CITY OF INDEPENDENCE, MISSOURI

Continuing Disclosure Statement

(SEC) Rule 15c2-12

Fiscal Year Ending
June 30, 2008

Independence
All-America City
2001

CITY OF INDEPENDENCE, MISSOURI

Continuing Disclosure Statement
(SEC) Rule 15c2-12

For Fiscal Year Ending
June 30, 2008

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, 2008 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	4.25	11/1/2008	453725AL7
2	4.35	11/1/2009	453725AM5
3	4.5	11/1/2010	453725AN3
4	4.6	11/1/2011	453725AP8
5	4.7	11/1/2012	453725AQ6
6	4.8	11/1/2013	453725AR4
7	4.85	11/1/2014	453725AS2
8	4.95	11/1/2015	453725AT0
9	5	11/1/2016	453725AU7

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

Line	Coupon	Matures	CUSIP
1	4.4	6/1/2009	453650LK7
2	4.5	6/1/2010	453650LL5
3	4.6	6/1/2011	453650LM3
4	4.7	6/1/2012	453650LN1
5	4.75	6/1/2013	453650LP6
6	4.8	6/1/2014	453650LQ4

Missouri State Development Finance Board Infrastructure, Hartman Heritage Center Project Series 2000A, April 1, 2000 (Refunded May 1, 2007):

Line	Coupon	Matures	CUSIP
1	5.2	4/1/2009	60636CCK3
2	5.55	4/1/2012	60636CCN7
3	5.875	4/1/2020	60636CCW7

Missouri State Development Finance Board Infrastructure, Eastland Center Project Phase 1 Series 2000A, May 1, 2000 (Refunded May 1, 2007):

Line	Coupon	Matures	CUSIP
1	5.75	4/1/2009	60636CDU0
2	5.8	4/1/2010	60636CDV8
3	5.75	4/1/2012	60636CDX4

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

Line	Coupon	Matures	CUSIP
1	5.6	6/1/2010	60636CEH8

Missouri State Development Finance Board Infrastructure, Eastland Center Project Phase II Series 2000B, November 1, 2000 (Refunded May 1, 2007):

Line	Coupon	Matures	CUSIP
1	6	4/1/2015	60636CEV7
2	5.875	4/1/2017	60636CEW5
3	6	4/1/2021	60636CEX3

Missouri State Development Finance Board Infrastructure, Santa Fe Redevelopment Project Series 2001, August 1, 2001 (Refunded May 1, 2007):

Line	Coupon	Matures	CUSIP
1	4.3	4/1/2009	60636CFF1
2	4.4	4/1/2010	60636CFG9
3	5.5	4/1/2011	60636CFH7
4	5.5	4/1/2012	60636CFJ3
5	5.5	4/1/2013	60636CFK0
6	5.25	4/1/2014	60636CFL8
7	5.25	4/1/2015	60636CFM6
8	5.25	4/1/2017	60636CFN4
9	5.25	4/1/2023	60636CFP9

Missouri State Development Finance Board Infrastructure, Capital Improvements Series 2001, August 1, 2001:

Line	Coupon	Matures	CUSIP
1	4.3	6/1/2009	60636CFX2
2	4.4	6/1/2010	60636CFY0

Missouri State Development Finance Board Infrastructure, Eastland Center Project Phase III Series 2001, November 1, 2001 (Refunded May 30, 2007):

Line	Coupon	Matures	CUSIP
1	4	4/1/2009	60636CGU7
2	4.1	4/1/2010	60636CGV5
3	4.2	4/1/2011	60636CGW3
4	4.875	4/1/2012	60636CGX1
5	4.875	4/1/2013	60636CGY9
6	4.875	4/1/2014	60636CGZ6
7	4.875	4/1/2015	60636CHA0
8	4.875	4/1/2016	60636CHB8
9	5.25	4/1/2017	60636CHC6
10	5.25	4/1/2018	60636CHD4
11	5.25	4/1/2019	60636CHE2
12	5.25	4/1/2020	60636CHF9
13	5.25	4/1/2021	60636CHG7

Missouri State Development Finance Board Infrastructure, Eastland Center Project Phase IV Series 2002, November 1, 2002 (Refunded May 30, 2007):

Line	Coupon	Matures	CUSIP
1	3.625	4/1/2009	60636CHZ5
2	3.875	4/1/2010	60636CJA8
3	4	4/1/2011	60636CJB6
4	4.1	4/1/2012	60636CJC4
5	4.75	4/1/2013	60636CJD2
6	4.75	4/1/2014	60636CJE0
7	4.75	4/1/2015	60636CJF7
8	4.75	4/1/2016	60636CJG5
9	4.75	4/1/2017	60636CJH3
10	5.125	4/1/2018	60636CJJ9
11	5.125	4/1/2019	60636CJK6
12	5.125	4/1/2020	60636CJL4
13	5.125	4/1/2021	60636CJM2
14	5.125	4/1/2022	60636CJN0

