



INDEPENDENCE
★ MISSOURI ★

A GREAT AMERICAN STORY

CITY OF INDEPENDENCE, MISSOURI

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

**For the Fiscal Year Ended
June 30, 2019**

Prepared by the Department of Finance & Administration

Bryan Kidney, Director of Finance & Administration

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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, 2019 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

60636CKW8

60636CKX6

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

CUSIP

60636CNK1

60636CNL9

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

CUSIP

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

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

60636CWA3

60636CWB1

60636CWC9

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

CUSIP

60636CWR6

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

CUSIP

60636CXE4

60636CXF1

60636CXG9

60636CXH7

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

CUSIP

60636CXW4

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

CUSIP

60636CYJ2

60636CYK9

60636CYL7

60636CYM5

60636CYN3

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

CUSIP

60636CZH5
60636CZJ1
60636CZK8
60636CZL6
60636CZM4
60636CZN2

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

CUSIP

60636CZX0
60636CZY8
60636CZZ5

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

CUSIP

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

60636CG45
60636CG52
60636CG60

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

CUSIP

60636CJ34
60636CJ67
60636CJ91

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

CUSIP

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

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

606042AF6

606042AG4

606042AH2

606042AJ8

606042AK5

606042AL3

606042AM1

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

CUSIP

60636CS75

60636CS83

60636CS91

60636CT25

60636CT33

60636CT41

60636CT58

60636CT66

60636CT74

60636CT82

60636CT90

60636CU23

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

60636CX20

60636CX38

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

CUSIP

60636CY60

60636CY78

60636CY86

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

CUSIP

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 Nov 15, 2010

CUSIP

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

60636C3T4

60636C3U1

60636C3V9

60636C3W7

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

CUSIP

60636C4F3

60636C4G1

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

60636C6M6

60636C6N4

60636C6P9

60636C6Q7

60636C6R5

60636C6S3

60636C6T1

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

CUSIP

60636C7B9
60636C7C7
60636C7D5
60636C7E3
60636C7F0
60636C7G8
60636C8E2

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

CUSIP

60636C7Q6
60636C7R4
60636C7S2
60636C7T0

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

CUSIP

60636C8B8
60636C8C6
60636C8D4

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

CUSIP

606042CE7
606042CF4
606042BW8
606042BX6
606042BY4
606042BZ1
606042CA5
606042CB3
606042CC1
606042CD9

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

CUSIP

60636SBM5
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

60636SCJ1

60636SCK8

60636SCL6

60636SCM4

60636SCN2

60636SCP7

60636SCQ5

60636SCR3

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

CUSIP

60636SBX1

60636SBY9

60636SBZ6

60636SBR4

60636SCT9

60636SCU6

60636SCA0

60636SCB8

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

CUSIP

60636SDA9

60636SDC5

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

CUSIP

60636SDL5

60636SDM3

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

CUSIP

60636SDS0

60636SDT8

60636SDU5

60636SDV3

60636SDW1

60636SDX9

603636SD7

60636SDZ4

60636SEA8

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

MDFB, Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2016A, dated August 2, 2016

60636SFU3
60636SFV1
60636SFW9
60636SFX7
60636SFY5
60636SFZ2
60636SGA6
60636SGB4
60636SGC2

MDFB, Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2016B, dated August 2, 2016

60636SGG3

60636SGH1

60636SGJ7

60636SGK4

60636SGL2

60636SGM0

60636SGN8

60636SGP3

60636SGQ1

MDFB, Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2016C, dated August 2, 2016

60636SGU2

60636SGV0

60636SGW8

MDFB, Infrastructure Facilities Revenue Bonds (Electric System Improvements) Series 2016D, dated Sept 29, 2016

606042CG2

606042CJ6

606042CH0

606042CK3

MDFB, Infrastructure Facilities Revenue Bonds (Eastland Project Refunding) Series 2017A, dated July 17, 2017

CUSIP

60636SGZ1

60636SHA5

60636SHB3

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	2022
John Perkins	Meat Cutter	2020
Curt Dougherty	Electrician	2020
Scott Roberson	Dentist	2020
Tom Van Camp	Retired	2020
Karen DeLuccie	Attorney	2022
Mike Huff	Retired	2022

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Zachary Walker was appointed City Manager in October 2016. The Director of Finance and Administration, who is appointed by the City Manager, acts as the chief financial officer of the City. The Director of Finance and Administration is held by Bryan Kidney, who was appointed in September 2018. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City. City Counselor Shannon Marcano who was appointed to the position in October 2018.

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: management, business, science, and arts occupations (30.2%), sales and office occupations (24.5%), service occupations (16.2%), production, transportation, and material moving occupations (16.5%), and natural resources, construction, and maintenance occupations (12.6%).

Employee Retirement System and Other Post Employment Benefits

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, 2019, the City's net pension liability was \$69,998,749. The actuarial determined contribution for the years ending June 30, 2018 and 2019 were \$14,999,546 and \$16,236,063 respectively.

During the 2017-2018 fiscal year, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The existing net OPEB obligation was removed and replaced with the total OPEB liability, which resulted in a restatement of beginning net position. As of June 30, 2019, the City's total OPEB liability was \$187,603,148. The net change in the total OPEB liability for the year ending June 30, 2019 was (\$97,755,513) due to a change in benefit terms.

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 Safety National Casualty Corporation to reimburse the City for any claims exceeding the \$1,000,000 per accident retention limit. This policy provides \$2,000,000 in employer liability 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 has a quota share insurance property program, which means several insurance carriers participate in the coverage and each take a portion of the risk. This year, the quotas and carriers changed. The participants are AEGIS (40%), AIG (25%), London Markets (15%), Swiss Re (10%), and Allianz (10%). Each carrier has slightly different terms, limits, and deductibles. The property insurance program has a blanket loss limit of \$400 million. Risks covered include property damage due to several causes of loss (fire, lightning, windstorm, mechanical breakdown, etc.), and has various "sub-limit" benefits regarding flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The property insurance program is subject to varying deductibles between \$10,000 and \$500,000 per occurrence. Blue Valley Units 1 and 2 are excluded from some quota shares and/or subject to policy coverage sub-limits due to inactivity.

The City is a member of the States Risk Retention Group, which provides general liability, public officials' liability, and third party automobile liability insurance coverage for the

City. States RRG provides the City with up to \$10,000,000 of coverage for all claims arising out of a single accident or occurrence, subject to state damage caps and other sovereign immunity defenses. The retention is \$150,000 per occurrence for the current policy period, which will increase annually by \$50,000 each policy year until it reaches \$250,000.

The City obtains collision and comprehensive coverage for all owned vehicles through Glatfelter Public Practice. Physical damage has a deductible of \$1,000 per vehicle for those over 15 years old and \$5,000 for vehicles less than 15 years old – both of which are based on depreciated values at the time of loss (Actual Cash Value); \$10,000 for each emergency vehicle valued over \$100,000. In addition, should the City be liable for damage to vehicles of others in the City's care, the City has a \$50,000 per location limit subject to \$500 per vehicle deductibles.

The City also purchases multiple ancillary lines of coverage, including cyber liability insurance, crime, and flood (NFIP). The Independence Events Center Management Corporation is insured separately for liability coverage, but the building is covered under the City's property insurance.

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, 2019.

