

CITY OF INDEPENDENCE, MISSOURI

Continuing Disclosure Statement

(SEC) Rule 15c2-12

**Fiscal Year Ending
June 30, 2003**

Independence



2001

CITY OF INDEPENDENCE, MISSOURI

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

**For Fiscal Year Ending
June 30, 2003**

Prepared by the Department of Finance

James C. Harlow, 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, 2003 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

Independence, Missouri Water Utility Revenue dated March 27, 1986:

Line	Coupon	Matures	CUSIP
1	3.85	11/1/2003	453725AF
2	3.95	11/1/2004	453725AG
3	4.05	11/1/2005	453725AH
4	4.15	11/1/2006	453725AJ
5	4.2	11/1/2007	453725AK
6	4.25	11/1/2008	453725AL
7	4.35	11/1/2009	453725AM
8	4.5	11/1/2010	453725AN
9	4.6	11/1/2011	453725AP
10	4.7	11/1/2012	453725AQ
11	4.8	11/1/2013	453725AR
12	4.85	11/1/2014	453725AS
13	4.95	11/1/2015	453725AT
14	5	11/1/2016	453725AU

Independence, Missouri Electric Utility Revenue dated September 1, 1998:

Line	Coupon	Matures	CUSIP
1	4.1	6/1/2004	453650LE
2	4.1	6/1/2005	453650LF
3	4.25	6/1/2006	453650LG
4	4.3	6/1/2007	453650LH
5	4.3	6/1/2008	453650LJ
6	4.4	6/1/2009	453650LK
7	4.5	6/1/2010	453650LL
8	4.6	6/1/2011	453650LM
9	4.7	6/1/2012	453650LN
10	4.75	6/1/2013	453650LP
11	4.8	6/1/2014	453650LQ

Missouri State Development Finance Board Infrastructure, Bolger Square Series A, June 1, 1999:

Line	Coupon	Matures	CUSIP
1	5.15	6/1/2011	60636CCB
2	4.3	6/1/2004	60636CCA

Missouri State Development Finance Board Infrastructure, Hartman Heritage Center Project Series 2000A, April 1, 2000:

Line	Coupon	Matures	CUSIP
1	6	4/1/2004	60636CCE
2	6	4/1/2005	60636CCF
3	5.1	4/1/2006	60636CCG
4	5.125	4/1/2007	60636CCH
5	5.15	4/1/2008	60636CCJ
6	5.2	4/1/2009	60636CCK
7	5.55	4/1/2012	60636CCN
8	5.875	4/1/2020	60636CCW

Missouri State Development Finance Board Infrastructure, Eastland Center Project Phase 1 Series 2000A, May 1,2000:

Line	Coupon	Matures	CUSIP
1	5.75	4/1/2009	60636CDU
2	5.8	4/1/2010	60636CDV
3	5.75	4/1/2012	60636CDX

Missouri State Development Finance Board Infrastructure, City Building Renovation, June 1, 2000:

Line	Coupon	Matures	CUSIP
1	5.2	6/1/2004	60636CEB
2	5.25	6/1/2005	60636CEC
3	5.45	6/1/2007	60636CEE
4	5.6	6/1/2010	60636CEH

Missouri State Development Finance Board Infrastructure, Eastland Center Project Phase II Series 2000B, November 1, 2000:

Line	Coupon	Matures	CUSIP
1	6	4/1/2004	60636CEL
2	6	4/1/2005	60636CEM
3	6	4/1/2006	60636CEN
4	5.375	4/1/2007	60636CEP
5	6	4/1/2008	60636CEQ
6	6	4/1/2015	60636CEV
7	5.875	4/1/2017	60636CEW
8	6	4/1/2021	60636CEX

Missouri State Development Finance Board Infrastructure, Truman Memorial Building Restoration, June 1, 2001:

Line	Coupon	Matures	CUSIP
1	4.25	6/1/2004	60636CFA2

Missouri State Development Finance Board Infrastructure, Santa Fe Redevelopment Project Series 2001, August 1, 2001:

Line	Coupon	Matures	CUSIP
1	0	4/1/2005	60636CFB
2	8	4/1/2006	60636CFC
3	6	4/1/2007	60636CFD
4	4	4/1/2008	60636CFE
5	1	4/1/2009	60636CFF
6	9	4/1/2010	60636CFG
7	7	4/1/2011	60636CFH
8	3	4/1/2012	60636CFJ
9	0	4/1/2013	60636CFK
10	8	4/1/2014	60636CFL
11	6	4/1/2015	60636CFM
12	4	4/1/2017	60636CFN
13	9	4/1/2023	60636CFP

Missouri State Development Finance Board Infrastructure, Eastland Center Project Phase III Series
2001, November 1, 2001:

Line	Coupon	Matures	CUSIP
1	8	4/1/2004	60636CGP
2	6	4/1/2005	60636CGQ
3	4	4/1/2006	60636CGR
4	2	4/1/2007	60636CGS
5	0	4/1/2008	60636CGT
6	7	4/1/2009	60636CGU
7	5	4/1/2010	60636CGV
8	3	4/1/2011	60636CGW
9	1	4/1/2012	60636CGX
10	9	4/1/2013	60636CGY
11	6	4/1/2014	60636CGZ
12	0	4/1/2015	60636CHA
13	8	4/1/2016	60636CHB
14	6	4/1/2017	60636CHC
15	4	4/1/2018	60636CHD
16	2	4/1/2019	60636CHE
17	9	4/1/2020	60636CHF
18	7	4/1/2021	60636CHG

Missouri State Development Finance Board Infrastructure, Eastland Center Project Phase IV Series
2002, November 1, 2002:

Line	Coupon	Matures	CUSIP
1	6	4/1/2004	60636CHU
2	4	4/1/2005	60636CHV
3	2	4/1/2006	60636CHW
4	0	4/1/2007	60636CHX
5	8	4/1/2008	60636CHY
6	5	4/1/2009	60636CHZ
7	8	4/1/2010	60636CJA
8	6	4/1/2011	60636CJB
9	4	4/1/2012	60636CJC
10	2	4/1/2013	60636CJD
11	0	4/1/2014	60636CJE
12	7	4/1/2015	60636CJF
13	5	4/1/2016	60636CJG
14	3	4/1/2017	60636CJH
15	9	4/1/2018	60636CJJ
16	6	4/1/2019	60636CJK
17	4	4/1/2020	60636CJL
18	2	4/1/2021	60636CJM
19	0	4/1/2022	60636CJN

Independence, Missouri Electric Utility Revenue dated March 1, 2003:

Line	Coupon	Matures	CUSIP
1	2	6/1/2004	453650LR
2	0	6/1/2005	453650LS
3	8	6/1/2006	453650LT
4	5	6/1/2007	453650LU
5	3	6/1/2008	453650LV
6	1	6/1/2009	453650LW
7	9	6/1/2010	453650LX
8	7	6/1/2011	453650LY
9	4	6/1/2012	453650LZ
10	8	6/1/2013	453650MA
11	6	6/1/2014	453650MB

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>
Rondell F. Stewart, Mayor	Retired	2006
Jim Schultz	Insurance Agent	2006
John Perkins	Butcher	2004
Renee J. Paluka	Commodity Buyer	2004
Don B. Reimal	Carpenter	2004
Charles E. Rich	Retired	2004
Jason White	Assistant Director Mast	2006

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Larry N. Blick is the City Manager and has been serving as such since June 1993. The Director of Finance, who is appointed by the City Manager, acts as the chief financial officer of the City. This position is held by James C. Harlow, appointed in February 1984. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City. William B. Moore was appointed to this position in July 1988.

Historically, the character of the City has been viewed as predominantly residential. In recent years industrial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of anticipated increases in industrial activity. The labor force encompasses a wide variety of skills and occupations: technical, sales, and administrative support occupations (31.69%); managerial and professional (26.15%); operators, fabricators, and laborers (17.28%); service, craft, and repair occupations (24.75%); and farming (0.13%).

Employee Retirement System

The City participates in the Missouri Local Government Employees Retirement System (LAGERS) which is a statewide multi-employer retirement system and covers all City employees. The City makes all required contributions to this plan. The total pension expense for the years ended June 30, 2002 and 2003 was \$4,347,515 and \$3,897,577, respectively.

Insurance

The City self-insures for workers' compensation claims up to \$500,000 per accident and purchases excess worker's compensation insurance coverage from Midwest Employers Casualty Company for claims exceeding the \$500,000 retention limit per accident.

The City purchases all-risk property insurance from Hartford Steam Boiler Insurance Company, Liberty International Insurance Company, and Zurich American Insurance Company that provides coverage for all real and personal property owned by the City. The replacement cost property insurance policy has a blanket loss limit of \$200 million. Risk covered include property damage, flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The all-risk property insurance coverage is subject to a \$50,000 per occurrence deductible, except for a \$1,000,000 per occurrence deductible at the Blue Valley and Missouri City Power Stations and all other power generating facilities.

The City purchases replacement cost boiler and machinery insurance coverage from Hartford Steam Boiler, Liberty International Insurance Company, and Zurich American that provides for \$75 million in coverage per occurrence. Boiler and machinery insurance provides coverage for sudden breakdown of insured equipment and it also provides coverage for expediting expenses, ammonia contamination, water damage and hazardous material clean-up. The boiler and machinery insurance coverage is subject to a \$50,000 per occurrence deductible, a \$1,000,000 per occurrence deductible for electrical injury and various deductibles for power generating facilities.

The City purchases general liability, public officials' liability, and third party automobile liability insurance coverage from the Missouri Public Entity Risk Management Fund (MOPERM). The MOPERM policies provide a \$2 million in coverage per occurrence, subject to a \$10,000 general liability deductible, a \$10,000 public officials deductible and a \$100,000 deductible for third party automobile liability. The City self-insures its fleet of vehicles for collision and comprehensive coverages.

The City purchases excess liability insurance coverage from Self-Insured Retention Programs, Inc. (SIRPRO). The SIRPRO policy provides an additional \$5 million in liability insurance above the insurance coverage provided by MOPERM for claims that are not subject to the State's Sovereign Immunity Statute.

Payment Record

The City has never defaulted on any obligations.

Obligations of the City

General Obligation Debt

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

The City had no General Obligation debt outstanding as of June 30, 2003.

Revenue Debt

The following is a summary of the City's Revenue Bond debt:

	<u>Balance Payable</u>
Power and Light Fund:	
\$23,520,000 1998 Electric Utility Refunding Bonds, due in annual installments of \$700,000 to \$2,040,000 through June 1, 2014, interest at 4.0% to 4.8%, callable at par after June 1, 2003, less Deferred Loss on Refunding of (\$1,560,444)	\$16,509,556
\$5,975,000 2003 Electric Utility Refunding Revenue Bonds, due in annual installments of \$435,000 to \$660,000 through June 1, 2014, interest at 2.0% to 3.65%, less Deferred Loss on Refunding of (\$853,377)	5,121,623
Water Fund:	
\$36,000,000 Water Utility Revenue Bonds - Series 1986, principal due in annual installments of \$850,000 to \$5,010,000 through June 30, 2017, interest at approximately 3.25% to 5% callable at par	32,195,000
	<u>\$53,826,179</u>

Loans Payable

Sanitary Sewer Loan Payable:

On July 1, 1998, the City entered into a loan with the Missouri Development Finance Board in the amount of \$2,610,000, due in semi-annual installments of \$235,000 to \$290,000 through June 30, 2003, with interest at 4.75% to 5.00%. The loan was paid in full.

