, Collection System Manager, was appointed to the position in 2015. He holds a B.S. in Electronics Engineering Technology and an MBA from DeVry University.

Collection System

The public collection system is maintained by the Sanitary Sewer Maintenance Division (SMD). The Division's 34 employees maintain over 3 million feet of sewer line from 8 inches to 60 inches in diameter. Additionally, there are over 14,900 manholes in the system that require maintenance.

The wastewater community in the City limits contributes approximately 20 million gallons of wastewater per day to the sewer system. This contribution is equivalent to using 172 gallons per capita per day. The sewer system, operating largely by gravity is divided approximately in half between two treatment facilities. Flow from the eastern half of the City, by contract and by state statute, goes to the Little Blue Valley Sewer District. The western half flows to the City owned and operated Rock Creek Treatment Plant (RCTP). A minor portion of Independence's western wastewater flows to Kansas City, and a minor portion of Kansas City's wastewater flows to Independence. Additionally, the majority of the City of Sugar Creek's wastewater flows to the Rock Creek Plant.

The collection system is in considerably better condition today than a decade ago. The improved condition has been the result of activities to eliminate infiltration and inflow, as well as the repair and replacement of sewer lines and manholes. An additional 13 employees are dedicated to the cleaning and repairing of the 230 miles of storm water sewers, catch basins, and culverts.

Wastewater Treatment

Twenty-four employees operate and maintain the City's Rock Creek Wastewater Treatment Facility (RCWTF) and ten pump stations. The treatment plant is operated around the clock and residential and industrial wastewater is pumped through a series of settling and accelerated biological processes that purify the wastewater and remove solid particles. The solids undergo de-watering processes and are finally incinerated to a fine ash. There are thirteen separate processes in the treatment system and each requires constant sampling and testing for operational control and reporting to environmental agencies.

The RCWTF is designed to treat an average daily dry weather flow of 10 million gallons (MGD) of wastewater.

The treatment plant was dedicated in 1978. A significant amount of equipment has completed life expectancy and has been replaced or rehabilitated according to planning schedules.

The plant staff continues to gradually replace old equipment on various units of process. The degree of this activity is best reflected in the Capital Budget.

Environmental Compliance Testing Division

Three employees are responsible for sampling and testing processes in the plant, all major industry, and for measurement, testing and reporting flows throughout the sanitary sewer and storm water sewer systems.

Financial Data

The principal source of revenue of the Sanitary Sewer Fund to meet costs of providing sanitary sewer services is derived from rates and charges for service. These are tied directly to water usage. Other sources of income are derived from penalties for late payment, interest income, and other miscellaneous charges.

Analysis of historical trends provides a reasonable basis for projection of customers served, their water use, and the potential revenues to support future operations.

Customers Served

As shown on the following table, the number of customers served by the Sanitary Sewer Department totaled 44,559 as of June 30, 2016. The number of customers served increased at a moderate rate over the 3 year period 2013 to 2016. The annual rate of increase from 2013 to 2016 was .38 percent.

Historical Customers, Usage, and Revenues

<u>Customer Classification</u>	<u>Year Ended June 30</u>			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Number of Customers				
Residential	40,588	40,696	41,312	41,080
Commercial	3,463	3,459	3,470	3,469
Contract Sales	11	11	11	10
Total	<u>44,062</u>	<u>44,166</u>	<u>44,793</u>	<u>44,559</u>
Usage - 100 Cubic Feet				
Residential	2,548,241	2,626,435	2,570,213	2,479,500
Commercial	1,713,014	1,509,696	1,569,151	1,523,514
Total	<u>4,261,255</u>	<u>4,136,131</u>	<u>4,139,364</u>	<u>4,003,014</u>
Revenue \$				
Residential	10,601,887	11,329,939	11,545,538	12,121,229
Commercial	5,288,864	5,755,295	5,875,596	5,402,688
Contract Sales	250,393	229,946	319,756	346,699
Intermunicipal Agreements	695,140	651,486	708,441	738,330
Other Revenues	206,495	222,364	251,983	250,744
Regulatory Compliance	3,188,268	3,191,390	4,793,814	4,812,381
Total	<u>20,231,047</u>	<u>21,380,420</u>	<u>23,495,128</u>	<u>23,672,071</u>