Revenue Debt

The following is a summary of the City's Revenue Bond debt and the balance payable at June 30, 2019:

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%	\$ 12,495,000
\$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%	42,655,000
\$47,180,000 Series 2016 D annual installments of \$4,505,000 to \$6,060,000 through 2046; interest at 3.375% to 4.00%	47,180,000
Total Power and Light fund	<u>156,095,000</u>

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%	23,445,000
Total Water Fund	<u>23,445,000</u>

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%	32,235,000
\$43,800,000 Series 2013 C annual installments of \$250,000 to \$2,855,000 through 2042; interest at 2.00% to 5.25%	40,585,000
\$21,170,000 Series 2014 C annual installments of \$250,000 to \$6,150,000 through 2043; interest at 2.00% to 5.00%	19,885,000
Total Sanitary Sewer fund	<u>92,705,000</u>

Events Center Fund:

\$11,815,000 Series 2011 A annual installments of \$70,000 to \$1,585,000 through 2038; interest at 2.00% to 5.50%	10,960,000
\$68,945,000 Series 2012 C annual installments of \$105,000 to \$12,540,000 through 2038; interest at 2.00% to 4.00%	66,030,000
\$12,005,000 Series 2016 A annual installments of \$400,000 to \$710,000 through 2038; interest at 3.00%	10,690,000
Total Events Center Fund	<u>87,680,000</u>
Total revenue bonds	<u>\$ 359,925,000</u>

Governmental Activities

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

Neighborhood Improvement District

\$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%	\$ 41,000
Total Neighborhood Improvement District	\$ <u>41,000</u>

Blended Component Unit (Tax Increment Revenue Bonds)

The following is a summary of the City's TIF Loans Payable-Missouri Development Finance Board and the balance payable at June 30, 2019:

\$14,030,000 Series 2006 B (Falls at 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
\$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%	3,445,000
\$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%	7,670,000
\$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%	1,585,000
\$14,005,000 Series 2013 A (Falls at 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 (Falls at 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%	2,245,000
\$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%	1,480,000
\$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%	4,790,000

\$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%	3,290,000
\$47,060,000 Series 2015 C (Falls at 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 (Falls at 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
\$17,275,000 Series 2016 B (HCA - Centerpoint TIF) annual installments of \$970,000 to \$2,865,000 through 2028; interest at 3.000% to 5.000%	14,155,000
\$2,285,000 Series 2016 C (Drumm Farm TIF) annual installments of \$330,000 to \$415,000 through 2022; interest at 2.000% to 3.000%	1,205,000
\$9,725,000 Series 2017 A (Eastland Center TIF) annual installments of \$1,820,000 to \$2,080,000 through 2022; interest at 5.000%	6,025,000
Total TIF Loans Payable	<u>\$ 134,210,000</u>

Capital Leases

Capital leases payable at June 30, 2019, are comprised of the following:

Motorola Solutions (radio equipment) semi-annual installments of \$56,700 to \$78,539 through 2022; interest at 3.4593%	\$ 451,650
PNC Equipment Finance (fire truck) annual installments of \$51,525 to \$71,106 through 2026; interest at 3.00%	456,376
TCF Equipment Finance (Toro equipment) annual installments of \$9,605 through 2020; interest at 3.89%	18,127
TCF Equipment Finance (Toro equipment) annual installments of \$44,679 through 2020; interest at 4.40%	83,846
Total Capital Lease Obligations	<u>\$ 1,009,999</u>
Year ending June 30:	
2020	\$ 287,403
2021	287,403
2022	233,029
2023	73,235
2024 - 2026	<u>219,705</u>
	1,100,775
Less imputed interest	<u>(90,776)</u>
Present value of minimum lease payments	<u>\$ 1,009,999</u>

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

Employer	Product/Service	Number of Employees
1 Independence School District	Public School District	2,200
2 Orbital ATK (Lake City)	Small Arms Ammunition	1,900
3 Centerpoint Medical Center	Health Care	1,400
4 City of Independence	Local Government	1,050
5 Government Employee Health Association	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:

Population Distribution by Age:

Age	City of Independence	Jackson County	State of Missouri
Under 5	4.6%	6.6%	6.0%
Age 5 - 9	6.6%	6.7%	6.1%
Age 10 - 14	7.2%	6.5%	6.5%
Age 15 - 19	6.2%	6.0%	6.4%
Age 20 - 24	5.1%	6.0%	6.6%
Age 25 - 34	12.7%	15.7%	13.4%
Age 35 - 44	13.8%	12.7%	12.1%
Age 45 - 54	12.8%	11.9%	12.3%
Age 55 - 59	6.9%	6.7%	6.8%
Age 60 - 64	7.3%	6.4%	6.7%
Age 65 - 74	10.2%	8.7%	9.7%
Age 75 - 84	3.8%	4.3%	5.1%
Age 85 and older	2.8%	2.0%	2.0%
Median Age	40.2	36.7	38.8

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:

	2014	2015	2016	2017	2018
Kansas City MSA					
Total Labor Force	1,109,434	1,116,887	1,128,129	1,129,484	1,134,497
Unemployed	61,664	53,413	48,495	43,283	38,023
Unemployment Rate	5.6%	4.8%	4.3%	3.8%	3.4%
Jackson County					
Total Labor Force	363,483	365,434	369,804	362,774	363,146
Unemployed	25,465	21,527	18,712	15,976	13,558
Unemployment Rate	7.0%	5.9%	5.1%	4.4%	3.7%
State of Missouri					
Total Labor Force	3,046,903	3,075,227	3,081,133	3,061,441	3,052,386
Unemployed	186,937	154,446	140,803	115,101	97,578
Unemployment Rate	6.1%	5.0%	4.6%	3.8%	3.2%

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

Income Statistics

The following table sets forth estimated income statistics for 2018:

	Per Capita	Median Household
City of Independence	\$29,468	\$55,323
Jackson County	31,037	55,929
State of Missouri	30,498	54,478

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	40,324	73.66%
Single Attached	2,873	5.25%
Double	1,157	2.11%
3 to 19 Units	6,665	12.18%
20+ units	2,079	3.80%
Mobile Home	1,602	2.93%
All Other	43	0.08%
Total Units	54,743	100%

Source: US Census Bureau

The median value of owner occupied housing units in the area of the City and related areas for 2018 is as follows:

	Owner Occupied Median Value
City of Independence	\$117,600
Jackson County	159,100
State of Missouri	162,600

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:

	2015	2016	2017	2018	2019
Residential					
Number of Permits	211	212	337	500	403
Estimated Cost	18,098,763	15,810,869	46,827,250	14,696,535	58,713,810
Non-Residential					
Number of Permits	156	153	74	79	77
Estimated Cost	35,725,237	90,442,753	70,929,972	55,191,737	44,142,551

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, 2019 was performed by Rubin Brown 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, 2019 (the last completed assessment):

	Assessed Valuation	Assessment Rate	Estimated Market Value
Real Estate:			
Residential	985,433,731	19%	5,186,493,321
Commercial	349,795,437	32%	1,093,110,741
Agricultural	1,153,021	12%	9,608,508
RR & Utilities	8,190,694	32%	25,595,919
Sub-Total	1,344,572,883		6,314,808,489
Personal Property*	269,306,567	33.30%	808,728,429
Total	\$1,613,879,450		\$7,123,536,918

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:

FY End June 30	Assessed Valuation	Percent Change
2019	\$1,613,879,450	15.0%
2018	\$1,403,493,591	5.8%
2017	\$1,326,799,032	0.9%
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%

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, 2018:

Name of Taxpayer	Type	Local Assessed Valuation	Percentage of Total Local Assessed Valuation
1 Independence Center LLC	Retail Center	20,343,643	1.45%
2 Unilever Best Foods	Manufacturing	16,443,453	1.17%
3 DT Independence Commons LLC	Retail Center	10,464,708	0.75%
4 Southern Union Company dba MGE	Utility	7,916,961	0.56%
5 Space Center of Kansas City	Underground Storage	5,546,916	0.40%
6 Mansion Apartments	Residential Housing	5,175,269	0.37%
7 Wal-Mart Real Estate Business Trust	Retail	4,568,489	0.33%
8 Centerpoint Medical Center	Healthcare	4,484,242	0.32%
9 MPM Cornerstone LLC	Residential Housing	4,479,527	0.32%
10 Comcast Cablevision	Communications	4,043,073	0.29%

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.