General Fund Loan Payable:

On June 1, 2000, the City entered into a loan with the Missouri Development Finance Board in the amount of \$530,000, due in annual installments of \$68,637 to \$72,280 through June 1, 2010 and bearing interest at 5.00% to 6.25%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City. The balance at June 30, 2003 was \$400,000 plus interest.

On August 1, 2001, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,635,000, due in annual installments of \$216,763 to \$224,460 through June 1, 2010 and bearing interest at 4.20% to 4.40%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City, software for the Fire department and additional funding for Hartman Heritage Tax Increment Financing Project. The balance at June 30, 2003 was \$1,315,000 plus interest.

Park Improvement Sales Tax Loan Payable:

On June 1, 2001, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,215,000. Interest is due in semiannual installments of \$25,819 through June 1, 2004 with interest at 4.25%. The City is required to make a one-time principal payment of \$1,215,000 on June 1, 2004. The proceeds will be used for the restoration of the Truman Memorial Building. The balance at June 30, 2003 was \$1,215,000 plus interest.

Tax Increment Revenue Bonds

On June 1, 1999, the City entered into a \$7,240,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$270,000 to \$835,000 through June 1, 2011 and bearing interest at 4.0% to 5.25%. The proceeds of the loan are to be used for costs related to redevelopment of the Bolger Square Shopping Center.

On April 1, 2000, the City entered into a \$11,850,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$677,556, to \$1,307,556 through April 1, 2020 and bearing interest at 5.8% to 6.2%. The proceeds of the loan are to be used for costs related to redevelopment of the Hartman Heritage Shopping Center.

On May 1, 2000, the City entered into a \$5,595,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$293,482, to \$846,000 through April 1, 2012 and bearing interest at 5.8% to 6.2%. The proceeds of the loan are to be used for costs related to redevelopment of the Eastland Center.

On November 1, 2000, the City issued a \$12,815,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$318,690 to \$2,310,800 through April 1, 2021 and bearing interest at 5.37% to 6%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center Area.

On August 1, 2001, the City issued a \$10,230,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$87,848.54 to \$1,913,956 through April 1, 2023 and

bearing interest at 4.375% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Sante Fe Area.

On November 1, 2001, the City issued a \$1,425,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$43,019 to \$168,400 through April 1, 2021 and bearing interest at 2.4% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center Area.

On November 1, 2002, the City issued a \$3,480,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$145,452 to \$866,653 through April 1, 2022 and bearing interest at 3.5% to 5.125%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center Area.

Capital Leases

Capital leases payable at June 30, 2003 are comprised of the following:

Emergency One, interest at 4.84%, annual installments through May 18, 2005. A lease utilized to purchase two fire pumper trucks and rescue unit. The balance due at June 30, 2003 was \$189,432.

First National Bank of Louisburg, interest at 5.75%, semiannual installments through October 1, 2005. A lease utilized to purchase a fire truck, three vehicles, various rescue equipment, a pick-up truck and a telephone system. The balance due at June 30, 2003 was \$129,549.

CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006. A lease utilized for Johnson Controls contract to renovate the HVAC of City Hall. No restrictions. The balance due at June 30, 2003 was \$277,238.

Emergency One, interest at 5.84%, annual installments through March 2005. A lease to purchase an Emergency One HP75 Aerial Pumper Fire Apparatus. The balance due at June 30, 2003 was \$197,003.

Emergency One, interest at 6.31%, annual installments through October 2007. A lease to purchase an Emergency One Model V803 Commercial Pumper Fire Apparatus. The balance due at June 30, 2003 was \$95,693.

IBM Corporation, interest from 4.64% to 4.94% monthly installments through November, 2004. A lease to purchase an IBM AS400 along with software. The balance due at June 30, 2003 was \$55,829.

IBM Corporation, interest from 4.76% to 5.52% monthly installments through January, 2004. A lease to purchase a Midrange AS/400 Processor and Base Extensions along with software. The balance due at June 30, 2003 was \$37,215.

Caterpillar Financial Services Corporation, interest at 6.25%, annual installments through December

2003. A lease utilized to purchase a Caterpillar backhoe loader and a front-end loader. The balance at June 30, 2003 was \$34,276.

Ford Motor Credit Company, interest at 6.39%, annual installments through May 2005. A lease to purchase a Vac-Con Sewer Cleaner. The balance due at June 30, 2003 was \$70,363.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

Employer	Product/Service	Number of Employees
1 Health Midwest	Medical Care	1,400
2 Alliant Tech Systems	Small Arms Ammunition	1,750
3 GEHA	Medical Ins. Service Center	650
4 SBC Communications	Communications	550
5 Rosewood Health Center	Retirement Community	300
6 Unilever (Thomas J Lipton)	Instant Tea, Salad Dressing	290
7 Sprint Relay	Communications	200
8 Burd & Fletcher	Folding Paper Cartons	350
9 IBS Industries	Packaging and Assembly	100
10 Comcast	Communications	165

Source: Independence Council for Economic Development

General and Demographic Information

The following tables set forth certain population information.

	1980	1990	2000
City of Independence	11,637	112,390	113,288
Jackson County	629,267	633,232	654,880
State of Missouri	4,916,683	5,117,073	5,595,211

Source: Claritas, Inc. and Community Development Department

Population Distribution by Age

Age	City of Independence	Jackson County	State of Missouri
Age 0 - 4	6.58%	7.08%	6.62%
Age 5 - 9	6.32%	6.81%	6.73%
Age 10 - 14	6.73%	7.28%	7.16%
Age 15 - 20	7.42%	8.10%	8.85%
Age 21 - 24	5.18%	5.34%	5.45%
Age 25 - 34	12.88%	14.06%	12.52%
Age 35 - 44	14.66%	15.46%	14.89%
Age 45 - 54	13.94%	13.96%	13.98%
Age 55 - 59	5.71%	5.22%	5.47%
Age 60 - 64	4.70%	4.01%	4.42%
Age 65 - 74	7.77%	6.22%	6.83%
Age 75 - 84	5.79%	4.53%	4.85%
Age 85 and older	2.32%	1.93%	2.22%
Median Age	38.34	35.86	36.79
Average Age	39.04	36.85	37.65

Source: Claritas, Inc.

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

	1997	1998	1999	2000	2001	2002	2003
Kansas City MSA							
Total Labor Force	953,082	968,800	977,665	1,008,461	1,001,689	1,002,897	1,017,985
Unemployed	35,227	36,853	28,966	32,884	44,367	57,388	57,035
Unemployment Rate	3.7%	3.8%	3.0%	3.3%	4.4%	5.7%	5.6%
Jackson County							
Total Labor Force	359,840	358,620	354,786	372,797	378,796	388,202	366,526
Unemployed	15,223	15,327	12,641	13,670	18,618	21,073	22,187
Unemployment Rate	4.2%	4.3%	3.6%	3.7%	4.9%	5.4%	6.0%
State of Missouri							
Total Labor Force	2,891,135	2,854,494	2,841,203	2,969,611	3,019,994	2,989,890	2,977,878
Unemployed	122,537	118,434	95,739	101,860	140,744	164,835	159,072
Unemployment Rate	4.2%	4.2%	3.4%	3.4%	4.7%	5.5%	5.3%

Source: Missouri Department of Labor Relations, Research, & Analysis Section

Income Statistics

The following table sets forth income statistics for 2003.

	Per Capita	Median Household
City of Independence	\$21,951	\$52,921
Jackson County	22,433	56,740
State of Missouri	22,368	52,903

Source: Claritas, Inc.

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	35,508	70.92%
Single Attached	1,750	3.50%
Double	2,243	4.48%
3 to 19 Units	6,462	12.91%
20 to 49 units	1,016	2.03%
50 + Units	1,535	3.07%
Mobile Home	1,529	3.05%
All Other	27	0.05%
Total Units	<u>50,208</u>	<u>100%</u>

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas was, estimated for 2003, as follows:

	Owner Occupied Median Value
City of Independence	\$85,043
Jackson County	95,233
State of Missouri	98,498

Source: Claritas, Inc.

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.

	1998	1999	2000	2001	2002
Residential					
Number of Permits	751	616	647	596	744
Estimated Cost	47,477,592	40,362,632	43,799,753	39,941,328	51,015,505
Non-Residential					
Number of Permits	370	282	219	158	204
Estimated Cost	36,386,117	72,399,536	61,394,644	47,467,165	78,904,822

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, 2003 was performed by KPMG Peat Marwick LLP, 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 the following percentages of estimated market value:

Residential	19%
Agricultural and horticultural	12%
Utility, industrial, commercial, railroad and all other	32%

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 $\frac{1}{3}$ % 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, $\frac{1}{2}$ %; 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, 2003 (the last completed assessment).

	<u>Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Market Value</u>
Real Estate:			
Residential	681,142,850	19%	3,584,962,368
Commercial	243,247,866	32%	760,149,581
Agricultural	1,035,095	12%	8,625,792
RR & Utilities	4,947,308	32%	15,460,338
Sub-Total	<u>930,373,119</u>		<u>4,369,198,079</u>
Personal Property*	<u>242,118,750</u>	<u>33.30%</u>	<u>727,083,333</u>
Total	<u><u>\$1,172,491,869</u></u>		<u><u>\$5,096,281,412</u></u>

Source: Jackson and Clay Counties Assessor's Offices.

History of Property Valuation: The total assessed valuation of all taxable tangible property situated in the City, including state assessed railroad and utility property, according to the assessments of January 1 in each of the following years, has been as follows.

Year	Assessed Valuation	Percent Change
2003	\$1,172,491,869	3.7%
2002	\$1,075,178,240	3.7%
2001	\$1,037,117,752	6.1%
2000	\$977,928,272	1.3%
1999	\$965,098,107	8.0%
1998	\$893,405,364	0.9%
1997	\$885,313,341	N/A

Source: Jackson and Clay Counties Assessor's Offices.

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, 2003.

	Name of Taxpayer	Type	Local Assessed Valuation	Percentage of Total Local Assessed Valuation
1	Simon Property Group, LP	Retail Center	\$17,060,551	1.46%
2	Community Center Two, LLC	Retail Center	9,286,793	0.79%
3	Space Center of Kansas City, Inc.	Underground Commercial	8,947,900	0.76%
4	Southwestern Bell	Communications	7,747,044	0.66%
5	Southern Union Company	Utility	5,325,344	0.45%
6	Bradley Operating LTD PTP	Retail Center	5,104,000	0.44%
7	Noland Fashion Square Partners	Retail Center	5,094,412	0.43%
8	Independence Regional Health	Hospital	4,996,788	0.43%
9	Comcast Cablevision of MO Inc	Communications	3,691,837	0.31%
10	Independence Apartments Assoc	Apartment Complex	3,675,082	0.31%

Source: Jackson County Assessor's Office

PART III - DEPARTMENTS

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

UTILITIES

Public Utilities Advisory Board

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

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

<u>Board Member</u>	<u>Term Expires</u>
Skip Shearer	7/01/2004
Blair L. Wildermuth	7/01/2004
Marvin Sturgeon	7/01/2005
Charles Ventimiglia	7/01/2005
Robert Joe Miller	7/01/2006
Bob Robinson	7/01/2006
Clyde W. Noren	7/01/2007

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, 2003, electric retail sales totaled 1,038,602 megawatt-hours (MWh). The maximum system peak load for the fiscal year ending June 30, 2003 was 294.4 megawatts (MW) occurred on August 1, 2002.

Organization

The Department is divided into five divisions: 1) Administration/Planning; 2) Support Services; 3) Production; 4) Transmission and Distribution; and 5) Engineering and Systems Operations. The Department had 206 full-time employees as of June 30, 2003.