Large Volume Customers

<u>Customer Name</u>	<u>Sales (1,000 Gallons)</u>	<u>Sales (Dollars)</u>
Unilever	56,064	\$185,909
City of Indep, Power & Light	50,146	165,798
BP	38,592	310,172
Centerpoint Medical Center	17,522	59,351
Simon Properties Group	15,923	52,166
Midwest Ferrelwood MHP	13,089	46,975
Highland Park Investors	12,987	43,720
Space Center of KC	17,410	59,902
	<u>221,733</u>	<u>\$923,993</u>

Usage Volume: Total usage volumes decreased slightly from 2013 to 2016. The decrease was 2.1 percent annually due to decreased water consumption. Usage volumes are shown in the previous table.

Revenues : As shown in the previous table, revenues increased approximately 5.67 percent annually from 2013 to 2016. A rate increase, as well as a new revenue required to comply with DNR regulations, contributed to the increase.

Operations and Maintenance Expenses: Operations and maintenance expenses for the period 2013 to 2016 are shown on the following table.

<u>Description</u>	<u>Year Ended June 30</u>			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Collection	2,587,906	2,460,612	2,719,420	2,812,346
Laboratory Services	238,318	245,050	198,853	243,002
Treatment & Disposal	8,365,992	8,985,175	9,249,446	9,766,739
Administrative & General	3,038,047	3,251,798	3,728,430	4,074,107
Total Operations & Maintenance	<u>14,230,263</u>	<u>14,942,635</u>	<u>15,896,149</u>	<u>16,896,194</u>

Debt Service Coverage

The Bond Indenture states that the Department shall charge and collect rates, fees and other charges as required to provide revenues at least sufficient to pay operating expenses, all fees and amounts due under the Letter of Credit Agreement, and “an amount equal to 110 percent of the reasonably estimated debt service on the Bonds for such fiscal year”. For purposes of this debt service coverage test, the provisions of the Indenture are interpreted as meaning that net revenues, after payment of operating expenses, must be 110 percent of principal and interest on the Bonds. Revenues, expenses, and debt service payments during the past year are summarized in the following table for purposes of determining the debt service coverage ratio.

Debt Service Coverage

<u>Year Ended June 30</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Debt Service Coverage</u>
2013	20,249,977	13,440,965	6,809,012	1,030,631	661%
2014	21,501,256	14,301,898	7,199,358	3,485,012	207%
2015	23,586,443	14,891,692	8,694,751	4,994,597	174%
2016	24,292,174	16,896,194	8,505,662	4,373,881	194%

(1) Includes operating sales revenue, interest earning on investment funds and miscellaneous other income. Excludes contributed capital.

Capital Improvement Program

The Water Pollution Control Department annually develops a six-year capital improvement program. The capital improvement program for the next three years primarily reflects planned rehabilitation and replacement of sanitary sewer system components. Additional information regarding the Capital Improvements Program for fiscal year 2016-2017 can be found in Part V of this document.

Employee Relations

The Department currently has 83 full time positions and one part time position, of which 53 are hourly personnel engaged in Sanitary and Stormwater Collection, Wastewater Treatment, and Environmental Compliance, and 30 are Administrative or Supervisory Personnel.

Hourly employees at the Department are represented by the International Brotherhood of Electrical Workers Local No. 53 (IBEW). There have been no work stoppages, slowdowns, or strikes.

The current work agreement was approved on July 18, 2016 by Ordinance 18620. The agreement is effective from July 1, 2016 through June 30, 2019.