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

<u>Board Member</u>	<u>Term Expires</u>
Jerry Adkins	7/1/2020
Garland Land	7/1/2022
Jack Looney	7/1/2021
Mark McDonald	7/1/2021
Lawrence Porter	7/1/2020
Joseph Zsak	7/1/2022
Vacancy	

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, 2019, electric retail sales totaled 1,027,162 megawatt-hours (MWH). The maximum system peak load for the fiscal year ending June 30, 2019 of 289 megawatts (MW) occurred on July 12, 2018. The all-time maximum system peak load of 314.9 MW occurred on August 21, 2003.

Organization

The Department is divided into seven divisions: 1) Administration; 2) Project Development; 3) Security and NERC Compliance; 4) Customer and Support Services; 5) Production; 6) Transmission and Distribution; 7) Engineering; and 8) System Operations. The Department had 206 budgeted full-time positions as of July 1, 2019.

Administration Division - The Administration Division includes the general administration of the Department, power supply planning, safety, environmental compliance, accounting and reporting functions, contract administration, purchasing procedures, financial planning, and retail and wholesale rate development.

Project Development Division - The Project Development Division includes major capital project development/planning and reporting functions, telecommunications and traffic control infrastructure, IT system programs, and facility maintenance functions.

Security NERC Compliance Division - The Security/NERC Compliance Division is responsible for managing IPL compliance with NERC Critical Infrastructure Protection (CIP) and Operations & Planning Reliability Standards.

Customer and Support Services Division - The Customer and Support Services Division includes utility vehicle repair and maintenance, warehousing and inventory control, energy conservation rebate programs, marketing and customer services functions and physical security of plant.

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, including meter reading and field services

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

System Operations Division - The System Operations Division is responsible for the dispatch control of power generation, operation in the electric energy markets, real-time monitoring/control of transmission and substation assets, operating and maintaining SCADA Master Station, monitoring access control to department facilities and trouble dispatch.

The Department also receives support services from other departments of the City. These support services include purchasing, accounting, legal, customer service, billing and other administrative services. For fiscal year 2019, the Department was billed \$3,731,595 by the other departments of the City for such support services. The Department also provides customer meter reading and utility field services to the City's Water and Water Pollution Control departments in addition to rental of office space. For fiscal year 2019, the Power and Light Department billed these other departments \$1,861,011 for services and expenses.

Management

Overall administration of the Department and development of basic department policy is performed by the Director of Public Utilities and his staff. The Director of Public Utilities is responsible for the overall operations of the City's utilities. The General Manager is responsible for the day-to-day operations of the Department. Both positions are appointed by the City Manager.

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

Mark Randall – Assistant City Manager/Director of Utilities. Mr. Randall was appointed Assistant City Manager in November 2016, and Director of Utilities in May 2018. He has 36 years of experience in the city management profession, including 30 years of experience overseeing municipal utilities. Before coming to Independence, he served as the City Administrator for Pleasant Hill, Missouri, Administrative Analyst for the City of Lee's Summit, Missouri, and Assistant to the County Administrator in Clay County, Missouri. He has an undergraduate degree from Rockhurst University and a Master of Public Administration degree from the University of Missouri at Kansas City. He is the 2014 recipient of the Mid America Regional Council's Regional Leadership Award, and in 2004 was awarded the Jay T. Bell Professional Management Award by the Missouri City/County Management Association.

General Manager - Vacant

Martin 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 40 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.

Jeff Barnett - Transmission & Distribution Manager. Mr. Barnett was appointed Transmission & Distribution Manager in February of 2018. He has worked at the Department since 1979 serving in the T&D division with over 16 years in management and supervision.

Mary Kay Villegas-Alitz - Support Services Manager. Mrs. Villegas-Alitz was appointed Support Services Manager in January of 2013. She 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 12 years with IBM.

Paul 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 an MSEE from Kansas State University and is a registered Professional Engineer in Missouri. 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.

Mark Rothmier – Utility Project Development Manager. Mr. Rothmier was appointed Utility Project Development Manager in August of 2016. He holds a BSCE degree from the University of Kansas and is a Registered Professional Engineer in the State of Missouri. He has worked at the Department since December of 1999 serving in the Power Delivery Engineering area of the Department. Prior to employment with the Department, he served for six years with a major international engineering consulting firm and three years with a Generation and Transmission Electric Cooperative.

Mitch Krysa – Acting Power Engineering Manager. Mr. Krysa was appointed Acting Power Engineering Manager in October of 2018. He holds a BSEE from University of Missouri-Rolla (MST) and a MSEE from University of Missouri-Columbia. He is a registered Professional Engineer in Missouri and an active member of MSPE and NSPE. He has worked in the electric utility industry for over 46 years. He serves on the NCEES FE Exam Committee.

Robert Stillwell – Acting Utility Finance Manager. Mr. Stillwell was appointed to the position in February of 2019. He joined the Department in October 2007. He holds a BS degree in Industrial Engineering from the University of Oklahoma. Additionally, he holds a MBA degree from Texas Christian University. He has served in several roles in the Planning & Rates Department. Prior to joining the Department, he has worked for a major international engineering consulting firm and with several companies in the transportation industry.

Mike Murray – Security/NERC Compliance Manager. Mr. Murray was appointed Security/NERC Compliance Manager in July of 2018. He has been with the Power & Light Department for 19 years. He holds an undergraduate degree in Psychology/English, a Juris Doctor degree from the University of Missouri at Kansas City (UMKC) Law School, and is a member of the Missouri Bar Association. Prior to employment with the Department, he owned and operated several successful small businesses.

Power Supply

Currently, the Department has 382.7 MW of accredited generating capacity including 191.9 MW of capacity (9 generating units) 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), the Unified Government of Wyandotte County (KCBPU) and Kansas Municipal Energy Agency (KMEA) also own 10.3%, 16.4%, 17.0% and 10.1% shares respectively of the Dogwood Energy Facility. Dogwood Energy, LLC maintains the remaining ownership share (33.9%) 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% undivided ownership share in the Iatan 2 unit. Under the purchase power agreement with the Department, MJMEUC sells 50% (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.

In November 2015, the Department executed a certain renewable energy purchase agreement with MCP-Independence, LLC. This agreement is for the energy produced from a 3 MW solar farm located on the Department's Distribution system. In July 2017, the city executed a second renewable energy purchase agreement with MCP-Independence LLC to expand the solar farm by 8.5 MW. Both agreements provide that the City will purchase all energy output of the projects for the entire 25-year term of the agreements. Energy deliveries from the initial solar farm began on March 15, 2017 and deliveries for the expansion began June 14, 2018.

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 12.0 percent reserves (SPP reserve requirement), through 2025.

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

Power Supply Resources

	<u>Current Accredited Net Capacity (MW)</u>	<u>Year of Initial Operation</u>	<u>Fuel Type</u>
<u>CITY OWNED AND OPERATED UNITS</u>			
Blue Valley			
Unit No. 1	22	1958	gas
Unit No. 2	22	1958	gas
Unit No. 3	54.4	1965	gas
Total Steam Units	98.4		
Substation Generation			
J-1 (Substation J)	13.3	1968	oil
J-2 (Substation J)	12.4	1968	oil
I-1 (Substation I)	16.8	1972	oil
I-2 (Substation I)	16.1	1972	oil
H-1 (Substation H)	17.1	1972	gas/oil
H-2 (Substation H)	17.8	1974	gas/oil
Total Combustion Turbine Units	93.5		
Total IPL System (Owned)	191.9		
<u>JOINTLY OWNED UNITS</u>			
Dogwood Energy Facility (1)	75.2	2001	gas
<u>CONTRACT RESOURCES</u>			
Marshall Wind Farm (2)	1	2016	wind
MJMEUC-Iatan Unit No. 2	53	2010	coal
OPPD- Nebraska City Unit No. 2	57.6	2009	coal
Smoky Hills Wind Farm Phase 2 (3)	4	2008	wind
MCP-Independence (4)	n/a	2017	solar
MCP-Independence II (4)	n/a	2018	solar
Total Contract Resources	115.6		
Total Resources	382.7		

(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.

(3) The City has a 15 MW of energy from the Smoky Hills Wind Farm - Phase 2.