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

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

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

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

Engineering and Systems Operations Division - The Engineering and System Operations Division is responsible for the planning, estimating and drafting of all transmission, distribution and substation projects and performs the dispatch control of power generation, power purchase/sale transactions and operations of the transmission system.

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, customer service and billing and other administrative services. For fiscal year 2003, the Department was billed \$1,454,899 by the City for City-provided support services. The Department also provides customer meter reading service to the City's Water Department. For fiscal year 2003, the Water Department was billed \$791,390 by the Power & Light Department for meter reading service.

Management

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

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

George F. Morrow - Electric Utility Director. Mr. Morrow was appointed Electric Utility Director in June of 1994. Mr. Morrow holds BSEE and MBA degrees from the University of Texas-El Paso. Prior to employment with the Department, he served as Assistant General Manager with the Pasadena, California Water and Power Department (six years). Mr. Morrow also has ten years experience with El Paso Electric Company in the planning and contracts area.

E. L. Walentine - Economic Planning & Rates Manager. Mr. Walentine has been with the Department since 1969 and in his present position since 1979. He holds a BSEE degree from the University of Nebraska. Prior to employment with the Department he served for ten years with a major international engineering consulting firm.

Martin D. Barker - Production Manager. Mr. Barker was appointed Power Production Manager in December of 2001. He holds a BSME degree from Kansas State University. He has over 25 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.

E. Wayne Reynolds - Engineering Manager. Mr. Reynolds was appointed Engineering Manager in June of 1993. He holds a BSCE degree from the University of Missouri. Prior to joining the Department, he was a senior engineer with a major international consulting firm.

Larry F. Starr - Transmission & Distribution Manager. Mr. Starr was appointed Transmission & Distribution Manager in March of 1999. He holds an Associates Degree in Business and has 27 years experience in the electric industry with 14 of those years in management and supervision. Prior to joining the Department, he worked 17 years for Illinois Power Company.

Vacant- Support Services Manager. Former Support Services Manager retired from the Department during this year. The Department expects to fill this position by November 1, 2003.

Power Supply

Currently, the Department has 288 MW of accredited generating capacity (12 generating units) which is owned and operated by the Department. The amount of accredited capacity is based on the capacity accreditation rules of the Southwest Power Pool (SPP), in which the City is a member. In addition to its own generating capacity, the Department purchases capacity from another electric utility company.

For the fiscal year ending June 30, 2003, the Department purchased 90 MW of capacity from one other utility company. This 90 MW capacity purchase is committed through May 31, 2005. Under the purchase agreement, the Department has the contractual option to extend the purchase with this company in the amount of 20 to 90 MW of capacity through May 31, 2011, with notice of such extension to be provided on or before June 1, 2003. All terms and conditions of such purchase extension are to remain identical except that the current capacity rate of \$84 per kilowatt-year is to be negotiated up to the contract specified maximum price of \$126 per kilowatt-year. The Department exercised this extension option for a capacity amount of 90 MW and the parties agreed to seek the Federal Energy Regulatory Commission determination on the appropriate capacity price.

The Department base loads power from its purchase capacity contract and utilizes Department generating capacity as midrange, peaking and standby energy resources.

The Department believes that its total current accredited generating capacity resources, including the 90 MW contract purchase capacity, is sufficient to meet its projected annual system peak load, including 13.7 percent reserves (SPP reserve requirements), through the summer of 2007.

A breakdown of Department-owned and operated generating units is shown in the following table:

	<u>Current Accredited Net Capacity (MW)</u>	<u>Year of Initial Operation</u>	<u>Fuel Type</u>
Blue Valley Steam Power Plant			
Unit No. 1	21	1958	coal/gas/oil
Unit No. 2	21	1958	coal/gas/oil
Unit No. 3	51	1965	coal/gas/oil
Missouri City Steam Power Plant *			
Unit No. 1	19	1982	coal/oil
Unit No. 2	19	1982	coal/oil
Total Steam Units	<u>131</u>		
Combustion Turbines			
J-1 (Substation J)	15	1968	oil
J-2 (Substation J)	15	1968	oil
I-1 (Substation I)	19	1972	oil
I-2 (Substation I)	19	1972	oil
H-1 (Substation H)	19	1972	gas/oil
H-2 (Substation H)	20	1974	gas/oil
RCT-1** (Blue Valley Station)	50	1976	gas/oil
Total Combustion Turbine Units	<u>157</u>		
Total System	<u><u>288</u></u>		

* The Missouri City Plant was purchased by the City in 1979, and after renovation was placed in service in 1982.

** Regenerative (heat exchange) combustion turbine.

On August 19, 2002, Unit No. 3 at the Blue Valley Steam Power Plant experienced a steam turbine blade failure. The steam turbine was repaired for the damage caused by this event and returned to service January 7, 2003. In addition, certain major maintenance and overhaul work was performed on this unit during this same time that was originally scheduled to be completed during fiscal year ending June 30, 2004. The City has submitted a claim to the insurance company to cover the repair costs of the turbine (total repair costs were \$1.5 million) over and above the deductible amount of \$1 million.

On June 18, 2003, the Department experienced a generator field failure on one of the combustion turbine generating units (J-1) at Substation J. The generator unit is scheduled to be repaired during the Winter 2003/Spring 2004 and is expected back in service by April 1, 2004. The total cost of repair of this unit's generator is expected to be below the deductible amount under the City's insurance coverage. The costs are to be funded from the Department's retained earnings.

Fuel Supply

The Department currently uses coal, natural gas, and No. 2 fuel oil in its power production facilities. For the year ending June 30, 2003, the total fuel burn mix consisted of 94.0% coal, 5.3% gas and 0.7% No. 2 fuel oil. Based on State of Missouri environmental regulations, the Department is restricted to sulfur dioxide emissions of 6.3 pounds per million Btu at its Blue Valley Steam Plant and 8.0 pounds per million Btu at its Missouri City Plant.

The Department is purchasing its coal supply under a contract with a Missouri coal company that was originally executed in January 1996. The coal contract was assigned to a new coal mining company on May 10, 2002. The contract was also amended and restated on this date. This coal supplier has opened a new mine located in Bates County, Missouri and began coal shipments from this mine in August 2002.

The amended and restated coal contract has a base term through December 31, 2004 and may be extended for two additional years through December 31, 2006 at the sole option of the City. In addition, by mutual agreement of the City and the coal supplier, the contract can be extended for another two-years through December 31, 2008. The City also has the right to terminate the contract for any reason with 150 days prior notice.

The price for the coal in the calendar year 2003 is \$31.36 per ton for unwashed coal and \$34.39 per ton for washed coal. These prices are subject to annual increases or decreases at a pre-defined index capped at three percent per year. The Department is currently accepting a washed coal product from the supplier.

The Department currently contracts its natural gas supply with an Oklahoma gas supplier. This natural gas supply contract consists of gas supply and pipeline transportation service to the local gas distribution company's system. The current term of this gas supply contract is through March 31, 2004 and can be extended by the City for two separate successive one-year terms. 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.

Purchases/Sales of Capacity and Energy

The Department purchases a significant portion of its energy needs under a capacity purchase agreement with Kansas City Power & Light (KCPL). Under the agreement, the Department purchases 90 MW of capacity and energy for a term through May 31, 2005. After May 31, 2005, the agreement provides the Department with an option to extend the purchase in an amount of 20 MW to 90 MW of capacity for the six-year period ending May 31, 2011 with the same terms and conditions except that the current capacity price of \$84 per kilowatt-year is to be negotiated up to the contract specified maximum price of \$126 per kilowatt-year. The Department exercised this extension option for a capacity of 90 MW. The parties agreed to seek the Federal Regulatory Commission determination on the appropriate capacity price. The delivered cost of capacity and energy under the agreement, including all demand, transmission, and energy charges, totaled approximately \$16,800,000 for fiscal year 2003. The projected annual cost of the KCPL agreement for fiscal year 2004 is estimated at

approximately \$16,415,000.

In July 1997, the City 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. Membership of the WSPP Agreement has expanded from the original experimental eleven western United States electric utilities to over 250 members that are located throughout the entire United States and parts of Canada and include investor-owned electric utilities, municipalities, cooperatives, state and federal public power systems and power marketers. Under the WSPP Agreement, the Department makes short term power purchase and sales with KCPL, Auilar Inc., Associated Electric Cooperative, and other utilities and power marketers.

Regional Reliability Organization

The Southwest Power Pool (“SPP”) is an organization of electric utilities serving the south-central part of the United States established to oversee and maintain the reliability of the bulk electric power system. The City 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. The City elected to become a non-transmission owning member and continues to operate its own transmission facilities.

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:

Aquila Inc. - Missouri Public Service Company. An interconnection between the City and Aquila Inc. - Missouri Public Service Company (MPS) is made at MPS's Sibley Substation and is governed by a Municipal Participation Agreement dated December 2, 1968. The interconnection is made between the City's 161-kV transmission line and the 161-kV bus in MPS'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.

Associated Electric Cooperative. An interconnection with Associated Electric Cooperative ("AEC") was made to provide for the transfer of power from the Missouri City Power Plant to the City. The interconnection is made between the City's Eckles Road Switching Station and AEC's Missouri City-Pittsville 161-kV line and is governed by an Interchange Agreement dated August 8, 1979. Although the primary purpose of the interconnection is to provide for the delivery of the Missouri City Power Plant output (currently rated at 38 megawatts), this agreement also provides for other transactions between the parties, such as Standby Service, Economy Energy, Short-Term Power, Participation Power, Firm Power and Surplus Energy. This agreement went into effect June 1, 1980 and will remain in effect until June 1, 1995, continuing in effect from year to year thereafter until terminated by either party. Three years written notice is required for termination of this agreement.

Kansas City Power & Light. The City maintains three 69kV interconnections with KCPL, one at the City's Substation H, one along the 69-kV line from KCPL's Hawthorn Plant to the City's Substation E, and one along the 69-kV line from the City's Substation P to KCPL's Lake City Substation. The interconnections are governed by a Municipal Participation Agreement originally dated July 12, 1965, and amended on a number of occasions thereafter. The interconnections at Substation H are made between Substation H and KCPL's 69-kV lines from Hawthorn and from Liberty. There is also a point of delivery along the Hawthorn to Substation H line at the City's Substation F. The interconnection along the Hawthorn to Substation E 69-kV line is made at the west corporate limits of the City. The interconnection along the Substation P to Lake City line is made at the Blue Valley Station.

The City also provides point of delivery for KCPL at the KCPL's Blue Mills Substation. A 161-kV point of delivery is made at KCPL's Blue Mills Substation along the City's Blue Valley to Eckles Road line. The City must also provide capacity

for KCPL's backup responsibility to MPS's substation at the Blue Ridge Mall. The delivery point for this backup is along the City's 69-kV line between Substations E and I. The total capacity provided for KCPL's Lake City load and its backup responsibility for MPS's Blue Ridge Mall load cannot exceed 40 MW without mutual agreement of the City and KCPL. The City also must provide a capacity reservation of 50 MW on its 161-kV line for the Blue Mills point of delivery.

A 1985 amendment provided for two new 161-kV interconnections at the Hawthorn and Leeds Substations and modified the other delivery points impacted by these new interconnections. The term of the agreement was also extended. In 1991 an amendment modified the interconnection point of the 161-kV transmission line coming from the Leeds Substation.

The Municipal Participation Agreement and its Amendments and Supplement, provide the following services: Reserve Capacity, Standby Service, Firm Power, Capacity Exchange Service, Economy Energy, Transmission Service and Load Regulation and Displacement Energy Service. The Municipal Participant Agreement will remain in effect until May 31, 2006 and will continue from year to year thereafter until terminated by either party. Five years written notice is required for termination of this agreement.