PART IV - OPERATING BUDGET – SUMMARY

**2016-17 Operating Budget
Summary of Sources and Uses by Fund and Fund Type**

	General Fund	Special Revenue Funds				License Surcharge (Excise Tax)
		Grant Funds	Tourism Fund	CDBG/HOME Funds	Combined Sales Tax Funds	
<u>Sources:</u>						
Estimated Revenues	74,441,617	1,179,525	1,925,400	701,623	25,628,802	100,000
<u>Consolidation Adjustments-</u>						
Interfund Charges for Support Ser.			(70,394)		(44,067)	
<u>Transfers In-</u>						
From Other Funds						
Total Sources	74,441,617	1,179,525	1,855,006	701,623	25,584,735	100,000
<u>Uses:</u>						
<u>Operating Budgets-</u>						
City Council	482,118					
City Clerk	321,384					
City Manager	918,674					
Technology Services	1,748,129					
Municipal Court	853,290					
Law	732,848	18,189				
Finance	1,846,418					
Human Resources	491,198					
Community Development	3,088,434	209,000		701,623		
Police	27,066,600	341,491			2,358,741	
Fire	17,782,425	87,060			2,083,582	
Health	2,608,060	523,785				
Water						
Public Works	5,419,548				563,727	
Water Pollution Control					2,915,542	
Parks and Recreation	1,490,728		1,805,471		2,857,202	
Power and Light						
Non-Departmental	9,557,222					
Debt Service/Lease Purchase					530,154	
Capital Outlay/Budget	376,700				9,325,537	
<u>Consolidation Adjustments-</u>						
Interfund Charges for Support Ser.			(70,394)		(44,067)	
Internal Service Fund Charges						
Total Operating Budgets	74,783,776	1,179,525	1,735,077	701,623	20,590,418	-
<u>Transfers Out-</u>						
Desig. for Capital & Grant Projects To Other Funds					691,083	
Total Uses	74,783,776	1,179,525	1,735,077	701,623	21,281,501	-
Transfer To(From)						
Fund Balance/Retained Earnings	(342,159)	-	119,929	-	4,303,234	100,000

**2016-17 Operating Budget
Summary of Sources and Uses by Fund and Fund Type**

	Enterprise Funds			Internal Service Funds	Grand Total All Funds
	Power & Light Fund	Sanitary Sewer Fund	Water Fund		
Sources:					
Estimated Revenues	142,845,176	25,453,425	32,359,384	28,982,767	229,640,752
Consolidation Adjustments-					103,976,967
Interfund Charges for Support Ser.	(3,792,530)	(1,475,570)	(2,713,706)		(7,981,806)
Internal Service Fund Charges				(28,982,767)	(29,097,228)
Transfers In-					-
From Other Funds		10,000			10,000
Debt Proceeds					-
Total Sources	139,052,646	23,987,855	29,645,678	-	296,548,685
Uses:					
Operating Budgets-					
City Council					482,118
City Clerk					321,384
City Manager					918,674
Technology Services	134,085				1,882,214
Municipal Court					853,290
Law				2,478,700	3,229,737
Finance			53,005		1,899,423
Personnel					491,198
Community Development					3,999,057
Police					29,766,832
Fire					19,953,067
Health					3,131,845
Water			16,597,154		16,597,154
Public Works		88,906		1,970,467	8,042,648
Water Pollution Control		15,550,617			18,466,159
Parks and Recreation					6,153,401
Power and Light	114,058,507				114,058,507
Non-Departmental	22,806,332	4,890,428	7,062,907	24,533,600	68,850,489
Debt Service/Lease Purchase	8,946,157	6,287,757	4,397,613		20,161,681
Capital Outlay/Budget	16,390,000	1,553,000	4,350,000		31,995,237
Consolidation Adjustments-					
Interfund Charges for Support Ser.	(3,792,530)	(1,475,570)	(2,713,706)		(8,096,267)
Internal Service Fund Charges				(28,982,767)	(28,982,767)
Total Operating Budgets	158,542,551	26,895,138	29,746,973	-	314,175,081
Transfers Out-					
Desig. for Capital & Grant Projects					-
To Other Funds	99,261	109,186	86,026		985,556
To Capital Project Funds					-
Total Uses	158,641,812	27,004,324	29,832,999	-	315,160,637
Transfer To(From)					
Fund Balance/Retained Earnings	(19,589,166)	(3,016,469)	(187,321)	-	(18,611,952)