(4) The solar PPAs alleviate the Department's Resource Adequacy Requirement by reducing peak demand

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 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, 2019, the accumulated available SO₂ emission allowances carried forward into calendar year 2019 was 41,725 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. During the fiscal year ending June 30, 2017, 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 0.105 pounds per million Btu during the 2018 ozone season and 0.137 pounds per million Btu for the entire calendar year 2018.

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 effective for the 2015 operating season and beyond are 464 tons SO₂, 126 tons NO_x, and 22 tons NO_x ozone season. As of January 1, 2019, the Department had accumulated 493 NO_x annual credits and 100 NO_x ozone season credits under the CSAPR program. Compliance options for 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 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 Blue Valley 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 (CPP) pending judicial review. In March 2017, President Donald Trump signed an executive order calling for EPA to review the CPP. Currently, the Court has suspended the CPP and asked the EPA for a plan on how it will proceed with CO₂ regulation. The Department is monitoring the activities of the EPA and will take the necessary action to comply with any future compliance rules regarding CO₂.

The Department is 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 natural gas and Ultra-low sulfur No. 2 fuel oil in its power production facilities. For the year ending June 30, 2019, the total fuel burn mix for the Department's owned and operated generation energy supply consisted of 95.8% gas and 4.2% No. 2 fuel oil. This is the fuel supply managed by the Department.

The Department currently contracts the management of its natural gas supply with a 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, 2020. 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 four long-term purchase agreements – a participation power agreement with MJMEUC and a participation power agreement with OPPD. Additionally, the Department has entered into four 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 \$18,000,000 for 309,590 megawatt-hours of delivered energy during fiscal year 2019. The projected annual cost of the MJMEUC agreement for fiscal year 2020 is estimated at approximately \$22,500,000.

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 \$14,900,000 for 420,199 megawatt-hours of delivered energy during fiscal year 2019. The projected annual cost of the OPPD agreement for fiscal year 2020 is estimated at approximately \$17,000,000.

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 \$2,200,000 for 37,598 megawatt-hours of delivered energy during fiscal year 2019. The projected annual cost of the Smoky Hills agreement for fiscal year 2020 is estimated at approximately \$2,800,000.

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 \$2,600,000 for 76,011 megawatt-hours of delivered energy during fiscal year 2019. The projected annual cost of the Marshall Wind agreement for fiscal year 2020 is estimated at approximately \$2,800,000.

In March 2017, the Department began purchasing 3 MW of solar under a renewable energy purchase agreement with MC Power, LLC. In July 2017, the city entered into another renewable energy purchase agreement with MCP-Independence, LLC for an additional 8.5 MW of solar. The delivered cost of energy from these agreements totaled approximately \$1,500,000 for 18,913 megawatt-hours of delivered energy during fiscal year 2019. The projected annual cost of the MC Power agreement for fiscal year 2020 is estimated at approximately \$1,500,000.

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 2019, 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 2019, the Department purchased 101,145 megawatt-hours in the Integrated Market for a total cost of \$3,400,000. The Department also sold 186,957 megawatt-hours of energy for approximately \$5,700,000.

Regional Reliability Organization

The Southwest Power Pool (SPP), an organization of electric utilities serving the 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 June 2015, the Department became a transmission owning member in SPP. 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 or ATRR.

The North American Electric Reliability Corporation (NERC) is a not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. NERC develops and enforces Reliability Standards, annually assesses seasonal and long-term reliability, monitors the bulk power system through system awareness and educates, trains, and certifies industry personnel. NERC is the electric reliability organization (ERO) for North America, subject to oversight by the Federal Energy Regulatory Commission (FERC), and governmental authorities in Canada.

NERC assigned enforcement of the reliability standards to Regional Entities (RE), which are assigned to monitor and enforce compliance in geographic areas of North America. The city became a member of the Midwest Reliability Organization (MRO) on July 1, 2018 after the Southwest Power Pool (SPP) membership voted to cease operations of the SPP RE. The MRO

RE headquarters is located in St. Paul, MN and has jurisdiction in much of the Midwest, including all or parts of the states of Arkansas, Illinois, Iowa, Kansas, Louisiana, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wisconsin.

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 was to provide for the delivery of the Missouri City Power Plant output (retired and disconnected), 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 314.8 MW on a single contingency basis.

Substations

<u>Station</u>	<u>Substation Class, Type</u>	<u>Station Capacity (1)</u>	<u>Nominal Voltage</u>
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 Substation to Pittsville. There are no transformers located at this station site.

Distribution System

The existing distribution system currently serves nearly 58,000 customers and consists of approximately 564 circuit miles of 13-kV overhead lines and 233 circuit miles of 13-kV underground lines.

Proposed Capital Improvements

As of June 30, 2019, the Department had a total of \$17,588,800 of funded, but uncompleted major capital improvement projects. These uncompleted projects include \$5,982,586 for production plant capital improvements and \$11,606,214 for transmission, distribution and other plant capital improvements. For fiscal year ending June 30, 2020 the Department expects to undertake a total of \$2,952,300 for additional capital improvement projects, of which \$458,800 are for emergent IPL production facilities maintenance and improvements and \$2,493,500 are for transmission and distribution plant and other improvements at the current service center. For the

five fiscal years ending June 30, 2024, the Department is currently estimating a total of \$14,800,000 in major project capital improvements. These projected expenditures include \$2,000,000 in production plant improvements and \$12,800,000 in transmission, distribution and general plant improvements. Additionally, if the City Council directs the utilities to implement an Automated Metering Infrastructure program, the Department's share of those costs are estimated at approximately \$10,200,000 over a three-year deployment period.

The Department is currently reviewing results and recommendations of an Energy Master Plan which are likely to impact the future capital expenditure estimates provided above.

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 2019-2020 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 December 2018, the City Council passed a resolution to reduce the electric rates by 2% effective January 2019. 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, 2019, the average monthly billed FCA rate decreased from a charge of \$25.45 per MWH in the fiscal year ending June 30, 2018 to a charge of \$24.06 per MWH. This decrease was added to a lower average base rate due to higher usage at declining rates

during summer months. Overall, the net changes in these components resulted in approximately a 1.2% average billing rate decrease for all retail customers for the 12 month period ending June 30, 2019 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 hour of 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 \$800. Through December 2018, 10,574 rebates have been paid for a total of \$2,617,094.

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, 2018 and June 30, 2019, the Department's total payment in lieu of taxes to the City amounted to \$14,052,880 and

\$14,130,811, 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 2019, out of approximately \$134 million in billed retail revenue, \$0 was charged off due to billing system change over and decision to not charge penalties as uncollectible or 0.0% 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 occurring 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	
	(MW)	Percent Increase (Decrease)	(MWh)	Percent Increase (Decrease)
2015	276.1	1.4	1,029,407	(4.9)
2016	276.9	0.3	1,036,593	0.7
2017	289.0	4.4	1,063,952	2.6
2018	283.5	(1.9)	1,093,956	2.8
2019	289.1	2.0	1,068,642	(2.3)

Fiscal Year Ended June 30	Annual Load Factor(%)	Average Number of Monthly Metered Accounts	Average Annual Requirements Per Meter (kWh/Meter)	Summer Season Cooling Degree Days *
				(65°F Base)
2015	42.6	56,709	18,152	1,251
2016	42.7	56,908	18,215	1,464
2017	42.0	57,123	18,626	1,410
2018	44.0	57,413	19,054	1,526
2019	42.2	57,955	18,439	1,391