All of the above interconnection agreements are in effect as of the date hereof and no notices of termination have been sent or received by the City or the Department.

Transmission System

The Department's transmission system is comprised of approximately 22.6 miles of 161-kV lines and approximately 42.4 miles of 69-kV lines. One 161-kV line interconnects the Department's Substation A with its Eckles Road Switching Station and provides the interconnection with AEC. A 161-kV line from Eckles Road to MPS' Sibley Power Station provides an interconnection with MPS. The Department has two 161-kV interconnections with KCPL - a 161-kV line that connects the Department's Substation M to KCPL's Hawthorne Power Station and a 161-kV line that connects the Department's Substation N with KCPL's Leeds Substation. In addition to these 161-kV interconnections, the Department maintains three 69-kV interconnections with KCPL at various locations on the Department's 69-kV transmission system.

Load flow studies indicate that these interconnections provide a total import capability of 245 MW on a single contingency basis. This import capability includes power generated from the Department's Missouri City plant when in operation. The Department believes that the 245 MW import capability is sufficient for the foreseeable future, but is continually evaluating the sufficiency of the import capability amount based on future power supply options and changes in the regional transmission system.

SUBSTATIONS

<u>Station</u>	<u>Substation Class, Type</u>	<u>Station Capacity [1]</u>	<u>Nominal Voltage</u>
A [2]	transmission	200 MVA	161/69 kV
B	distribution	60 MVA	69/13.8 kV
C	distribution	60 MVA	69/13.8 kV
D	distribution	12.5 MVA	13.8/4.16 kV
E [3]	distribution	40 MVA	69/13.8 kV
F [3]	distribution	25 MVA	69/13.8 kV
G	distribution	12.5 MVA	13.8/4.16 kV
H [3]	distribution	60 MVA	69/13.8 kV
I	distribution	60 MVA	69/13.8 kV
J	distribution	60 MVA	69/13.8 kV
K	distribution	60 MVA	69/13.8 kV
L	distribution	60 MVA	69/13.8 kV
M [4]	transmission	100 MVA	161/69 kV
N [5]	transmission	100 MVA	161/69 kV
P	distribution	60 MVA	69/13.8 kV

[1] Forced air rating at 55 degrees C rise.

[2] 161-kV tie with Missouri Public Service Co. at Sibley Power Station.

[3] 69-kV ties with Kansas City Power & Light.

[4] 161-kV tie with Kansas City Power & Light's Hawthorn Power Station.

[5] 161-kV tie with Kansas City Power & Light's Leeds Substation.

Note: The Eckles Road Switching Station is located within the 161-kV line from Substation A to Missouri Public Service's Sibley Station. The Eckles Road Switching Station ties into the 161-kV line owned by Associated Electric Cooperative running from Missouri City Station to Pittsville, Mo. There is no transformer located at the Eckles Road Switching Station.

Distribution System

The existing distribution system consists of approximately 562.0 circuit miles of 13-kV overhead lines, 18.6 circuit miles of 4 kV overhead lines, 148.5 circuit miles of 13-kV underground lines and 0.4 circuit miles of 4-kV underground lines.

Proposed Capital Improvements

As of June 30, 2003, the Department had a total of \$17,907,440 of funded, but uncompleted major capital improvement projects. These uncompleted projects include \$7,166,797 for production plant capital improvements, and \$10,740,643 for distribution plant capital improvements. For fiscal year ending June 30, 2004 the City Council has additionally appropriated from the Power & Light Fund \$8,125,000 for other capital improvement projects, of which \$5,250,000 are for production plant improvements and \$2,875,000 are for distribution plant improvements. For the six fiscal years ending June 30, 2009, the Department is currently estimating a total of \$41,100,000 in additional major project capital improvements. These additional capital expenditures include \$17,225,000 in production plant improvements, \$23,875,000 in transmission, distribution and general plant improvements.

Capital improvements undergo an annual evaluation by the Department and may change as the result of such evaluations. Additional information regarding the Capital Improvements Program for fiscal years 2004 through 2009 can be found in Part IV 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.

The City implemented a 5.29 percent base rate increase effective July 1, 1989. Based on Department financial projections, the City has scheduled no base rate schedule increases through fiscal year ending 2005; however, some customer billing increases may result from projected increased fuel costs and purchased energy costs which are passed along to customers from the FCA clause. For the year ending June 30, 2003, the average monthly billed FCA credit rate decreased from \$(6.26) per MWh to (\$4.26) per MWh when compared to the year ending June 30, 2002. Overall, this change in the FCA rate resulted in approximately 2.7 percent average billing rate increase for all retail customers for the 12 month period ending June 30, 2003 compared to the previous 12 month period.

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

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

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

In April 1990, the City 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 \$75 to \$897. Through December 2002, over 6,300 rebates have been paid for a total of \$1,485,000.

The electric rate schedules include the FCA provision which adjusts base rate billings for changes in the unit cost of fuel (adjusted for fuel displaced through the purchase or sale of energy to other electric utilities) from the fuel unit cost amount included in the Department's Base Rate Schedules for electric service. For the 12 months ending June 30, 2002 and 2003, the average monthly billed FCA rate was a credit of (\$6.26) per MWH and (\$4.26) per MWH, respectively. Based on the projected cost (including nominal inflation escalation) of fuel and purchased energy from other utilities, the billed projected FCA rate credit may decrease to(\$3.26)per MWH for year ending June 2004.

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) City property taxes on facilities owned by the City for the utility within the City, and (3) a one percent City sales tax payment on all purchases made by the Department within the City. Payment for City electric service is made by the City to the Power & Light Fund 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 City's policy is to attempt to notify the customer by telephone or personal contact before service is discontinued. In 2003, out of approximately \$76 million in billed revenue, \$519,065 was charged off as uncollectible or .68% of total billed revenues.

Operating Statistics

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

Power & Light Fund, Peak Demand & Energy Requirements

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)
1999	284.2	7.0	1,009,763	2.0
2000	291.8	2.7	1,021,566	1.2
2001	294.9	1.1	1,092,098	6.9
2002	289.4	(1.9)	1,076,812	(1.4)
2003	294.4	1.7	1,105,871	2.7

Fiscal Year Ended June 30	Annual Load Factor(%)	Average Number of Monthly Meters	Summer Season Cooling Degree Days *	
			Annual Requirements Per Meter (kWh/Meter)	(65°Base)
1999	40.6	52,640	19,182	1,418
2000	39.9	53,135	19,226	1,350
2001	42.3	53,658	20,253	1,619
2002	42.5	53,982	19,948	1,522
2003	42.9	54,356	20,345	1,485

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

Power Generation, Revenue Produced and Customers Served
Fiscal Years Ending June 30

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Energy Supplied (MWh):					
Net Generation, City Power Plants	269,475	214,605	346,346	196,967	268,915
Purchased Power Energy from					
Other Utilities	752,641	838,707	770,405	881,145	855,827
Unintentional Interchange	76	75	301	37	-75
Gross Energy Supplied	<u>1,022,192</u>	<u>1,053,387</u>	<u>1,117,052</u>	<u>1,078,149</u>	<u>1,124,667</u>
Energy Sold to Other Utilities	-12,429	-31,821	-24,954	-1,337	-18,796
Total energy, City Load	<u>1,009,763</u>	<u>1,021,566</u>	<u>1,092,098</u>	<u>1,076,812</u>	<u>1,105,871</u>
Border Customer Purchases	<u>1,391</u>	<u>1,274</u>	<u>1,400</u>	<u>1,232</u>	<u>1,357</u>
Total Energy, City Load and City Border Customers	1,011,154	1,022,840	1,093,498	1,078,044	1,107,228
Border Customer Sales	<u>-5,761</u>	<u>-4,572</u>	<u>-5,321</u>	<u>-4,828</u>	<u>-4,941</u>
Total Energy, City System	1,005,393	1,018,268	1,088,177	1,073,216	1,102,287
Consumption By Classes (MWh) *					
Residential	459,656	459,993	500,667	482,520	506,001
Commercial	425,549	436,273	463,247	471,500	483,624
Industrial	47,766	46,691	46,239	43,791	39,834
Other	<u>9,188</u>	<u>9,162</u>	<u>9,008</u>	<u>9,173</u>	<u>9,143</u>
Total Retail Sales	942,159	952,119	1,019,161	1,006,984	1,038,602
Sold to Other Utilities (inc. border customers)	<u>18,190</u>	<u>36,393</u>	<u>30,275</u>	<u>6,165</u>	<u>23,737</u>
Total MWh Sales	960,349	988,512	1,049,436	1,013,149	1,062,339
Revenue by Classes ('000) *					
Residential	\$34,586	\$34,556	\$41,167	\$37,562	\$40,254
Commercial	26,812	27,053	32,622	30,760	32,429
Industrial	2,088	1,992	2,490	2,214	2,019
Other	<u>681</u>	<u>715</u>	<u>827</u>	<u>824</u>	<u>881</u>
Total Retail Sales	64,167	64,316	77,106	71,360	75,583
Sold to Other Utilities	<u>1,443</u>	<u>2,708</u>	<u>1,406</u>	<u>131</u>	<u>809</u>
Total	65,610	67,024	78,512	71,491	76,392
Average Number of Meters (Total System)	52,640	53,135	53,658	53,982	54,356
Average Number of Meters (Residential)	47,805	48,280	48,829	49,101	49,446

* 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% of retail sales of the system and 1.3% of retail billed revenues.

Twelve (12) Largest Commercial and Industrial Customer Accounts

July 2002 - June 2003

	<u>kWh</u>	<u>Revenue</u>
1 Thomas J. Lipton Co.	21,325,200	\$959,648
2 Simon Properties Group	16,596,209	927,942
3 Commercial Distribution Center	16,100,400	843,993
4 Burd & Fletcher	11,790,600	583,666
5 Independence Regional Health Center	6,407,700	371,639
6 City's Rock Creek Sanitary Sewer Plant	5,476,800	364,924
7 Price Chopper (Noland Road)	6,563,520	357,028
8 Price Chopper (23rd Street)	6,607,800	349,270
9 Medical Center of Independence	5,333,690	278,192
10 Costco Wholesale Inc.	4,577,400	273,418
11 Wal-Mart Stores, Inc.	4,344,600	255,339
12 R.L.D.S. Auditorium	4,442,400	253,769
Total	<u>109,566,319</u>	<u>\$5,818,828</u>
Percent of Total Retail Billed Sales	10.5%	7.6%

July 2001 - June 2002

	<u>kWh</u>	<u>Revenue</u>
1 Simon Properties Group	17,450,184	\$946,861
2 Thomas J. Lipton Co.	20,574,000	900,817
3 Commercial Distribution Center	16,090,800	810,446
4 Burd & Fletcher	12,586,800	591,535
5 Price Chopper (Noland Road)	7,151,280	368,908
6 Independence Regional Health Center	6,601,800	364,208
7 Price Chopper (23rd Street)	6,534,900	333,125
8 City's Rock Creek Sanitary Sewer Plant	5,448,000	328,094
9 R.L.D.S. Auditorium	4,876,200	276,022
10 Medical Center of Independence	5,436,600	273,072
11 Wal-Mart Stores, Inc.	4,691,100	254,724
12 Hy-Vee Food Stores	4,083,300	211,723
Total	<u>111,524,964</u>	<u>\$5,659,535</u>
Percent of Total Retail Billed Sales	11.1%	8.0%

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

	Total kWh Over 24 Months	Total Revenue Over 24 Months
1 Simon Properties Group	34,046,393	1,874,803
2 Thomas J. Lipton Co.	41,899,200	1,860,465
3 Commercial Distribution Center	32,191,200	1,654,439
4 Burd & Fletcher	24,377,400	1,175,201
5 Independence Regional Health Center	13,009,500	735,847
6 Price Chopper (Noland Rd.)	13,714,800	725,936
7 City's Rock Creek Sanitary Sewer Plant	10,924,800	693,018
8 Price Chopper (23rd Street)	13,142,700	682,395
9 Medical Center of Independence	10,770,290	551,264
10 R.L.D.S. Auditorium	9,318,600	529,791
11 Wal-Mart Stores, Inc.	9,035,700	510,063
12 Costco Wholesale Inc.	7,809,600	452,016
Total	<u>220,240,183</u>	<u>\$11,445,238</u>
Percent of Total Retail Billed Sales	10.8%	7.8%

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>
1999	69,173,245	46,068,740	23,104,505	3,095,463 (3)	7.46
2000	70,349,124	50,390,860	19,958,264	2,919,760	6.84
2001	81,965,004	57,618,481	24,346,523	2,903,835	8.38
2002	73,930,488	52,142,313	21,788,175	2,918,860	7.46
2003	77,932,974	56,701,449	21,231,525	2,914,570	7.28

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

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

(3) Includes \$819,878 for interest due on 12/1/98 for the 1989 bonds which were refunded and replaced by a 1998 issue of bonds on 12/1/98.