PART V - CAPITAL IMPROVEMENTS PLAN – SUMMARY 2016-2017

	Funding	
	Source	Project Cost
<hr/>		
Community and Public Safety Improvements:		
Drumm to Crane	SWST	350,000
Rock Creek Neighborhood Projects	SWST	700,000
19th & Norwood	SWST	195,000
Walnut Gardens, RD Mize & Gateway Dr	SWST	170,000
Blue Lawn E 31st to E 32nd, East of Arlington	SWST	80,000
Park Revitalization	PRST	315,000
		<hr/>
Community Improvements Totals		1,810,000
Street Improvements:		
2016 Overlay Program	SST	5,725,537
2017 Overlay Program	SST	900,000
Alley Rehabilitation	SST	200,000
39th & Noland	SST	180,000
78 Highway and Truman	SST	220,000
Crysler Complete Streets	SST	150,000
Operation Green Light	SST	40,000
Sidewalks to City Parks Improvements	SST	100,000
		<hr/>
Street Improvements Totals		7,515,537
Power & Light Fund:		
BV Boiler Burner Management System Upgrade	P&L Fund	800,000
BV Generator Hydrogen System Upgrade	P&L Fund	450,000
BV Ash Pond Closure	P&L Fund	6,000,000
69 KV Transmission Line Rebuild Sub E to F	P&L Fund	3,042,000
Substation Facilities/Equipment Improvements	P&L Fund	848,000
Substation I Switchgear & Transformer Replacement	P&L Fund	3,650,000
System Operations/UPS Upgrades	P&L Fund	400,000
System Operations Work Area Renovation	P&L Fund	600,000
New Financial Management System	P&L Fund	600,000
		<hr/>
Power & Light Totals		16,390,000
Water Fund:		
Main Replacement	Water Fund	300,000
Security Upgrades	Water Fund	25,000
Future Production Wells	Water Fund	100,000
23rd St Main Replacement	Water Fund	500,000
Northern Blvd (28th to 31st)	Water Fund	300,000
Distribution System Improvements	Water Fund	150,000
Truman Rd Booster Station Upgrades	Water Fund	500,000
Filter Backwash	Water Fund	50,000
Plant Discharge Outfall Improvements	Water Fund	75,000
SB Drive Improvements	Water Fund	75,000
Little Blue Pkwy Transmission Main Improvements	Water Fund	125,000
Courtney Bend Basin Catwalk Improvements	Water Fund	200,000
Fiber Optic Connection to CBP	Water Fund	300,000
Truman Rd 12" Main (Yuma to Alexander)	Water Fund	550,000
Lime Silo	Water Fund	500,000

New Financial Management System	Water Fund	<u>600,000</u>
Water Totals		4,350,000
Sanitary Sewer:		
Pacific Ave Sanitary Main Replacement	Sewer Fund	195,000
Kentucky 1 Pump Station Demolition	Sewer Fund	60,000
RCTP Facilities Roof, Ceiling & Lighting	Sewer Fund	608,000
Primary Sludge Grinders & Flowmeter Replacment	Sewer Fund	90,000
New Financial Management System	Sewer Fund	<u>600,000</u>
Sanitary Sewer Totals		1,553,000
Fiscal Year Totals:		31,618,537

Funding Source Codes:
 SWST=Storm Water Sales Tax Fund
 PRST=Parks & Recreation Sales Tax Fund
 SST= Street Sales Tax Fund

PART VI - GLOSSARY OF PUBLIC FINANCE TERMS

- Account -** A sub-unit of the accounting system used to record the financial activity of similar transactions.
- Accounting System -** The total set of records and procedures that are to record, classify, and report information on financial status and operations.
- Accrual Accounting -** A basis of accounting in which revenues and expenditures are recorded at the time they are earned or incurred as opposed to when cash is actually received or spent. For example, in accrual accounting, a revenue which was earned between June 1 and June 30, but for which payment was not received until July 10, is recorded as a revenue of June rather than July.
- Ad Valorem Tax -** A tax based on the value of taxable property.
- Advance Refunding Bonds -** Bonds that are issued to refund an outstanding issue before its natural maturity date. Proceeds from the advance refunding bonds are invested in U.S. Treasury Bonds or other authorized securities, and are used to pay interest and principal on the bonds that were refunded until they are called or reach maturity.
- Amortization -** The gradual reduction of debt according to a specific schedule of payment times and amounts.
- Appropriation -** An authorization made by the Council that allows the City to incur obligations and to make expenditures of resources for the procurement of goods and services.
- Arbitrage -** With respect to the issuance of municipal bonds, arbitrage usually refers to the difference between the interest paid on the bonds issued and the interest earned by investing the bond proceeds in other securities. Arbitrage profits are permitted on bond proceeds for various temporary periods after issuance of municipal bonds. Internal Revenue Service regulations govern arbitrage of municipal bond proceeds.
- Assessed Valuation -** A value that is established for real or personal property for use as a basis for levying property taxes.
- Assessment Bonds -** Bonds secured by direct fixed lien(s) on assessed properties to finance the acquisition and construction of local improvements.