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

	Fiscal Years Ending June 30,				
	2015	2016	2017	2018	2019
Energy Supplied (MWh):					
Net Generation, City Power Plants	219,911	286,004	175,655	229,936	291,844
Purchased Power Energy from					
Other Utilities	892,334	909,486	965,124	943,127	963,756
Unintentional Interchange	0	0	0	0	0
Gross Energy Supplied	1,112,245	1,195,490	1,140,778	1,173,063	1,255,599
Energy Sold to Other Utilities	-82,838	-158,897	-76,826	-79,107	-186,957
Total energy, City Load	1,029,407	1,036,593	1,063,952	1,093,956	1,068,642
Border Customer Purchases	1,218	997	968	1,080	1,506
Total Energy, City Load and City Border Customers	1,030,625	1,037,590	1,064,919	1,095,036	1,070,148
Border Customer Sales	-3,237	-3,170	-3,176	-2,967	-2,429
Total Energy, City System	1,027,388	1,034,420	1,061,743	1,092,069	1,067,719
Consumption By Classes (MWh) *					
Residential	488,009	483,477	514,711	534,524	540,384
Commercial	451,830	446,415	445,155	445,580	432,700
Industrial	51,422	53,096	60,772	64,679	52,967
Other	4,224	4,095	3,755	3,927	1,111
Total Retail Sales	995,485	987,083	1,024,394	1,048,710	1,027,162
Sold to Other Utilities (inc. border customers)	86,075	162,068	80,002	82,074	189,386
Total MWh Sales	1,081,560	1,149,151	1,104,397	1,130,783	1,216,548
Revenue by Classes (\$000) *					
Residential	\$70,622	\$68,081	\$71,368	\$76,223	\$76,873
Commercial	58,251	54,249	55,067	56,522	52,656
Industrial	4,727	4,187	4,464	5,152	3,898
Other	493	367	238	302	274
Total Retail Sales	\$134,093	\$126,884	\$131,136	\$138,200	\$133,701
Sold to Other Utilities	2,369	3,298	1,751	3,088	5,780
Total	\$136,462	\$130,182	\$132,887	\$141,287	\$139,481
Average Number of Meters (Total System)	56,709	56,908	57,123	57,413	59,418
Average Number of Meters (Residential)	51,604	51,817	52,043	52,340	54,166

* 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 2.8% of retail sales of the system and 1.5% of retail billed revenues.

Twelve (12) Largest Commercial and Industrial Customer Accounts

July 2018 - June 2019		kWh	Revenue
1	Unilever	28,335,600	\$2,030,468
2	Centerpoint Medical Center	17,841,000	\$1,983,286
3	Burd & Fletcher (Combined Accts.)	21,809,100	\$1,183,924
4	Smart Warehouse	12,086,800	\$960,262
5	Indepence Mall Holding	9,235,600	\$876,827
6	HCP MOB CenterPoint (Combined Accts.)	6,858,300	\$711,514
7	Global Spectrum	4,384,000	\$562,383
8	Costco Wholesale Inc.	4,563,600	\$530,035
9	Sam's Club	3,701,400	\$425,061
10	Price Chopper (23rd Street)	3,914,700	\$423,603
11	WalMart Stores Inc.	3,795,520	\$420,948
12	Hy-Vee (Noland Road)	3,596,880	\$402,366
	Total	<u>120,122,500</u>	<u>\$10,510,679</u>
	Percent of Total Retail Billed Sales	11.7%	7.9%
July 2017 - June 2018		kWh	Revenue
1	Unilever	27,414,000	\$1,884,506
2	Centerpoint Medical Center	16,505,400	\$1,868,309
3	Burd & Fletcher (Combined Accts.)	21,427,000	\$1,493,273
4	Smart Warehouse	11,490,000	\$1,015,632
5	Indepence Mall Holding	9,315,200	\$906,369
6	HCP MOB Centerpoint (Combined Accts.)	6,206,100	\$658,969
7	Costco Wholesale Inc.	4,839,900	\$565,279
8	Global Spectrum	4,292,800	\$546,583
9	Price Chopper (23rd Street)	3,772,800	\$449,932
10	WalMart Stores Inc.	4,049,400	\$442,804
11	Sam's Club	3,920,160	\$440,693
12	Hy-Vee (Noland Road)	3,700,200	\$425,374
	Total	<u>116,932,960</u>	<u>\$10,697,721</u>
	Percent of Total Retail Billed Sales	11.3%	7.8%

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

24 Months Totals (July 2017-June 2019)	Total kWh	Total Revenue
	Over 24 Months	Over 24 Months
1 Unilever	55,749,600	\$3,914,974
2 Centerpoint Medical Center	34,346,400	\$3,851,595
3 Burd & Fletcher (Combined Accts.)	43,236,100	\$2,677,197
4 Smart Warehouse	23,576,800	\$1,975,894
5 Independence Mall Holding	18,550,800	\$1,783,196
6 HCP MOB CenterPoint (Combined Accts.)	13,064,400	\$1,370,483
7 Costco Wholesale Inc.	9,403,500	\$1,095,314
8 Global Spectrum	8,676,800	\$1,108,967
9 Price Chopper (23rd Street)	7,687,500	\$873,535
10 Sam's Club	7,621,560	\$865,754
11 WalMart Stores Inc.	7,844,920	\$863,752
12 Hy-Vee (Noland Road)	7,297,080	\$827,740
Total	<u>237,055,460</u>	<u>\$21,208,400</u>
Percent of Total Retail Billed Sales	11.4%	7.8%

The following tables provide financial information for the past five fiscal years. For the fiscal year ending June 30, 2019, the Department posted a positive net operating income due to a return to normal weather patterns and increased sales revenues and reduced major maintenance expenditures at the power production facilities.

Condensed Statement of Operations

	Fiscal Years Ending June 30,				
	2015	2016	2017	2018	2019
Total Operating Revenue	139,078,098	134,747,475	137,945,902	148,047,728	145,164,378
Operating Revenue Deductions					
Fuel	7,923,688	8,283,604	5,096,159	6,078,263	7,868,594
Purchased Power	45,365,460	42,690,233	47,313,899	46,421,508	42,861,547
Production	12,285,667	16,607,755	9,951,846	9,278,350	8,701,762
Transmission & Distribution	20,451,270	20,796,769	20,738,238	23,004,087	22,687,715
Customer Service	4,163,095	4,247,247	4,122,448	4,445,507	3,633,294
General & Administrative	20,079,178	21,837,916	20,542,773	19,668,550	16,873,551
Total O&M	110,268,358	114,463,524	107,765,363	108,896,265	102,626,463
Total Operating Revenue Deductions	<u>144,512,280</u>	<u>144,688,712</u>	<u>135,710,951</u>	<u>139,311,927</u>	<u>131,334,108</u>
Net Operating Income	-5,434,182	-9,941,237	2,234,951	8,735,801	13,830,270
Total Non-Operating Deductions (net)	<u>-6,005,541</u>	<u>-3,989,597</u>	<u>-6,204,837</u>	<u>-3,729,741</u>	<u>-2,262,995</u>
Net Income	-11,439,723	-13,930,834	-3,969,886	5,006,060	11,567,275
Capital Contributions	518,197	1,135,134	69,051	193,642	182,117
Special Item--OPEB change in benefit terms					22,266,428
Change in Net Assets	-10,921,526	-12,795,700	-3,900,835	5,199,702	34,015,820

Debt Service Coverage

Year Ended June 30	Gross Revenues (1)	Operating Expenses (2)	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
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
2017	138,833,335	103,916,192	34,917,143	10,137,430	3.44
2018	150,283,900	109,501,868	40,782,032	10,721,700	3.80
2019	149,612,959	102,668,316	46,944,643	10,722,250	4.38

(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,				
	2015	2016	2017	2018	2019
Net Utility Plant	221,724,615	225,353,906	230,948,288	236,906,774	235,713,964
Current Assets	87,410,690	79,040,698	94,955,310	101,903,287	114,106,245
Deferred Charges and Other Assets	19,035,416	30,903,502	42,094,437	29,246,137	26,455,706
Total Assets	328,170,721	335,298,106	367,998,035	368,056,198	376,275,915
Current Liabilities	14,950,930	21,240,023	18,159,470	17,655,072	18,146,926
Long-Term Liabilities and Deferred Credit	163,911,656	177,545,648	217,226,965	253,368,121	227,080,164
Total Equity	149,308,135	136,512,435	132,611,600	97,033,005	131,048,825
Total Liabilities and Equity	328,170,721	335,298,106	367,998,035	368,056,198	376,275,915

Employee Relations

As of July 1, 2019 the Department had 206 budgeted full-time positions, of which 147 are hourly personnel and 59 are salaried personnel engaged in Production, Transmission, Distribution, Engineering, System Operations, Administration, Project Development, Security and NERC, and Customer 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 retroactively 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 764 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 48,364 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 provided support services from other departments of the City. These support services include purchasing, accounting, legal, and other administrative services. For fiscal year 2019, the Department was billed \$2,568,764 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 2019, the City's Power & Light and Water Pollution Control Departments were billed \$1,392,092 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 36 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.