Employee Relations

As of June 30, 2003 the Department had 206 full-time positions, of which 141 are hourly personnel and 65 are salaried personnel engaged in Production, Transmission, Distribution, Engineering, Administration, and Support Services.

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

The current Memorandum of Agreement between the City and the IBEW provides for annual wage increases and working conditions effective November 1, 2001, and thereafter until October 31, 2004.

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.

The water system includes 38 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 697 miles of water main ranging in size from 4 inches to 36 inches, and six storage facilities with capacity totaling 10 million gallons. These facilities provide water service to approximately 46,860 customers on a retail basis, and resale (wholesale) water service to 11 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.

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

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, and other administrative services. For fiscal year 2003, the Department was billed \$1,482,371 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 2003, the City's Power & Light and Water Pollution Control Departments were billed \$1,047,996 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 20 years. Mr. Montgomery holds a BSCE 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.

Duane A. Wheaton - Customer Service Manager. Mr. Wheaton has been with the City for 38 years and was appointed Customer Service Manager in September of 1986.

Karen L. Kelley - Water Production Manager. Ms. Kelley was appointed Water Production Manager in October of 1991 and has been with the Department for 22 years. Ms. Kelly 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.

Denne L. Roe - Water Distribution/Engineering Manager. Mr. Roe has been with the City for 29 years and was appointed Water Distribution/Engineering Manager in October 1989. Mr. Roe holds a BSCE degree from the University of Missouri at Rolla. He is a Registered Professional Engineer in the state of Missouri and holds a Distribution III 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. Thirty-seven 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, and finally in 1992 to its current capacity of 42 million gallons per day (mgd). An additional 6 mgd expansion to the plant is underway with substantial completion expected January 2005. 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	7	Chlorine
Capacity, ea, mgd	6	Average, ppd
Settling Basins		Range, ppd
Number	5	Ammonia
Capacity, ea, mgd	8.4	Average, ppd
Filters		Range, ppd
Number	14	Phosphate
Capacity, ea, mgd	3	Average, ppd
Chemicals		Range, ppd
Lime		
	Average, ppd	56,000
	Range, ppd	48,000 - 95,000

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, 39th Street, or I-435 and Truman Road Pumping Stations.

Piping: The Department had, at the end of fiscal year 2003, approximately 697 miles of piping ranging in size from 4 inches to 36 inches. The majority of the system mains are 6 inches in diameter. The distribution system piping leaving the treatment plant has a capacity of 42 MGD.

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 15 pumps with an operating head of 505 feet and capacity of 2,100 gpm and 2 pumps with an operating head of 505 feet and capacity of 4,200 gpm. All of these high service pumps will be replaced, with the plant expansion, with 5 pumps with an operating head of 525 feet and capacity of 8300 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 2,500 gpm pumps and one 1750 gpm pump. Each pump can be remotely controlled from the Courtney Bend WTP or manually controlled from within the pumping station.

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

The Crysler Booster Pumping Station has two electric, 150 gpm, automatic pumps designed to maintain system pressure at 30 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, by a pressure meter at the high spot in the system, which is located at Highway 40 and Blue Ridge. The signal is then transferred back to the Courtney Bend WTP.

In addition to the five main pump stations, a sixth pumping station located at I-435 and Truman Road can supply water from Kansas City, Missouri through an existing emergency interconnect. This station is only used in the event of an emergency and has not been needed in the last ten (10) years.

Storage: The City of Independence Water Department currently has six 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 predominant 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. Provisions are available to fill these reservoirs locally by the use of a timer or manual operation of the valving on the fill lines. The following summarizes the characteristics of the storage facilities:

North Main Elevated Tank		Van Horn Storage Reservoir	
Capacity, MG	0.5	Capacity, MG	2.0
Diameter, ft	50	Diameter, ft	135
Height to HWL, ft	39.3	Height to HWL, ft	20
	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 to HWL, ft	53
	130 ft. above ground		
		39th Street Storage Reservoir	
		Capacity, MG	5.0
		Diameter, ft	130
		Height, ft	50

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. The I-435 and Truman Road interconnection has a 3,400 gpm booster pump that can be operated from the Water Department's mobile generator unit.

Support Facilities

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

Two interconnected buildings located at Truman and Forest contain the bulk of the service, maintenance, and construction force. The Service building contains primary facilities such as workshops for servicing, cleaning, and repairing meters, as well as a garage area for maintenance and cleaning of department vehicles. The second building, the Construction/Maintenance building, has

a garage area, workshop area, and storage area. A storage yard for miscellaneous pieces of materials and equipment is located adjacent to these buildings.

Maintenance

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

Financial Data

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

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

Customers Served: As shown in the following table, the number of customers served by the Water Department totaled 46,873 as of June 30, 2003. 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, and Lafayette County PWSD No. 1.

The number of customers served increased at a moderate rate over the 3 year period 2000 to 2003. The annual growth rate from 2000 to 2003 was 0.89 percent, which is consistent with the long term annual growth rate of 0.92 percent from 1985 to 2003.

Historical Customers, Water Sales, and Revenues

Customer Classification	Year Ended June 30			
	2000	2001	2002	2003
Residential	42,558	42,832	43,194	43,606
Commercial	2,749	2,763	2,831	2,883
Industrial **	8	7	7	7
Public Authority	58	56	57	57
Resale *	13	13	13	13
Private Fire Protection	263	274	292	307
Total	45,649	45,945	46,394	46,873

Water Sales - 1,000 Gallons

Residential	3,318,523	3,187,628	3,184,556	3,423,739
Commercial	938,581	943,195	934,386	1,012,654
Industrial	202,940	188,229	234,901	293,440
Public Authority	62,987	64,231	66,757	87,533
Resale	4,379,477	4,424,543	4,662,076	4,259,744
Private Fire Protection	NA	NA	NA	NA
Total	8,902,508	8,807,826	9,082,676	9,077,110

Water Sales - \$

Residential	7,777,844	7,552,382	7,543,113	8,046,353
Commercial	2,014,589	2,032,338	2,025,449	2,185,099
Industrial	225,018	215,619	256,478	324,228
Public Authority	123,779	124,919	131,219	169,383
Resale	4,131,174	4,165,235	4,378,138	4,302,002
Private Fire Protection	42,182	42,886	45,153	46,624
Public Fire Protection	545,244	565,561	583,390	588,636
Other Sales	230,047	238,155	228,375	221,551
Total	15,089,877	14,937,095	15,191,315	15,883,876

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

** One (1) of the six customers has 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	1,936,725	\$1,979,115
Blue Springs	981,384	1,010,979
District #2, Jackson County	294,511	287,374
District #1, Lafayette County	246,781	240,941
Oak Grove	230,334	224,939
Grain Valley	180,919	176,463
District #15, Jackson County	134,060	131,269
Buckner	104,494	102,085
Sugar Creek	63,233	63,246
District #17, Jackson County	59,591	58,213
Lake Tapawingo	27,712	27,378
	<u>4,259,744</u>	<u>\$4,302,002</u>

Large Consumption Water Customers

Customer Name	Water Sales (1,000 Gallons)	Water Sales (Dollars)
Lipton Tea	126,146	\$132,830
Lafarge Corporation	99,894	\$115,398
Independence Regional Health	23,913	\$26,903
Commercial Distribution	18,549	\$19,831
Tandum/QCA	15,812	\$17,175
Independence Center	9,126	\$12,091
	<u>293,440</u>	<u>\$324,228</u>

* Lipton Tea has two (2) meter connections.

Water Sales Volume: Total water sales volumes increased at an annual growth rate of 0.65 percent from 2000 to 2003. During the 4 year period, wholesale customers purchased approximately 49.42 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, increased approximately 1.75 percent from 2000 to 2003. Because wholesale customers pay a lower rate than retail customers, water sales revenues do not increase proportionate to water sales volumes. Water rates during the three year period were those which became effective October 1, 1990.

Reported water sales revenues include a gross receipts tax of 9.08 percent on all water sales inside the

city limits. The gross receipts tax is collected by the Water Department and transferred to the General Fund as a Payment In Lieu of Taxes.

Operation and Maintenance Expenses: Operation and maintenance expenses for the period 2000 to 2003 are shown in the following table.

Historical Operation and Maintenance Expense

Description	Year Ended June 30			
	2000	2001	2002	2003
	\$	\$	\$	\$
Source of Supply				
Operations	187,921	202,110	235,168	290,221
Maintenance	159,958	313,361	313,354	348,617
Total Source of Supply	347,879	515,471	548,522	638,838
Power and Pumping				
Operations				
Fuel/Power Purchased	961,018	1,059,654	1,030,094	1,113,424
Other	177,820	191,384	188,451	194,309
Maintenance	66,006	42,407	46,823	75,506
Total Power and Pumping	1,204,844	1,293,445	1,265,368	1,383,239
Water Treatment				
Operations				
Chemicals	593,686	579,129	685,597	812,493
Other	492,101	592,126	572,155	578,411
Maintenance	864,403	305,040	405,573	354,214
Total Water Treatment	1,950,190	1,476,295	1,663,325	1,745,118
Transmission & Distribution				
Operations	943,755	1,102,557	1,052,805	1,133,405
Maintenance	1,125,836	1,609,839	1,416,183	1,495,752
Total Transmission & Distribution	2,069,591	2,712,396	2,468,988	2,629,157
Customer Accounting & Collection				
Operations	874,597	862,349	930,513	866,224
Sales Promotion				
Operations	73,521	76,809	81,262	106,435
Administrative & General				
Operations				
Outside Services Employed	938,869	825,543	867,455	833,662
Employee Pensions & Benefits	845,428	939,551	1,050,834	1,146,109
Other	1,018,916	1,027,024	1,022,114	1,126,414
Maintenance	76,275	15,877	20,105	14,181
Total Administrative & General	2,879,488	2,807,995	2,960,508	3,120,366
Subtotal Operations Expense	7,107,632	7,458,236	7,716,448	8,201,107
Subtotal Maintenance Expense	2,292,478	2,286,524	2,202,038	2,288,270
Total Operation & Maintenance Expense	9,400,110	9,744,760	9,918,486	10,489,377

D e

bt 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 three years are summarized in the following table for purposes of determining the debt service coverage ratio. As indicated, debt service coverage ratios during the past three years significantly exceeded the 125 percent requirement.