- Average Life -** The average length of time that an issue of bonds is expected to be outstanding. (The total number of bond years divided by the total number of bonds.)
- Balloon Maturity -** A final bond maturity that is much larger than any previous serial maturity.
- Bank Qualification -** Up to \$10,000,000 in public purpose bonds of a given issuer may be designated as “qualified tax exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code in any calendar year. Such bonds are more marketable, and thus price better in the market, because certain financial institutions which purchase the bonds are given more favorable tax treatment on money they are deemed to have borrowed to carry the bonds.
- Basis Point -** Yields on municipal securities are usually quoted in increments of basis points. One basis point is equal to 1/100 of 1 percent.
- Bond -** An interest-bearing promise to pay a specified sum of money—the principal amount—due on a specific date.
- Budget (Capital Improvement) -** A Capital Improvement Budget is a separate budget from the operating budget. Items in the Capital Budget are usually construction projects designed to improve the value of the government assets. Examples of capital improvement projects include roads, sewer lines, buildings, recreational facilities and large scale remodeling. The Council receives a separate document that details the Capital Budget costs for the upcoming fiscal year. The Capital Budget is based on a Capital Improvement Program (CIP).
- Budget (Operating) -** A plan of financial operation embodying an estimate of proposed expenditures for a given period (a fiscal year) and the proposed means of financing them (revenue estimates). The term is also sometimes used to denote the officially approved expenditure ceilings under which the departments operate.
- Call Features -** Mandatory or optional provisions that allow the issuer to redeem a bond prior to the maturity date.
- Callable Bonds -** Bonds that are redeemable by the issuer prior to the specified maturity date at a specified price at or above par.

Capital Improvements

Program (CIP) - A multi year plan that forecasts spending for all anticipated capital projects. The plan addresses the repair and replacement of existing infrastructure and the development of new facilities to accommodate future growth. It also helps to identify needed capital projects and to coordinate facility financing and timing.

Capitalized Interest -

A portion of bond proceeds that is set aside to pay interest on the bonds until the project funded by those bonds is built, operating, and capable of generating revenues for making debt service payments.

Capital Outlay -

Represents expenditures which result in the acquisition or addition to fixed assets including land, buildings, improvements, machinery or equipment. Most equipment or machinery expenditures are included in the Operating Budget. Capital improvements such as acquisition of land and related construction and engineering fees are generally in the Capital Budget.

Certificate of Participation (COP) -

A certificate that represents a proportionate ownership interest or participation in a tax-exempt lease agreement between a lessor (public or private entity) and a lessee (public entity) which will annually appropriate rental payments.

Commercial Paper - A form of short-term tax-exempt debt issued by state and local governments that matures within a short period (less than 365 days) from the date of issue.

Competitive Underwriting -

A sale of municipal securities by an issuer to the underwriter offering the best bid (lowest net or true interest cost) in open competitive bidding. Contrasts with negotiated underwriting.

Contingency -

A budgetary appropriation set aside for emergencies and expenditures not otherwise planned for.

Continuing Disclosure -

The requirement that certain issuers of municipal obligations file annual reports concerning financial and operating data presented in official statements for those obligations, and that they give contemporaneous notice of certain “material events.”