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

Line	Coupon	Matures	CUSIP
1	3	6/1/2009	453650LW1
2	3.5	6/1/2010	453650LX9
3	3.5	6/1/2011	453650LY7
4	3.45	6/1/2012	453650LZ4
5	3.55	6/1/2013	453650MA8
6	3.65	6/1/2014	453650MB6

Missouri State Development Finance Board Infrastructure, Hartman Heritage Center Project Series 2003, September 1, 2003:

Line	Coupon	Matures	CUSIP
1	2.875	4/1/2009	60636CKK4
2	3.25	4/1/2010	60636CKL2
3	3.5	4/1/2011	60636CKM0
4	5	4/1/2012	60636CKN8
5	5	4/1/2013	60636CKP3
6	5	4/1/2014	60636CKQ1
7	5	4/1/2015	60636CKR9
8	5	4/1/2016	60636CKS7
9	5	4/1/2017	60636CKT5
10	5	4/1/2018	60636CKU2
11	5	4/1/2019	60636CKV0
12	5	4/1/2020	60636CKW8
13	5	4/1/2021	60636CKX6

Missouri State Development Finance Board Infrastructure, Neighborhood Improvement District/Noland Road and Englewood, May 15, 2004:

Line	Coupon	Matures	CUSIP
1	5	3/1/2009	453632GU9
2	5	3/1/2010	453632GV7
3	4.75	3/1/2011	453632GW5
4	4.5	3/1/2012	453632GX3
5	5	3/1/2013	453632GY1
6	5	3/1/2014	453632GZ8
7	5	3/1/2015	453632HA2
8	5.25	3/1/2016	453632HB0
9	5.25	3/1/2017	453632HC8
10	5.25	3/1/2018	453632HD6
11	5.25	3/1/2019	453632HE4

Missouri State Development Finance Board Infrastructure, Truman Memorial Building Restoration Refunding Series 2004, May 26, 2004:

Line	Coupon	Matures	CUSIP
1	4.125	10/1/2008	60636CML0
2	4.125	10/1/2009	60636CMM8

Missouri State Development Finance Board Infrastructure, Water Utility Revenue Bonds, June 1, 2004:

Line	Coupon	Matures	CUSIP
1	3.375	11/1/2008	60636CND7
2	3.375	11/1/2009	60636CNE5
3	3.5	11/1/2010	60636CNF2
4	3.625	11/1/2011	60636CNG0
5	5	11/1/2012	60636CNH8
6	5	11/1/2013	60636CNJ4
7	5	11/1/2014	60636CNN5
8	5	11/1/2015	60636CNP0
9	5	11/1/2017	60636CNQ8
10	4.5	11/1/2018	60636CNR6
11	4.6	11/1/2019	60636CNK1
12	5	11/1/2024	60636CNL9

Missouri State Development Finance Board Infrastructure, Neighborhood Improvement District/Fall Drive, September 13, 2004:

Line	Coupon	Matures	CUSIP
1	5.375	3/1/2009	453632HK0
2	5.75	3/1/2010	453632HL8
3	5.75	3/1/2011	453632HM6
4	5.75	3/1/2012	453632HN4
5	5.75	3/1/2013	453632HP9
6	5.75	3/1/2014	453632HQ7
7	5.5	3/1/2015	453632HR5
8	5.5	3/1/2016	453632HS3
9	5.5	3/1/2017	453632HT1
10	5.5	3/1/2018	453632HU8
11	5.5	3/1/2019	453632HV6
12	5.875	3/1/2020	453632HW4
13	5.875	3/1/2021	453632HX2
14	5.875	3/1/2022	453632HY0
15	5.875	3/1/2023	453632HZ7
16	5.875	3/1/2024	453632JA0

Missouri State Development Finance Board Infrastructure, Aquatics Center, December 1, 2004:

Line	Coupon	Matures	CUSIP
1	5	8/1/2008	60636CPM5
2	4	2/1/2009	60636CPN3
3	5	8/1/2009	60636CPP8
4	5	2/1/2010	60636CPQ6
5	5	8/1/2010	60636CPR4
6	3.6	2/1/2011	60636CPS2
7	3.625	8/1/2011	60636CPT0
8	3.75	2/1/2012	60636CPU7
9	3.75	8/1/2012	60636CPV5
10	3.875	2/1/2013	60636CPW3

Missouri State Development Finance Board Infrastructure, Public Safety Series A, March 1, 2005:

Line	Coupon	Matures	CUSIP
1	5	3/1/2009	60636CRQ4
2	5	3/1/2010	60636CRR2
3	5	3/1/2011	60636CRS0
4	5	3/1/2012	60636CRT8
5	5	3/1/2013	60636CRU5
6	5	3/1/2014	60636CRV3
7	5.25	3/1/2015	60636CRW1

Missouri State Development Finance Board Infrastructure, Drumm Farm Series B, March 1, 2005:

Line	Coupon	Matures	CUSIP
1	4	3/1/2009	60636CSA8
2	4	3/1/2010	60636CSB6
3	4.5	3/1/2015	60636CSC4
4	4.625	3/1/2020	60636CSD2