Historical Debt Service Coverage

	Year Ended June 30			
	2000	2001	2002	2003
	\$	\$	\$	\$
Revenues				
Operating Revenues	15,073,939	14,925,210	15,224,353	15,937,835
Interest Income	1,495,069	1,239,734	748,185	274,786
Other Income	87,294	102,351	96,406	135,744
Total Revenues	16,656,302	16,267,295	16,068,944	16,348,365
Expenses				
Operations	7,107,632	7,458,236	7,716,448	8,201,107
Maintenance	2,292,479	2,286,523	2,202,038	2,288,270
Federal Retirement Taxes	256,225	273,367	281,138	298,957
Total Operating Expenses	9,656,336	10,018,126	10,199,624	10,788,334
Gross Receipts Tax (PILOT)	911,346	898,924	896,170	954,717
Total Expenses	10,567,682	10,917,050	11,095,794	11,743,051
Revenues Available for				
Debt Service Coverage	6,999,966	6,249,169	5,869,320	5,560,031
Debt Service				
Revenue Bond Interest	1,585,560	1,561,920	1,527,809	1,489,510
Revenue Bond Expenses	73,046	90,401	73,285	73,087
Revenue Bond Principal	850,000	900,000	985,000	1,070,000
Certificates of Participation Interest	-	-	-	-
Certificates of Participation Principal	-	-	-	-
Total Debt Service to be Covered	2,508,606	2,552,321	2,586,094	2,632,597
Debt Service Coverage Ratio:				
Revenue Bonds	279%	245%	227%	211%
All Debt	279%	245%	227%	211%

Proposed Capital Improvement Program: The Water Department annually develops a six-year capital improvement program. Additional information regarding the Capital Improvements Program for fiscal years 2003 through 2008 can be found in Part V of this document.

The proposed capital improvement program for the next three years primarily reflects planned rehabilitation and replacement of water system components. The program also includes expansion of the Courtney Bend Water Treatment Plant and the construction of a new transmission main will commence in fiscal year 2003 and will be completed in fiscal year 2004. The estimated cost of the expansion is \$18,800,000 and the transmission main is \$8,250,000.

Employee Relations

The Department currently has 96 full-time positions, of which 70 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 Steelworkers Local No. 13558 or Service Employees International Union, Local No. 96. There have been no work stoppages, slow downs or strikes.

The current Memorandum of Agreement between the City and the Steelworkers is under negotiation. The current Memorandum of Agreement between the City and the Service Employees International Union provides for annual wage increases and working conditions effective May 1, 2001, and thereafter until April 30, 2004.

The City complies with its statutory duty to meet and confer with the Steelworkers Local No. 13558 and Service Employees International Union, Local No. 96 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 565 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. The department performs over 100 repair projects a year. In addition, Water Pollution Control administers rehabilitation projects each year to correct problems of aging or over loaded sewers (some of the City's sewers are over 100

years old). The Department operates and maintains the City's wastewater treatment plant, a secondary biological treatment facility that treats 10 million gallons per day and incinerates solids removed from the waste stream.

The Department also maintains the City's separate storm water sewers and catch basins, which convey runoff from yards, parking lots and streets to the natural waterways that flow throughout the City. There are approximately 300 miles of storm water sewers in the City. Though not as deep as sanitary sewers, storm sewers require constant repair and cleaning due to the impact of the midwest's weather conditions. In addition to the daily repair and cleaning, the department performs sampling and testing of storm water and enforces the City's storm water management program for compliance with the nation's recent storm water regulations. There are 45 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) Wastewater Treatment; 3) Collection System Maintenance; 4) Environmental Compliance Testing.

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

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

Collection System Maintenance Division - The Collection System Maintenance Division is responsible for maintenance and repair of the 565 miles of sanitary sewers and approximately 300 miles of storm water collection system.

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

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 2003, the Department was billed \$901,869 by the City for City provided services.

Management

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

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

Dick Champion Jr., Director, was appointed in 1983 and has over 33 years of experience in his field. Mr. Champion holds a B.S. in Political Science from Central Missouri State

University, a Missouri Class 'A' Wastewater Operator's License, and a Class 'A' Collection System Operator's license.

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

Don Shannon, Collection Systems Superintendent, was appointed in 1986. He has been with this Division since 1970 and was previously employed by a private sewer construction company. He holds a Class 'C' Collection System 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.

Dorris Bender, Environmental Compliance Manager, was appointed to this position in 1992. She holds a M.S. in Environmental Health Science from the University of Kansas and a Missouri Class 'A' Wastewater Operator's license.

Collection System

The public collection system is maintained by the Sanitary Sewer Maintenance Division (SMD). The Division's 33 employees maintain over 2.9 million feet of sewer line from 8 inches to 48 inches in diameter. Additionally, there are over 12,000 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 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 wastewater flows to Kansas City, and a minor portion of Kansas City's wastewater flows to Independence. Additionally, the entire City of Sugar Creek's wastewater flows to the Rock Creek Plant.

The collection system is in considerably better condition today than just a few years ago. The improved condition has been the result of enforcement activity to eliminate infiltration and inflow, as well as the repair and replacement of sewer lines and manholes. An additional 12 employees are dedicated to the cleaning and repairing of the 300 miles of storm water sewers, catch basins, and culverts.

Wastewater Treatment

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

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

The treatment plant was dedicated in 1979. A significant amount of equipment has completed life expectancy and has been replaced or rehabilitated according to planning schedules.

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

Environmental Compliance Testing Division

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

Financial Data

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

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

Customers Served: As shown on the following table, the number of customers served by the Sanitary Sewer Department totaled 43,264 as of June 30, 2003. The number of customers served increased at a moderate rate over the 3 year period 2000 to 2003. The annual growth rate from 2000 to 2003 was .83 percent.

Historical Customers, Usage, and Revenues

<u>Customer Classification</u>	<u>2000</u>	<u>Year Ended June 30</u>		
		<u>2001</u>	<u>2002</u>	<u>2003</u>
Number of Customers				
Residential	38,712	39,034	39,381	39,751
Commercial	3,482	3,453	3,475	3,493
Contract Sales	15	21	22	20
Total	42,209	42,508	42,878	43,264
Usage - 100 Cubic Feet				
Residential	2,860,163	2,959,300	2,924,414	2,962,129
Commercial	1,802,752	1,930,595	1,799,932	1,747,531
Total	4,662,915	4,889,895	4,724,346	4,709,660
Revenue \$				
Residential	7,898,920	8,015,061	8,037,051	8,144,267
Commercial	3,998,924	4,024,645	3,872,212	3,941,123
Contract Sales	244,525	336,586	220,675	144,178
Intermunicipal Agreements	410,490	405,826	406,253	398,121
Other Revenues	101,528	102,317	101,406	101,388
Total	12,654,387	12,884,435	12,637,597	12,729,077

Large Volume Customers

<u>Customer Name</u>	<u>Sales (1,000 Gallons)</u>	<u>Sales (Dollars)</u>
Thomas J. Lipton, Co.	93,285	\$659,068
AMOCO	39,190	129,785
City of Indep, Power & Light	53,542	74,566
Indep. Regional Health Center	22,850	46,388
Simon Properties Group	21,088	43,117
Commercial Distribution	9,609	19,005
	239,564	\$971,929

Usage Volume: Total usage volumes increased from 2000 to 2003 due to an increase in the number of customers. The annual growth rate was .33 percent due to an increase in the number of customers and increased water consumption. Usage volumes are shown in the previous table.

Revenues: As shown in the previous table, revenues increased approximately 0.20 percent annually from 2000 to 2003. The slight increase in customers and water consumption contributed to the small increase in 2002 and 2003.

Operations and Maintenance Expenses: Operations and maintenance expenses for the period 2000 to 2003 are shown on the following table.

Historical Operation and Maintenance Expense

<u>Description</u>	<u>Year Ended June 30</u>			<u>2003</u>
	<u>2000</u>	<u>2001</u>	<u>2002</u>	
Collection	1,513,305	1,433,962	1,555,741	1,714,172
Laboratory Services	166,564	172,500	150,986	177,856
Treatment & Disposal	5,153,761	5,400,817	5,381,446	5,418,170
Administrative & General	1,643,836	1,886,180	1,811,836	2,143,286
Total Operations & Maintenance	8,477,466	8,893,459	8,900,009	9,453,484

Proposed Capital Improvement Program: The Water Pollution Control Department annually develops a six-year capital improvement program. The proposed 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 years 2003 through 2008 can be found in Part IV of this document.

Employee Relations

The Department currently has 81 full time positions, of which 53 are hourly personnel engaged in Collection, Wastewater Treatment, and Environmental Compliance, and 28 are Administrative or Supervisory Personnel.

Hourly employees at the Department are represented by the Service Employees International Union (SEIU) Local 96. There have been no work stoppages, slow downs, or strikes.

The current Memorandum of Agreement between the City and the SEIU provides for annual wage increases and working conditions effective May 1, 2001, and thereafter until April 30, 2004.

PART IV - OPERATING BUDGET - SUMMARY

The following page is a summary of the City's Operating Budget for the current year.

CITY OF INDEPENDENCE, MISSOURI 2003-2004 Operating Budget Summary of Sources and Uses by Fund and Fund Type

	Special Revenue Funds					
	General Fund	Tourism Fund	CDBG/HOME Funds	Street Sales Tax Fund	Parks Sales Tax Fund	Storm Water Sales Tax Find
Sources:						
Undesignated Fund Balance						
Designated Fund Balance	1,350,883					
Estimated Revenues	59,516,206	748,658	1,399,000	6,615,307	2,977,686	4,453,921
Consolidation Adjustments-						
Interfund Charges for Support Ser.		(10,000)				
Internal Service Fund Charges						
Transfers In-						
From Other Funds						
Total Sources	60,867,089	738,658	1,399,000	6,615,307	2,977,686	4,453,921
Uses:						
Operating Budgets-						
City Council	407,979					
City Clerk	421,637					
City Manager	764,224					
Tourism		604,209				
National Frontier Trails Center	330,435					
Technology Services	1,584,938					
Municipal Court	632,208					
Law	596,847					
Finance	1,552,038					
Human Resources	458,924					
Community Development	2,193,638		285,507			
Police	17,767,000					
Fire	12,749,442					
Health	2,416,116					
Water						
Public Works	6,415,787					
Water Pollution Control	295,397					1,222,565
Parks and Recreation	2,290,778				850,767	
Power and Light						
Non-Departmental	6,542,334					
Debt Service/Lease Purchase	106,569					
Capital Outlay/Budget	1,796,830					
Consolidation Adjustments-						
Interfund Charges for Support Ser.		(10,000)				
Internal Service Fund Charges						
Total Operating Budgets	59,323,121	594,209	285,507	5,385,000	3,395,767	2,675,565
Transfers Out-						
Desig. for Capital & Grant Projects	1,350,883	85,000	1,113,493			
To Other Funds	193,085		-	7,500	2,500	5,000
To Capital Project Funds	-					
Total Uses	60,867,089	679,209	1,399,000	5,392,500	3,398,267	2,680,565
Transfer To(From) Undesignated Fund Balance/Retained Earnings	-	59,449	-	1,222,807	(420,581)	1,773,356

CITY OF INDEPENDENCE, MISSOURI
2003-2004 Operating Budget
Summary of Sources and Uses by Fund and Fund Type