- Covenants -** Contractual agreements securing a bond issue typically including revenue coverage, insurance, maintenance, financial reporting, etc.
- Coverage -** This term indicates the margin of safety for payment of debt service on revenue bonds. It reflects the number of times annual net revenues exceed annual principal and interest (debt service) obligations.
- CUSIP Number -** Acronym for the Committee on Uniform Security Identification Procedures, now a division of Standard & Poor's, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities. There is a unique nine-digit alphanumeric CUSIP number for each maturity of bonds in an issue submitted to CUSIP for registration, the first six of which are always the same for a given issuer and unique to that issuer.
- Dated Date -** The date of a bond issue from which the bondholder is entitled to receive interest even though the bonds may actually be delivered at some other date.
- Dealer -** An individual, corporation or partnership that is engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include a bank or any individual buying or selling securities for his own account, but not as part of regular business.
- Debt Limit -** The statutory or constitutional maximum debt that an issuer can legally incur.
- Debt Service -** Debt Service expenditures are the result of bonded indebtedness of the City. Debt Service expenditures include principal, interest, fiscal agent's fees, and bond reserve requirements on the City's outstanding debt.
- Default -** Failure by the issuer to pay the principal or interest due on a bond, or failure to fulfill other agreed upon legal and contractual obligations.
- Defeasance -** In financial reporting, the netting of outstanding liabilities and related assets on the statement of position. Defeased debt is no longer reported as a liability on the face of the statement of position. Most refundings result in the defeasance of the refunded debt.
- Department -** A major administrative division of the City that has management responsibility for an operation or a group of related operations within a functional area.

Designated Fund Balance-	An account used to show that a portion of fund balance was segregated for a specific purpose. The account is not legally restricted and is therefore available for general appropriation.
Discount -	The amount by which the purchase price of a security is less than the principal amount or par value.
Due Diligence -	The investigation undertaken to make sure that a proposed security offering follows the purpose and scope outlined by the enabling legislation, statutes, and bond resolution of the issuer, and that the project is financially and economically sound so that the principal and interest will be paid on time.
Encumbrances -	Obligations in form of purchase orders, contracts or salary commitments that are chargeable to an appropriation and that an appropriation is restricted. They cease to be encumbrances when paid or when an actual liability is created.
Enterprise Fund -	Separate financial accounting used for government operations that are financial and operated in a manner similar to private sector operations. Enterprise funds for the City are Power & Light, Sanitary Sewer and Water.
Estimated Revenue -	The amount of projected revenue to be collected during the fiscal year.
Expenditure -	This term refers to the outflow of funds paid or to be paid for an asset obtained or goods and services obtained despite when the expense occurs. This term applies to all funds. Note: An encumbrance is not an expenditure. An encumbrance reserves funds to be expended.
Financial Advisor -	A consultant who provides advice to public jurisdictions on the size, structure, timing, method of sale, terms, and other matters related to the planning and execution of municipal financings.
Full Disclosure -	The publication and distribution of all pertinent information relating to an issuer and the securities being offered by that issuer. This information is conveyed to potential investors through the Official Statement of the issuer.
Fiscal Year -	The period signifying the beginning and ending period for recording financial transactions. The Charter specifies July 1 to June 30 as the fiscal year.

Fund -	An independent fiscal and accounting entity with a self-balancing set of accounts recording cash or other resources with all related liabilities, obligations, reserves, and equities that are segregated to carrying on specific activities or attaining certain objectives.
Fund Balance -	The Fund Balance is the excess of a governmental fund's assets over its liabilities. A negative fund balance is a deficit.
General Fund -	The largest governmental fund, the General Fund accounts for most of the financial resources of the general government. General Fund revenues include property taxes, licenses and permits, local taxes, service charges, and other types of revenue. This fund usually includes most of the basic operating services, such as fire and police protection, finance, data processing, parks and recreation, public works and general administration.
General Obligation Bonds -	A bond secured by the pledge of the issuer's full faith, credit and taxing power.
Gross Debt -	The sum total of an issuer's debt obligations.
Gross Spread -	The dollar difference between the amount the issuer receives for its securities and the amount that the investors pay for those securities; the gross revenue accruing to the underwriters of a security prior to any costs or expenses.
Indenture -	The formal agreement between a group of bondholders, acting through a trustee, and the issuer, specifying the terms and conditions of a bond offering.
Interest Rate -	The percentage rate at which the bond bears interest. Interest is generally payable semiannually.
Internal Service Funds -	Proprietary funds used to account for the furnishing of goods or services by one department or agency to other departments or agencies on a cost-reimbursement basis; for example, the Central Garage.
Issuer -	A state, political subdivision, agency, or authority that borrows money through the sale of bonds or notes.
Lease Revenue Bond -	A bond secured by a lease agreement and rental payments from a public agency (lessee) to another (lessor). Lease payments are typically made from revenue sources including general fund, enterprise fund or user fees.