Mathew L. McLaughlin – Deputy Director. Mr. McLaughlin has been with the City for 21 years and was appointed Deputy Director on July 25, 2017. 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.

Denise L. Clark - Customer Service Manager. Ms. Clark was hired and appointed Customer Service Manager June 25, 2019. Ms. Clark has a BS in Business Administration from Columbia College and an Associates of Applied Science in Computer Information Systems from Moberly Area Community College. She holds a Certification from American Public Power Association in Customer Service Management.

Karen L. Kelley - Water Production Manager. Ms. Kelley was appointed Water Production Manager in October of 1991 and has been with the Department for 38 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.

Matthew D. Say - Water Distribution/Engineering Manager. Mr. Say has been with the City for almost 3 years and was appointed Water

Distribution/Engineering Manager in January 9, 2018. Mr. Say holds a BS in Architectural Engineering degree from the University of Kansas. He is a Registered Professional Engineer in the state of Missouri and holds a Distribution I 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	613
Settling Basins		Range, ppd	389-870
Number	6	Ammonia	
Capacity, ea, mgd	8.4	Average, ppd	73
Filters		Range, ppd	38-112
Number	14	Phosphate	
Capacity, ea, mgd	4	Average, ppd	108
Chemicals		Range, ppd	100-138
Lime			
Average, ppd	46,000		
Range, ppd	34,000-62,000		

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 2018, approximately 764 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 Chrysler 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 Chrysler 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

In November 2016, the newly constructed Independence Utility Center, a three-story office building located at 17221 E. 23rd Street in Independence, opened. The building houses the administrative, engineering, and customer service departments of the Water Department. In addition, the Power and Light Department and the Water Pollution Control Department have administrative offices within the building.

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 48,378 as of June 30, 2019. 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 decreased over the 4-year period 2016 to 2019 at an annual rate of .16 percent.

Historical Customers, Water Sales, and Revenues

Customer Classification	Year Ended June 30			
	2016	2017	2018	2019
Residential	44,985	45,177	44,342	44,155
Commercial	3,088	3,114	3,742	3,592
Industrial **	6	6	6	6
Public Authority	81	80	230	143
Resale *	14	14	14	14
Private Fire Protection	441	472	465	468
Total	48,615	48,863	48,799	48,378
Water Sales - 1,000 Gallons				
Residential	2,739,822	2,742,660	2,714,955	2,627,786
Commercial	788,945	815,580	835,640	767,776
Industrial	216,786	178,181	183,273	192,227
Public Authority	58,618	68,274	65,349	75,556
Resale	4,893,719	4,781,273	4,677,546	4,852,834
Private Fire Protection	NA	NA	NA	NA
Total	8,697,890	8,585,968	8,476,763	8,516,179
Water Sales - \$				
Residential	14,272,445	15,288,208	15,647,744	13,699,721
Commercial	3,759,332	4,135,439	4,477,410	5,515,624
Industrial	694,902	605,996	583,867	1,265,360
Public Authority	281,902	344,489	300,755	256,247
Resale	9,461,694	9,814,368	9,753,385	9,878,165
Private Fire Protection	191,403	214,304	223,288	213,611
Public Fire Protection	1,488,625	1,621,193	1,660,396	1,665,634
Other Sales	301,029	311,442	315,427	448,417
Total	30,451,332	32,335,439	32,962,272	32,942,779

* 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*	2,749,757	\$5,705,570
Blue Springs*	651,364	1,354,038
District #2, Jackson County	323,603	671,797
District #1, Lafayette County	247,207	513,942
Oak Grove	223,605	465,032
District #15, Jackson County	177,729	369,971
Grain Valley	154,275	320,525
District #16, Jackson County	99,068	222,918
Sugar Creek	88,713	186,417
Buckner	83,931	174,761
District #17, Jackson County	29,953	67,421
Lake Tapawingo	23,290	49,102
*two accounts	<u>4,852,495</u>	<u>\$10,101,494</u>

Large Consumption Water Customers

Customer Name	Water Sales (1,000 Gallons)	Water Sales (Dollars)
Audubon (LaFarge)**	77,616	\$285,778
Unilever (Lipton Tea)**	57,943	172,856
Centerpoint Medical Center	23,020	69,149
Independence Center	17,205	50,799
Smart Warehouse	16,429	47,975
**two accounts	<u>192,213</u>	<u>\$626,557</u>

Water Sales Volume: Total water sales volumes decreased at an annual rate of .52 percent from 2016 to 2019. During the 4-year period, wholesale customers purchased approximately 56 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 2.05 percent from 2016 to 2019. 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 2016 to 2019 are shown in the following table:

Historical Operation and Maintenance Expense

Description	Year Ended June 30			
	2016	2017	2018	2019
	\$	\$	\$	\$
Source of Supply				
Operations	340,997	383,951	435,967	407,900
Maintenance	623,195	205,355	535,373	139,191
Total Source of Supply	964,192	589,306	971,340	547,091
Power and Pumping				
Operations				
Fuel/Power Purchased	2,017,365	2,249,369	2,411,381	2,243,583
Other	296,538	316,274	321,656	248,124
Maintenance	40,455	76,367	142,320	106,790
Total Power and Pumping	2,354,358	2,642,010	2,875,357	2,598,497
Water Treatment				
Operations				
Chemicals	1,426,872	1,374,812	1,470,383	1,517,895
Other	722,968	735,422	730,405	612,361
Maintenance	992,934	842,879	1,433,784	970,441
Total Water Treatment	3,142,774	2,953,113	3,634,572	3,100,697
Transmission & Distribution				
Operations	1,590,557	1,654,824	1,792,901	1,551,692
Maintenance	1,520,502	1,598,431	2,120,717	1,532,363
Total Transmission & Distribution	3,111,059	3,253,255	3,913,618	3,084,055
Customer Accounting & Collection				
Operations	1,657,083	1,685,543	2,266,363	1,661,615
Sales Promotion				
Operations	41,251	7,977	1,842	-
Administrative & General				
Operations				
Outside Services Employed	1,262,662	1,496,352	1,222,411	1,542,848
Employee Pensions & Benefits	2,597,506	2,633,071	2,205,668	2,443,369
Other	1,576,175	1,769,623	2,301,519	2,336,403
Maintenance	145,501	138,413	146,626	
Total Administrative & General	5,581,844	6,037,459	5,876,224	6,322,620
Subtotal Operations Expense	13,529,974	14,307,218	15,160,496	14,565,790
Subtotal Maintenance Expense	3,322,587	2,861,445	4,378,820	2,748,785
Total Operation & Maintenance Expense	16,852,561	17,168,663	19,539,316	17,314,575

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
2016	32,783,397	17,560,790	15,222,607	5,466,338	2.78
2017	34,018,812	17,976,941	16,041,871	4,389,613	3.65
2018	34,579,510	20,668,017	13,911,493	2,523,288	5.51
2019	35,021,121	18,862,896	16,158,225	2,528,138	6.39

(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 2019-2020 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 92 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, 2019 until June 30, 2022. 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 July 1, 2018 through June 30, 2021.

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 618 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 overloaded 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.

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 235 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 four Divisions: 1) Administration; 2) Environmental Services; 3) Collection Systems and Facilities Maintenance; and 4) Storm Water.