	Special Revenue	Enterprise Funds			Internal Service Funds	Grand Total All Funds
	Fund Cont'd License Surcharge (Excise Tax)	Power & Light Fund	Sanitary Sewer Fund	Water Fund		
Sources:						
Undesignated Fund Balance						-
Designated Fund Balance						-
Estimated Revenues	904,826	79,376,718	12,867,303	16,793,350	12,195,069	197,848,044
Consolidation Adjustments-						
Interfund Charges for Support Ser.		(2,342,900)	(854,300)	(1,483,300)		(4,690,500)
Internal Service Fund Charges					(12,195,069)	(12,195,069)
Transfers In-						
From Other Funds		163,284	136,305	21,624		321,213
Total Sources	904,826	77,197,102	12,149,308	15,331,674	-	181,283,688
Uses:						
Operating Budgets-						
City Council						407,979
City Clerk						421,637
City Manager				67,315		831,539
Tourism						604,209
National Frontier Trails Center						330,435
Technology Services		66,702				1,651,640
Municipal Court						632,208
Law						596,847
Finance						1,552,038
Personnel						458,924
Community Development						2,479,145
Police						17,767,000
Fire						12,749,442
Health						2,416,116
Water				10,904,470		10,904,470
Public Works					1,159,853	7,575,640
Water Pollution Control			8,995,152			10,513,114
Parks and Recreation						3,141,545
Power and Light		60,135,390				60,135,390
Non-Departmental		13,369,234	2,583,320	3,452,391	11,035,216	36,982,495
Debt Service/Lease Purchase		2,822,110	-	2,661,235		5,589,914
Capital Outlay/Budget		8,125,000	1,453,000	3,546,000		24,303,830
Consolidation Adjustments-						
Interfund Charges for Support Ser.		(2,342,900)	(854,300)	(1,483,300)		(4,690,500)
Internal Service Fund Charges					(12,195,069)	(12,195,069)
Total Operating Budgets	-	82,175,536	12,177,172	19,148,111	-	185,159,988
Transfers Out-						
Desig. for Capital & Grant Projects						2,549,376
To Other Funds						208,085
To Capital Project Funds						-
Total Uses	-	82,175,536	12,177,172	19,148,111	-	187,917,449
Transfer To(From) Undesignated Fund Balance/Retained Earnings:	904,826	(4,978,434)	(27,864)	(3,816,437)		

PART V - CAPITAL IMPROVEMENTS PLAN - SUMMARY

The following pages are a summary of the City's Capital Improvements Plan.

**Proposed Capital Improvement Program
2003-2004 through 2008-2009**

	Funding Source	Project Cost					
		2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Community Improvements							
Van Hook Softball Renovation	PRST	300,000	300,000				
Athletic/Sports Complex	PRST		100,000	300,000	500,000	500,000	500,000
Park Picnic Shelter and Restroom Rehabilitation	PRST	250,000					
Family Aquatics Center & Water Playgrounds	PRST	500,000	1,000,000	1,500,000	1,300,000	1,300,000	1,300,000
I-70 Landscaping-Crysler to Noland & LB Pkwy	STP	150,000					
I-70 Landscaping-Crysler to Noland & LB Pkwy	GTIF						
Infrastructure Repairs-Various Park Sites	PRST	100,000					
Palmer Senior Adult Recreation Center	PRST	600,000	900,000				
Park Maintenance, Security & Inspection-Mobile Equipmt	PRST	110,000	150,000	150,000	150,000	150,000	150,000
Park Maintenance/Security-Security Lighting & Tree Trimming	PRST	50,000					
Park Revitalization	PRST	385,000	470,000	770,000	770,000	770,000	770,000
Rock Creek Multi-Use Center	PRST		200,000	400,000	400,000	400,000	400,000
Transit Center and Commuter Parking	CMAQ						
Transit Center and Commuter Parking	GTIF	120,000	100,000				
Transit Center and Commuter Parking	STP		400,000				
Walking Trails & Bicycle Paths - Various Park Sights	PRST	250,000					
Community Improvements Total		2,815,000	3,620,000	3,120,000	3,120,000	3,120,000	3,120,000
Street & Bridges Improvements							
23rd & Hy-Vee Dr. Intersection Improvements	SST		60,000	20,000	485,000		
24 Hwy & Wilson Rd. Intersection Improvements	SST		20,000	10,000		125,000	
Bundschu Bridge	SST		100,000		1,750,000		
Crackneck Culvert	SST	100,000	50,000		800,000		
Liberty and Jones Culvert	SST	50,000		370,000			
Main Street Bridge	SST		50,000		1,050,000		
Noland Road Bridge	SST		400,000				
Noland Road Bridge	SSP		2,000,000				
Northern Blvd Bridge (s. of 24th)	SST		50,000		860,000		
Sante Fe Rd/McCoy (23rd-31st)	SST	100,000		1,430,000			
Strode Rd Bridge	SST	50,000		250,000			
Vermont Culvert	SST		50,000		760,000		
Street & Bridges Improvements Totals		300,000	2,780,000	2,080,000	5,705,000	125,000	0
Page Totals		3,115,000	6,400,000	5,200,000	8,825,000	3,245,000	3,120,000

**Proposed Capital Improvement Program
2003-2004 through 2008-2009**

	Funding Source	Project Cost					
		2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Street Improvements							
23rd St & Chrysler Intersection Improvements	SST					220,000	
23rd St & Maywood Ave Intersection Improvements	SST					220,000	
23rd St & Noland Turn Lanes	SST	30,000	20,000	215,000			
32nd & Noland Turn Lane	SST	40,000		20,000	275,000		
39th & Noland Median Improvements	SST		20,000	20,000	85,000		
39th St & Blue Ridge Intersection Improvements	SST		220,000				
39th St & Chrysler Intersection Improvements	GTIF		220,000				
39th St-Lee's Summit Rd to Phelps Rd	SST	1,600,000					
39th St-Lee's Summit Rd to Phelps Rd	GTIF	280,000					
39th St-Noland Rd to Chrysler Ave	GTIF				350,000	1,450,000	390,000
39th St-Phelps Rd to Noland Rd	STP		960,000				
39th St-Phelps Rd to Noland Rd	GTIF		270,000				
40 Hwy (US) & Chrysler Intersection Improvements	SST		220,000				
Blue Ridge Blvd & Blue Ridge Cut Off Inters. Improvem	SST		30,000	10,000	200,000		
Eureka & Orenshaw Intersection Improvements	SST	40,000	20,000	255,000			
Hidden Valley Rd-M291 to RDMze Rd	Excise Tax	1,100,000					
Holke & Necessary Rd Intersection Improvements	SST	60,000		20,000	380,000		
Jones Rd & Truman Rd Intersection Improvements	SST		20,000	150,000		125,000	
Landscaping West Side of Noland Rd from 31st to 35th E	GTIF	10,000					
Lee's Summit Rd & 24 Hwy Intersection Improvements	SST		220,000				
Lee's Summit Rd & 24 Hwy Intersection Improvements	SST		240,000				
Lexington St & Walnut Intersection Improvements	SST	40,000	20,000	235,000			
Main & Walnut Signal Improvements	SST		30,000	195,000			
Median Improvements	SST	275,000	275,000				
ND Match for Street Improvements	GTIF			120,000	110,000	110,000	110,000
Sterling Ave & Truman Rd Intersection Improvements	SST					220,000	
Street Overlay Program03-04	SST	3,650,000					
Street Overlay Program04-05	SST		3,700,000				
Street Overlay Program05-06	SST			3,700,000			
Street Overlay Program06-07	SST				3,700,000		
Street Overlay Program07-08	SST					3,700,000	
Truman Rd & Liberty St Intersection Improvements	SST		220,000				
Truman Rd Widening-M291 to Swope Dr	GTIF	190,000					
Truman Rd Widening-M291 to Swope Dr	STP	400,000	1,600,000				
Winner & Ash Signal Improvements	SST	10,000	35,000				
Street Improvements Totals		7,725,000	8,340,000	4,940,000	5,100,000	6,045,000	500,000
General Infrastructure Improvements							
Critical Sidewalks	GTIF			75,000	75,000	75,000	75,000
General Infrastructures Improvements Totals		-	-	75,000	75,000	75,000	75,000

**Proposed Capital Improvement Program
2003-2004 through 2008-2009**

	Funding Source	Project Cost					
		2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Facility Improvements							
Contact Basin No.2-Drive Replacement	WATER			300,000			
Little Blue Parkway-Phase IV, RD Mze Rd to 39th St	WATER		800,000				
Plant Improvement-Clean North Sludge Lagoon	WATER		90,000				
Plant Improvement-Replace Filter Valve Operator Cylinders	WATER		20,000				
Plant Improvement-Replace Well Starters & Circuit Breakers	WATER	50,000					
Plant Improvement-Vertical Wells in North Well Field	WATER	530,000		546,000			
Settling Basin No. 5 Drive Replacement	WATER						100,000
Settling Basin No.'s 1&2 Drive Replacement	WATER					200,000	
Settling Basin No.'s 3 & 4 Drive Replacement	WATER				200,000		
USGS Riverbank Filtration Study	WATER	110,000	75,000	55,000			
Facility Improvements Total		690,000	985,000	901,000	200,000	200,000	100,000
Water Improvements							
39th St. Main Replacement, Nland to Lee's Summit Rd.	WATER	750,000					
Crysler Avenue Main Replacement- 31st to 23rd St.	WATER	600,000					
Little Blue Parkway - Phase II	WATER					3,157,000	
Main Replacement - City Streets	WATER	200,000	200,000	200,000	200,000	200,000	200,000
Security Upgrades	WATER	500,000	500,000	500,000	500,000	500,000	500,000
Small Main Replacement Program	WATER	606,000	606,000	606,000	606,000	606,000	606,000
Truman Rd. Main Replacement, M291- Swope Dr.	WATER	200,000					
Water Improvements Totals		2,856,000	1,306,000	1,306,000	1,306,000	4,463,000	1,306,000

**Proposed Capital Improvement Program
2003-2004 through 2008-2009**

	Funding Source	Project Cost					
		2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Storm Water							
10422 Sheley Road	SWST	102,000					
1416 Crane Buyout	SWST		75,000				
18th Street & Hardy Avenue	SWST	205,000					
3918 S Forest Buyout	SWST			150,000			
44th Street & Phelps Road	SWST	409,000					
Bellevista Neighborhood Drainage	SWST		70,000	350,000			
Bellevista-Leslie Culvert @Linwood	SWST	25,000	50,000				
Chapel Road & 59th Street Watershed Studies	SWST		90,000				
Coopers Addition-South & Mill Drainage	SWST		90,000				
Cottage Detention Basin Rehabilitation	SWST		50,000				
Crysler Meadows-W30th St Drainage	SWST	33,000					
East 24th Street & South Harris Avenue	SWST	254,000					
Eden Park-Crane St Drainage	SWST				40,000	170,000	
Elison Place-Elisonway Drainage	SWST			90,000			
Gendale-Queen Ridge Drainage	SWST	75,000	400,000				
Gendridge Subdivision-W26th St Drainage	SWST			56,000			
Lee's Summit Rd to 4-H Rd	SWST		100,000	400,000			
Maywood Subdivision-19th & Cedar	SWST			100,000	900,000		
Queen City Acres-Pacific & Ellisonway	SWST			100,000			
Salisbury Detention Basin	SWST	60,000	250,000				
South Osage Acres Drainage	SWST	35,000	80,000				
StormSewer Future Projects	SWST			80,000	480,000	1,110,000	1,300,000
StormWater Construction Contingency	SWST	150,000	120,000	49,000	80,000	220,000	200,000
Tapawingo Watershed Study	SWST	75,000					
Timbercreek-Pollard St Culvert	SWST	30,000	50,000				
Wundurvue-Blue Ridge & Arlington	SWST		25,000	75,000			
StormWater Totals		1,453,000	1,450,000	1,450,000	1,500,000	1,500,000	1,500,000
Public Safety Improvements							
Fire Station 3 (Englewood) Reconstruction	GTIF			500,000	875,000		
Fire Station 4 (23rd St.) Reconstruction	GTIF						1,500,000
Fire Station 7 (M-291) Replacement & Land Acquisition	GTIF	751,500	1,010,500				
Public Safety Improvements Totals		751,500	1,010,500	500,000	875,000	-	1,500,000