The lessor and issuer of the bonds may be a city, county, non-profit corporation, redevelopment agency, joint powers authority, parking authority, etc. The title reverts to lessee after bonds are retired.

Legal Opinion - An opinion concerning the validity of a securities issue with respect to statutory authority, constitutionality, procedural conformity, and usually the exemption of interest from Federal income taxes. The legal opinion is usually rendered by a law firm recognized as specializing in public borrowing, often referred to as “bond counsel.”

Maturity - The date when the principal amount of a security becomes due and payable.

Millage - A rate (as of taxation) expressed in mils per dollar (0.01%).

Moral Obligation - The obligation of a government, usually a state government, that reflects the intent of the legislative body to make sufficient appropriations to make debt service payments for specified bonds, if necessary, but for which the state government has no legally enforceable obligation to pay.

Mortgage Revenue Bond - A tax-exempt security issued by a state or local government or authority to purchase loans such as mortgages or other owner-financing. The bonds are secured by the payments on the mortgage(s) acquired with the bond proceeds.

Municipal Bond - A bond issued by a state or local government.

Municipal Securities Rulemaking Board (MSRB) - Established by the Securities Acts Amendments of 1975, the MSRB is an independent self-regulatory organization that has rulemaking authority over dealers, dealer banks, and brokers in municipal securities. It has three membership categories - securities firms representatives, dealer representatives, and public members - with each category having equal representation on the Board.

Negotiated Underwriting - A sale of municipal securities in which the terms of the sale are determined through negotiation between the issuer and the purchaser without competitive bidding.

- Net Interest Cost -** The traditional method of calculating bids for new issues of municipal securities. The NIC takes into account the total amount of interest paid out over the life of the bonds and any premium or discount bid by the underwriter. The NIC is expressed in both a dollar amount and in a percentage rate.
- Net Revenue -** Gross revenues less operating and maintenance expenses.
- Non-Callable Bond-** A bond that cannot be called to redemption before its specified maturity date.
- Notes -** Short-term promises to pay specified amounts of money secured by future revenues from specific sources such as bond proceeds, taxes, and federal and state aid payments. They are typically named by the types of revenues expected (Bond Anticipation Notes - BANs, Tax Anticipation Notes - TANs, Revenue Anticipation Notes - RANs, etc.).
- Notice of Sale -** An official document disseminated by an issuer of municipal securities that gives pertinent information regarding an upcoming bond issue, and invites bids from prospective underwriters.
- Object of Expenditure -** Expenditure classifications based upon the types or categories of goods and services purchased. Objects of expenditures are:
- * 100 - Personal Services (salaries and wages);
 - * 200 - Services (utilities, maintenance contracts, travel)
 - * 300 - Supplies;
 - * 400 - Capital (automobiles, trucks, computers)
- Objective -** A program objective is an operationalized statement of a program goal, containing specific descriptions of desired results. An objective states a result in which the achievement is measurable within a given time frame and cost parameter. Objectives usually contain verbs such as “increase,” “reduce,” or “maintain.”
- Official Statement -** A comprehensive statement issued by a governmental entity prior to the sale of its bonds or notes that contains all the salient facts concerning the issuer, the issuer’s financial condition, the security pledged for the securities being offered, the projected use of the proceeds of the sale, and other facts deemed necessary to enable the investor to judge the quality of the securities being offered. Also known as the Disclosure Statement.