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

Environmental Services Division - The Environmental Services Division operates and maintains the department's wastewater treatment facilities and laboratory services. This division is responsible for compliance with the National Pollutant Discharge Elimination System (NPDES) Permit and all associated testing and reporting. Works with residential and commercial customers to enforce environmental and water quality ordinances.

Collection System Maintenance Division - The Collection System Maintenance Division is responsible for maintenance and repair of the 618 miles of sanitary sewers and approximately 235 miles of storm water sewers as well as construction of new infrastructure. Operates and maintains the City's pump stations.

Stormwater Division - The Stormwater Division manages stormwater capital projects, maintains and repairs the stormwater system, constructs new systems, 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 2019, the Department was billed \$1,481,400 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 Director and her 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:

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

Michael Jackson, Deputy Director, was appointed to the position in 2018. He holds a BA in Environmental Studies from the University of Kansas, an MPH from the University of Illinois, and a Missouri Class 'D' Wastewater Operator's 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 Services 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 Systems and Facilities

The public collection system is maintained by the Sewer Maintenance Division (SMD). The Division's 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 inflow and infiltration, as well as the repair and replacement of sewer lines and manholes.

Ten employees in this division are dedicated to the cleaning and repairing of the 235 miles of storm water sewers, catch basins, and culverts.

An additional four employees maintain the City's pump stations and all other mechanical and electrical equipment department wide.

Environmental Services

Fourteen employees operate and maintain the City's Rock Creek Wastewater Treatment Facility (RCWTF). 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 landfilled. 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. Staff continues to gradually replace old equipment on various units of process. The degree of this activity is best reflected in the Capital Budget.

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 stormwater systems.

Three employees are responsible for environmental programs (industrial pretreatment; fats, oils, and grease; etc.), outreach and education, and enforcing water quality ordinances.

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 44,830 as of June 30, 2019. The number of customers served increased at a moderate rate over the four year period 2016 to 2019. The annual rate of increase from 2016 to 2019 was .15 percent.

Historical Customers, Usage, and Revenues

<u>Customer Classification</u>	<u>Year Ended June 30</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Number of Customers				
Residential	41,080	41,261	41,581	41,644
Commercial	3,469	3,478	3,516	3,177
Contract Sales	10	16	18	9
Total	<u>44,559</u>	<u>44,755</u>	<u>45,115</u>	<u>44,830</u>
Usage - 100 Cubic Feet				
Residential	2,479,500	2,434,258	2,549,815	2,405,756
Commercial	1,523,514	1,640,324	1,555,670	1,421,035
Total	<u>4,003,014</u>	<u>4,074,582</u>	<u>4,105,485</u>	<u>3,826,791</u>
Revenue \$				
Residential	12,121,229	12,340,133	14,001,286	15,766,174
Commercial	5,402,688	5,903,198	6,221,026	7,080,859
Contract Sales	346,699	336,080	274,865	32,149
Intermunicipal Agreements	738,330	810,566	885,639	979,294
Other Revenues	250,744	266,493	265,899	38,067
Regulatory Compliance	4,812,381	6,451,942	6,462,642	6,797,098
Total	<u>23,672,071</u>	<u>26,108,412</u>	<u>28,111,357</u>	<u>30,693,641</u>

Large Volume Customers

<u>Customer Name</u>	<u>Sales (1,000 Gallons)</u>	<u>Sales (Dollars)</u>
Unilever	54,083	295,073
BP Amoco	34,537	278,261
City of Indep, Power & Light	43,027	146,401
Centerpoint Medical Center	23,023	90,836
Inep Housing Authority	14,989	72,768
Space Center of KC	12,054	59,360
Highland Park Investors	11,537	59,009
Green Lantern	11,390	55,499
YES Companies	10,090	52,209
Independence Center LLC	5,819	26,661
	<u>220,549</u>	<u>\$1,136,077</u>

Usage Volume: Total usage volumes decreased slightly from 2016 to 2019. The decrease was 1.1 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 7.42 percent annually from 2016 to 2019. 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 2015 to 2019 are shown on the following table.

Description	Year Ended June 30			
	2016	2017	2018	2019
Collection	2,812,346	2,937,533	2,933,794	3,195,639
Laboratory Services	243,002	255,770	272,593	258,540
Treatment & Disposal	9,766,739	10,054,113	10,587,290	10,527,690
Administrative & General	4,074,107	3,987,850	4,116,596	3,353,192
Total Operations & Maintenance	16,896,194	17,235,266	17,910,273	17,335,061

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>
2016	24,292,174	15,786,512	8,505,662	5,908,881	1.44
2017	26,286,812	16,173,501	10,113,311	6,272,756	1.61
2018	29,006,929	17,251,859	11,755,070	6,272,308	1.87
2019	30,839,962	17,125,837	13,714,125	6,272,537	2.19

(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 2019-2020 can be found in Part V of this document.

Employee Relations

The Department currently has 74 full time positions and one part time position, of which 55 are hourly, represented personnel engaged in Sanitary and Stormwater Collection, Wastewater Treatment, and Environmental Compliance, and 30 are performing other professional, administrative, or supervisory duties.

Most 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 August 5, 2019 by Ordinance 19034. The agreement is effective from July 1, 2019 through June 30, 2020.

PART IV - OPERATING BUDGET – SUMMARY

Governmental Funds

General Fund

Comparison of Revenues, Expenditures and Change in Fund Balance

	<u>2019-20</u> <u>Adopted</u>
Revenues	
Taxes	
Property	\$ 8,592,000
Sales	17,831,670
Cigarette	416,400
Total Taxes	26,840,070
Utility Franchise Fees	
Water	43,300
Gas	3,841,000
Telephone	2,580,000
Electricity	1,188,000
Cable	1,100,000
Total Franchise Fees	8,752,300
PILOTS	
Power & Light	12,950,000
Water Service	3,371,200
Sanitary Sewer	3,292,800
Total PILOTS	19,614,000
All Other	
Licenses & Permits	4,725,150
Intergovernmental Revenue	5,405,207
Service Charges	2,980,383
Fines & Court Costs	3,727,250
Interfund Chgs Supp Srvc	5,155,242
Other	680,900
Total All Other	22,674,132
Transfers In from Other Funds	-
Total Revenues	\$ 77,880,502
Expenditures	
Salary and Benefits	\$ 65,840,568
Operating Expenses	11,317,741
Equipment	565,168
Debt Service	
Sub-Total Expenditures	77,723,477
Transfers Out	10,000
Total Expenditures	\$ 77,733,477
Change in Fund Balance Components	\$ 147,025

**Governmental Funds
Tourism Fund
Comparison of Revenues, Expenditures and Change in Fund Balance**

	<u>2019-20 Adopted</u>
Revenues	
Transient Guest Tax	\$ 1,995,578
Charges for Services	45,000
Investment Income (Loss)	3,600
Other	24,000
Total All Other	<u>2,068,178</u>
Transfers In	-
Total Revenues	<u>\$ 2,068,178</u>
Expenditures	
Salary & Benefits	\$ 905,820
Operating Expenses	1,080,024
Equipment	1,000
Operating Expenditures	<u>1,986,844</u>
Capital Improvements	285,000
Debt Service	-
Transfers Out	-
Total Expenditures	<u>\$ 2,271,844</u>
 Change in Fund Balance Components	 \$ (203,666)

Governmental Funds
Street Improvements Sales Tax Fund
Comparison of Revenues, Expenditures and Change in Fund Balance

	<u>2019-20</u> <u>Adopted</u>
Revenues	
Sales Tax	\$ 8,451,115
Intergovernmental Revenue	0.00
Interest	6,800
Other	-
Total All Other	<u>\$ 8,457,915</u>
Transfers In from Other Funds	-
Total Revenues	<u><u>\$ 8,457,915</u></u>
Expenditures	
Salary & Benefits	\$ 170,397
Operating Expenses	500,000
Equipment	1,019,500
Total Expenditures	<u>\$ 1,689,897</u>
Capital Improvements	7,357,904
Debt Service	0
Transfers Out	-
Total Expenditures	<u><u>\$ 9,047,801</u></u>
 Change in Fund Balance Components	 \$ (589,886)