**Proposed Capital Improvement Program
2003-2004 through 2008-2009**

	Funding Source	Project Cost					
		2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Power & Light Fund:							
Asbestos Abatement - Missouri City	F&L Fund		475,000				
Blue Valley Unit 1 Boiler Tube Wall Replacement	F&L Fund		1,100,000				
Blue Valley Unit 1 Turbine Overhaul	F&L Fund	900,000					
Blue Valley Unit 2 Turbine Overhaul	F&L Fund	900,000					
Blue Valley Unit 3 Generator Rewind	F&L Fund	700,000					
Burner Management System- Missouri City	F&L Fund	800,000					
H-5 Combustion Turbine Overhaul	F&L Fund		800,000				
H-6 Combustion Turbine Overhaul	F&L Fund		800,000				
I-3 Combustion Turbine Overhaul	F&L Fund			800,000			
New Substation - Southeast Independence	F&L Fund	1,000,000	2,000,000	1,000,000			
Power Production Future Improvements	F&L Fund			2,000,000	2,000,000	2,000,000	2,000,000
Production Plant Upgrades & Improvements	F&L Fund	750,000					
RCT - Turbine Inspection/Overhaul	F&L Fund	1,200,000					
Service Center Facility Improvements	F&L Fund	875,000					
T&D Overhead Improvements and Additions	F&L Fund	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
T&D Substations Improvements and Additions	F&L Fund		500,000	500,000	1,500,000	1,500,000	1,500,000
T&D Underground Improvements and Additions	F&L Fund	500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Power & Light Totals		8,125,000	8,175,000	6,800,000	6,000,000	6,000,000	6,000,000

**Proposed Capital Improvement Program
2003-2004 through 2008-2009**

	Funding Source	Project Cost					
		2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Sanitary Sewer							
11600 East 6th Terrace	Sewer Fund		118,000				
2000 South Ash Street	Sewer Fund		103,000				
23rd Street & Hall Road	Sewer Fund		23,000	82,000			
44th Street, Noland Road to Dover Drive	Sewer Fund				85,000	445,000	
711 Northern Boulevard	Sewer Fund		102,000				
East South Avenue & Leslie Street	Sewer Fund		136,000				
Fairland Street & Brookside Avenue Design	Sewer Fund		29,000	115,000			
Flow Monitoring Structures	Sewer Fund				360,000		
North Kiger Road & Morgan Road Design	Sewer Fund	53,000	198,000				
Sanitary Sewer Evaluation Survey-Various Watersheds	Sewer Fund		180,000	90,000	90,000	90,000	90,000
Simmott Circle	Sewer Fund		40,000	179,000			
Trenchless Technology	Sewer Fund	1,000,000	1,500,000	2,000,000	2,000,000	2,000,000	2,000,000
Truman, Crescent to Brookside	Sewer Fund						83,000
White Oak, Chrysler & Willis	Sewer Fund						56,000
Sanitary Sewer Totals		1,053,000	2,429,000	2,466,000	2,535,000	2,535,000	2,229,000

**Proposed Capital Improvement Program
2003-2004 through 2008-2009**

	Funding Source	Project Cost					
		2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Water Pollution Control Improvements							
Ash Pumps	Sewer Fund				77,000		
Automatic Bar Screen Remover	Sewer Fund					375,000	
Building Air Compressors	Sewer Fund				51,000		
Building Boiler Replacement	Sewer Fund						125,000
Buildings Roof Repair	Sewer Fund	120,000					
By- Pass Pumps & Motors - Rock Creek Pump Station	Sewer Fund			283,000			
Clarifier Rehabilitation	Sewer Fund		235,000				
Continuous Emissions Monitoring System	Sewer Fund						200,000
Degritting System Replacement	Sewer Fund					268,000	
Fuel Tank Improvements	Sewer Fund	85,000					
Heat Exchangers	Sewer Fund		150,000				
Incinerator Rehabilitation	Sewer Fund				258,000		
Incinerator Screw Feeders/Drives	Sewer Fund			175,000			
Lift Stations-Pumps, Motors, Screening	Sewer Fund		75,000				
Odor Control Improvements	Sewer Fund	130,000					
Polymer Pump (3) Replacement	Sewer Fund	65,000					
Primary Thickener Basin Rehabilitation	Sewer Fund			110,000			
Rock Creek Pump Station - Pumps and Motors	Sewer Fund				283,000		
Steam Generator Replacement	Sewer Fund						100,000
Storm Water Clarifier Improvements	Sewer Fund		75,000				
Sub-Station Transformers/Switch Gear Replacement	Sewer Fund						412,000
Treatment Processes Floor Resurfacing	Sewer Fund			50,000			
Wet Air Oxidation Grinders Replacement	Sewer Fund			50,000			
Wet Air Oxidation Process Rehabilitation	Sewer Fund						265,000
Water Pollution Control Totals		400,000	535,000	668,000	669,000	643,000	1,102,000
Fiscal Year Totals:		26,168,500	30,630,500	24,306,000	27,085,000	24,706,000	17,432,000

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 co-ordinate 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 rue 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.
Department -	A major administrative division of the City that has management responsibility for an operation or a group of related operations within a functional area.
Designated Fund Balance-	An account used to show that a portion of fund balance was segregated for a specific purpose. The account is not legally restricted and is therefore available for general appropriation.
Discount -	The amount by which the purchase price of a security is less than the principal amount or par value.
Due Diligence -	The investigation undertaken to make sure that a proposed security offering follows the purpose and scope outlined by the enabling legislation, statutes, and bond resolution of the issuer, and that the project is financially and economically sound so that the principal and interest will be paid on time.
Encumbrances -	Obligations in form of purchase orders, contracts or salary commitments that are chargeable to an appropriation and that an appropriation is restricted. They cease to be encumbrances when paid or when an actual liability is created.
Enterprise Fund -	Separate financial accounting used for government operations that are financial and operated in a manner similar to private sector operations. Enterprise funds

for the City are Power & Light, Sanitary Sewer and Water.

- Estimated Revenue -** The amount of projected revenue to be collected during the fiscal year.
- Expenditure -** This term refers to the outflow of funds paid or to be paid for an asset obtained or goods and services obtained despite when the expense occurs. This term applies to all funds. Note: An encumbrance is not an expenditure. An encumbrance reserves funds to be expended.
- Financial Advisor -** A consultant who provides advice to public jurisdictions on the size, structure, timing, method of sale, terms, and other matters related to the planning and execution of municipal financings.
- Full Disclosure -** The publication and distribution of all pertinent information relating to an issuer and the securities being offered by that issuer. This information is conveyed to potential investors through the Official Statement of the issuer.
- Fiscal Year -** The period signifying the beginning and ending period for recording financial transactions. The Charter specifies July 1 to June 30 as the fiscal year.
- Fund -** An independent fiscal and accounting entity with a self-balancing set of accounts recording cash or other resources with all related liabilities, obligations, reserves, and equities that are segregated to carrying on specific activities or attaining certain objectives.
- Fund Balance -** The Fund Balance is the excess of a governmental fund's assets over its liabilities. A negative fund balance is a deficit.
- General Fund -** The largest governmental fund, the General Fund accounts for most of the financial resources of the general government. General Fund revenues include property taxes, licenses and permits, local taxes, service charges, and other types of revenue. This fund usually includes most of the basic operating services, such as fire and police protection, finance, data processing, parks and recreation, public works and general administration.

General Obligation Bonds -	A bond secured by the pledge of the issuer’s full faith, credit and taxing power.
Gross Debt -	The sum total of an issuer’s debt obligations.
Gross Spread -	The dollar difference between the amount the issuer receives for its securities and the amount that the investors pay for those securities; the gross revenue accruing to the underwriters of a security prior to any costs or expenses.
Indenture -	The formal agreement between a group of bondholders, acting through a trustee, and the issuer, specifying the terms and conditions of a bond offering.
Interest Rate -	The percentage rate at which the bond bears interest. Interest is generally payable semiannually.
Internal Service Funds -	Proprietary funds used to account for the furnishing of goods or services by one department or agency to other departments or agencies on a cost-reimbursement basis; for example, the Central Garage.
Issuer -	A state, political subdivision, agency, or authority that borrows money through the sale of bonds or notes.
Lease Revenue Bond -	A bond secured by a lease agreement and rental payments from a public agency (lessee) to another (lessor). Lease payments are typically made from revenue sources including general fund, enterprise fund or user fees. The lessor and issuer of the bonds may be a city, county, non-profit corporation, redevelopment agency, joint powers authority, parking authority, etc. The title reverts to lessee after bonds are retired.
Legal Opinion -	An opinion concerning the validity of a securities issue with respect to statutory authority, constitutionality, procedural conformity, and usually the exemption of interest from Federal income taxes. The legal opinion is usually rendered by a law firm recognized as specializing in public borrowing, often referred to as “bond counsel.”
Maturity -	The date when the principal amount of a security becomes due and payable.
Millage -	A rate (as of taxation) expressed in mils per dollar (0.01%).

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

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

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

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

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

Net Interest Cost - The traditional method of calculating bids for new issues of municipal securities. The NIC takes into account the total amount of interest paid out over the life of the bonds and any premium or discount bid by the underwriter. The NIC is expressed in both a dollar amount and in a percentage rate.

Net Revenue - Gross revenues less operating and maintenance expenses.

Non-Callable Bond- A bond that cannot be called to redemption before its specified maturity date.

Notes - Short-term promises to pay specified amounts of money secured by future revenues from specific sources such as bond proceeds, taxes, and federal and state aid payments. They are typically named by the types of revenues expected (Bond Anticipation Notes - BANs, Tax Anticipation Notes - TANs, Revenue Anticipation Notes - RANs, etc.).

Notice of Sale - An official document disseminated by an issuer of municipal securities that gives pertinent information regarding an upcoming bond issue, and invites bids from prospective underwriters.

Object of

- Expenditure -** Expenditure classifications based upon the types or categories of goods and services purchased. Objects of expenditures are:
 * 100 - Personal Services (salaries and wages);
 * 200 - Services (utilities, maintenance contracts, travel)
 * 300 - Supplies;
 * 400 - Capital (automobiles, trucks, computers)
- Objective -** A program objective is an operationalized statement of a program goal, containing specific descriptions of desired results. An objective states a result in which the achievement is measurable within a given time frame and cost parameter. Objectives usually contain verbs such as “increase,” “reduce,” or “maintain.”
- Official Statement -** A comprehensive statement issued by a governmental entity prior to the sale of its bonds or notes that contains all the salient facts concerning the issuer, the issuer’s financial condition, the security pledged for the securities being offered, the projected use of the proceeds of the sale, and other facts deemed necessary to enable the investor to judge the quality of the securities being offered. Also known as the Disclosure Statement.
- Original Issue Discount -** The difference between par value (the face value of the bond) and the original public offering price which will be tax-exempt income to the bondholder if held to maturity.
- Parity Debt -** With respect to a bond issue, securities issued or to be issued with equal and ratable claim on the same underlying security and source of payment for debt service.
- Paying Agent -** The place where the principal and interest of a municipal bond or note is payable, usually a designated bank, trust company or the issuer’s Treasurer’s Office.
- Per Capital 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.