Original Issue Discount -	The difference between par value (the face value of the bond) and the original public offering price which will be tax-exempt income to the bondholder if held to maturity.
Parity Debt -	With respect to a bond issue, securities issued or to be issued with equal and ratable claim on the same underlying security and source of payment for debt service.
Paying Agent -	The place where the principal and interest of a municipal bond or note is payable, usually a designated bank, trust company or the issuer's Treasurer's Office.
Per Capita Debt -	The amount of municipal debt divided by the population within the issuer's political jurisdiction. It's used as an indication of the issuer's general obligation debt burden.
Premium -	The amount by which the price exceeds the principal amount of a bond.
Pricing -	The process of determining interest rates, yields, and underwriter's compensation of an issue, which in turn determines the overall cost of borrowing to the issuer.
Principal -	The par value or face value of a municipal bond or note, exclusive of accrued interest.
Private Placement -	Bonds or notes issued by state or local governments that are sold directly to investors, but not reoffered to the public.
Ratings -	Designations used by investor's services to give relative indications of credit quality.
Refunding -	The sale of new bonds in order to retire outstanding bonds. A refunding may be used to achieve lower interest rates or to replace a restrictive bond resolution with a less restrictive one. When the new issue is sold after the first call date of the prior issue, then the prior issue has been "refunded." When the new issue is sold before the first call date of the prior issue, then the prior issue has been "advanced refunded" and the bond proceeds of the new issue are placed in escrow until the bonds can be called.
Registered Bond -	A bond whose owner is registered with the issuer or its agent. Transfer of ownership can be accomplished only when the securities are properly endorsed by the registered owner.

Reserved Fund Balance -	An account used to show that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.
Retail Sale -	The sale of securities, in small blocks, to individual investors and small institutions.
Resources -	Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.
Revenue -	Funds that the government receives as income. It includes such items as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, shared revenues and interest income.
Revenue Bond -	A bond whose principal and interest are payable from a pledge of revenues of a specified enterprise.
Securities Exchange Commission (SEC)-	The government agency responsible for the regulation and supervision of the securities industry.
Serial Bonds -	Bonds that have scheduled annual or semiannual maturities over a period of years.
Sinking Fund -	A reserve fund in which money is set aside at regular intervals so that it is sufficient to retire bonds at or prior to maturity.
Sources -	That portion of Revenues and Fund Balance (Resources) that are identified to balance the budget.
Special Revenue Fund -	A fund used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are restricted to expenditure for specified purposes.
Tax Anticipation Notes (TANs) -	Short-term notes that are issued in anticipation of the collection of taxes, usually retired only from the tax proceeds of the tax levy whose collection they anticipate. (Also known as “Tax Anticipation Warrants.”)
Tax Base -	The total property and resources subject to taxation.

- Tax-Exempt Bonds-** Municipal bonds where the interest is exempt from federal income, state income, or state and local personal property taxes.
- Tax Increment Financing (TIF) -** Bonds which are secured and repaid by increased property tax revenues associated with an increase in assessed valuation over the frozen base. Also known as Tax Allocation Bonds (TABs) in California.
- Term Bond -** A bond that has a single maturity (the entire principal matures on one date) and is subject to a sinking fund.
- Trust Indenture -** The document that contains the rights and liabilities of the issuer and the trustee.
- True Interest Cost (TIC) -** The internal rate of return or effective interest cost of the bonds based on the purchase price of the bonds and the debt service payments on the bonds. Incorporates a time value of money calculation where NIC does not.
- Trustee -** A bank or agent designated to serve as the custodian of funds and the official representative of bondholders, and who ensures that the bond covenants are not neglected.
- Underwriter -** A dealer firm that purchases municipal bonds from the issuer and then resells them to the public. The underwriter assumes the risk of ownership until the bonds are sold.
- Undesignated Fund Balance -** That portion of the fund balance that has neither been restricted nor designated for a specific purpose. The account is available for general appropriation.
- Uses -** The appropriations and transfer authorizations that create the budget for each Fund.
- Working Capital (Designated) -** An account within the fund balance of the General Fund in which a certain amount of resources were set aside for purposes of maintaining a positive cash flow, shortfalls in the revenue projections, and emergencies during the fiscal year.
- Yield -** The net annual percentage of income an investor will receive from a municipal bond (see Yield-to-Maturity).

Yield-to-Call - The annual percentage return on an investment calculated to the earliest call date.

Yield-to-Maturity - The annual percentage rate of return an investor will receive taking into account the interest rate, length of time to maturity, and the price paid for the bond.

Zero Coupon Bonds - Non-interest bearing bonds sold substantially below par value. The difference between the discount price and par represents the compounded interest rate for the investor.