**Governmental Funds
Park Improvements Sales Tax Fund
Comparison of Revenues, Expenditures and Change in Fund Balance**

	<u>2019-20 Adopted</u>
Revenues	
Sales Tax	\$ 4,225,579
Charges for Services	560,455
Interest	7,300
Other	2,500
Total All Other	<u>\$ 4,795,834</u>
Transfers In from Other Funds	-
Proceeds from capital lease	-
Total Revenues	<u><u>\$ 4,795,834</u></u>
Expenditures	
Salary & Benefits	\$ 1,961,031
Operating Expenses	1,771,870
Equipment	3,000
Total Expenditures	<u>\$ 3,735,901</u>
Capital Improvements	951,900
Debt Service	196,853
Transfers Out	-
Total Expenditures	<u><u>\$ 4,884,654</u></u>
Change in Fund Balance Components	\$ (88,820)

**Governmental Funds
Stormwater Sales Tax Fund
Comparison of Revenues, Expenditures and Change in Fund Balance**

	2019-20 Adopted
Revenues	
Sales Tax	\$ 4,225,597
Interest	26,300
Other	-
Total All Other	\$ 4,251,897
Transfers In from Other Funds	-
Total Revenues	\$ 4,251,897
Expenditures	
Salary & Benefits	\$ 1,569,652
Operating Expenses	1,147,215
Equipment	95,900
Operating Expenditures	\$ 2,812,767
Capital Improvements	1,845,000
Debt Service	-
Transfers Out	-
Total Expenditures	\$ 4,657,767
Change in Fund Balance Components	\$ (405,870)

**Governmental Funds
Police Public Safety Sales Tax Fund
Comparison of Revenues, Expenditures and Change in Fund Balance**

	<u>2019-20 Adopted</u>
Revenues	
Sales Tax	\$ 2,245,747
Interest	5,100
Other	-
Total All Other	<u>\$ 2,250,847</u>
Transfers In from Other Funds	-
Total Revenues	<u><u>\$ 2,250,847</u></u>
 Expenditures	
Salary & Benefits	\$ -
Operating Expenses	944,321
Equipment	1,543,312
Operating Expenditures	<u>\$ 2,487,633</u>
Capital Improvements	-
Debt Service	-
Transfers Out	-
Total Expenditures	<u><u>\$ 2,487,633</u></u>
 Change in Fund Balance Components	 \$ (236,786)

**Governmental Funds
Fire Public Safety Sales Tax Fund
Comparison of Revenues, Expenditures and Change in Fund Balance**

	<u>2019-20 Adopted</u>
Revenues	
Sales Tax	\$ 2,112,842
Interest	5,600
Other	-
Total Revenues	<u>\$ 2,118,442</u>
 Expenditures	
Salary & Benefits	\$ 185,700
Operating Expenses	789,936
Equipment	1,243,500
Operating Expenditures	<u>\$ 2,219,136</u>
Capital Improvements	-
Debt Service	73,236
Transfers Out	-
Total Expenditures	<u>\$ 2,292,372</u>
 Change in Fund Balance Components	 \$ (173,930)

Power & Light Fund

Capital Projects

	FY 2019-20
	<u>Adopted</u>
<u>Transmission & Distribution</u>	
Emergent Maintenance Transmission & Distribution	\$ 50,000
69 kv Substation Facilities	\$ 120,000
Substation K Switchgear and Transformer Replace	\$ 1,110,000
Substation E Tranformer & Switchgear Replacement	\$ 950,000
BV to Eckles Rd 161 KV Transmission Line	\$ 267,000
Total	<u>\$ 2,497,000</u>
<u>Plant Maintenance</u>	
Primary Operations Center Functional and Code Compliance Update	\$ 213,500
Emergent Maintenance Production	\$ 150,000
Total	<u>\$ 363,500</u>
<u>Equipment & Other</u>	
Fiber Optic Network	\$ 50,000
Above Ground Fuel Storage Tanks	\$ 41,800
Total	<u>\$ 91,800</u>
Total	\$ 2,952,300

Water Fund Capital Projects

	FY 2019-20 <u>Adopted</u>
<u>Water Distribution System</u>	
Main Replacement	\$ 200,000
Truman Road Booster Station Upgrades	\$ 150,000
39th St Reservoir Upgrades	\$ 1,200,000
Main Replacement: 32nd (Hunter - Bird)	\$ 100,000
Main Replacement: Walnut (Leslie-Lee's Summit)	\$ 850,000
Main Replacement: U.S. Hwy 24 (Northern-R.R. Track)	\$ 250,000
College Ave Improvements	\$ 200,000
Main Replacement: Sheley (Claremont-Norwood)	\$ 200,000
Main Replacement: Gudgell (Dodgion-Kings Hwy)	\$ 900,000
Main Replacement: Salisbury (Peck-Geospace)	\$ 500,000
Total	\$ 4,550,000
 <u>Treatment Plant Maintenance</u>	
Lagoon Cleanout	\$ 400,000
Courtney Bend Emergency Generator	\$ 150,000
Wellfield Overhead Electrical Improvements	\$ 200,000
Total	\$ 750,000
 <u>Other</u>	
Security Upgrades	\$ 100,000
Total	\$ 100,000
 Total	 \$ 5,400,000

Water Pollution Control & Storm Water Sales Tax Funds Capital Projects

<u>Program by Fund</u>	FY 2019-20 Adopted
Sanitary Sewer	\$ 4,130,000
Storm Water Sales Tax	\$ 1,845,000
Total	\$5,975,000
<u>Sewer Collection System</u>	
Trenchless Technology	\$ 250,000
Neighborhood Improvements	\$ 150,000
Fairmount Highlands	\$ 170,000
Arlington Improvements	\$ 100,000
Bison Park	\$ 310,000
Truman & Harris	\$ 50,000
Total	\$1,030,000
<u>Sewer Plant Maintenance</u>	
Biosolids Handling	\$ 2,000,000
RCPS Raw Pumps & Screening	\$ 650,000
RCTP Fencing	\$ 200,000
Electrical Substation Rehab	\$ 250,000
Total	\$3,100,000
<u>Stormwater Improvements</u>	
Emergency Construction Projects	\$ 200,000
Ralston Drainage Improvements	\$ 700,000
Barnes Place	\$ 50,000
Bristol Cedar to Home	\$ 450,000
42nd St Culvert Replacement	\$ 400,000
Truman & Harris	\$ 45,000
Total	\$1,845,000
Total	\$5,975,000

PART V - TAX INCREMENT FINANCING DISCLOSURES

Supplemental Operating Data for the Tax Increment Financing Districts for FY2018-19.

Centerpoint Project

Revenues deposited in Special Allocation Fund for the HCA-Centerpoint Project. \$4,003,776

Crackerneck Creek Project

Revenues deposited in Special Allocation Fund for the Falls at Crackerneck Creek Project. \$3,121,671

Bass Pro Lease Payments received by the City. \$1,000,000

TDD Revenues received by the City. \$25,008

State TIF Revenues received by the City. \$278,360

Drumm Farm Project

Revenues deposited in Special Allocation Fund for the Drumm Farm Project. \$660,032

Eastland Center Project

Revenues deposited in Special Allocation Fund for the Eastland Center Project. \$5,594,491

Events Center Project

CID Sales Tax Revenues received by the City. \$6,793,078

CID EATs received by the City. \$962,223

Hartman Heritage Centre Project

Revenues deposited in Special Allocation Fund for the Hartman Heritage Centre Project. \$1,444,456

Santa Fe Redevelopment Project

Revenues deposited in Special Allocation Fund for the Santa Fe Redevelopment Project. \$139,764

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: <ul style="list-style-type: none"> * 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.



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