Missouri State Development Finance Board Infrastructure, Crackerneck Creek Series C, March 1, 2005:

Line	Coupon	Matures	CUSIP
1	4	3/1/2009	60636CSE0
2	5	3/1/2010	60636CSF7
3	5	3/1/2011	60636CSG5
4	4	3/1/2012	60636CSH3
5	4	3/1/2013	60636CSJ9
6	4.125	3/1/2014	60636CSK6
7	4.25	3/1/2015	60636CSL4
8	4.375	3/1/2016	60636CSM2
9	5.25	3/1/2019	60636CSN0
10	5	3/1/2023	60636CSP5
11	5	3/1/2026	60636CSQ3

Missouri State Development Finance Board Infrastructure, Streets and Bridges, May 1, 2005:

Line	Coupon	Matures	CUSIP
1	4	10/1/2008	60636CSX8
2	4	4/1/2009	60636CSY6

Missouri State Development Finance Board Infrastructure, Crackerneck Creek Series A, March 15, 2006:

Line	Coupon	Matures	CUSIP
1	5.45	3/1/2011	60636CTK5
2	5.75	3/1/2016	60636CTL3
3	6	3/1/2021	60636CTM1
4	6	3/1/2026	60636CTN9

Missouri State Development Finance Board Infrastructure, Crackerneck Creek Series B, March 15, 2006:

Line	Coupon	Matures	CUSIP
1	5.79	3/1/2011	60636CTP4
2	5.79	3/1/2016	60636CTQ2
3	5.79	3/1/2021	60636CTR0
4	5.79	3/1/2026	60636CTS8

Missouri State Development Finance Board Infrastructure, Crackerneck Creek Series C, March 15, 2006:

Line	Coupon	Matures	CUSIP
1	5	3/1/2028	60636CTJ8

Missouri State Development Finance Board Infrastructure, Drumm Farm Series B, March 15, 2006:

Line	Coupon	Matures	CUSIP
1	4	3/1/2009	60636CTV1
2	4	3/1/2010	60636CTW9
3	4	3/1/2011	60636CTZ2
4	4.125	3/1/2012	60636CUA5
5	4.375	3/1/2013	60636CUB3
6	4.5	3/1/2014	60636CUC1
7	4.5	3/1/2015	60636CTX7
8	4.5	3/1/2016	60636CUD9
9	4.625	3/1/2020	60636CTY5

Missouri State Development Finance Board Infrastructure, Street Improvements, December 12, 2006:

Line	Coupon	Matures	CUSIP
1	4.25	3/1/2009	60636CVB2

Missouri State Development Finance Board Infrastructure, Parks Improvements, December 12, 2006:

Line	Coupon	Matures	CUSIP
1	4.25	3/1/2009	60636CUW7
2	4.25	3/1/2010	60636CUX5
3	4.25	3/1/2011	60636CUY3
4	4.25	3/1/2012	60636CUZ0
5	4.25	3/1/2013	60636CVA4

Missouri State Development Finance Board Infrastructure, Centerpoint, December 12, 2006:

Line	Coupon	Matures	CUSIP
1	4.25	3/1/2009	60636CVC0
2	4.25	3/1/2010	60636CVD8
3	4.25	3/1/2011	60636CVE6
4	4.25	3/1/2012	60636CVF3
5	4.25	3/1/2013	60636CVG1
6	4.25	3/1/2014	60636CVH9
7	4.25	3/1/2015	60636CVJ5
8	4.25	3/1/2016	60636CVK2
9	4	3/1/2021	60636CVL0
10	4.125	3/1/2028	60636CVM8

Missouri State Development Finance Board Infrastructure, Eastland Refunding Series 2007A, May 30, 2007:

Line	Coupon	Matures	CUSIP
1	5	4/1/2009	60636CVP1
2	5	4/1/2010	60636CVQ9
3	5	4/1/2011	60636CVR7
4	5	4/1/2012	60636CVS5
5	4	4/1/2013	60636CVT3
6	4.125	4/1/2014	60636CVU0
7	4.25	4/1/2015	60636CVV8
8	5	4/1/2016	60636CVW6
9	5	4/1/2017	60636CVX4
10	5	4/1/2018	60636CVY2
11	5	4/1/2019	60636CVZ9
12	5	4/1/2020	60636CWA3
13	5	4/1/2021	60636CWB1
14	4.5	4/1/2022	60636CWC9

Missouri State Development Finance Board Infrastructure, Hartman Heritage Refunding Series 2007B, May 30, 2007:

Line	Coupon	Matures	CUSIP
1	4	4/1/2009	60636CWE5
2	4	4/1/2010	60636CWF2
3	4	4/1/2011	60636CWG0
4	4	4/1/2012	60636CWH8
5	4	4/1/2013	60636CWJ4
6	4.125	4/1/2014	60636CWK1
7	4.125	4/1/2015	60636CWL9
8	4.25	4/1/2016	60636CWM7
9	4.25	4/1/2017	60636CWN5
10	5	4/1/2018	60636CWP0
11	5	4/1/2019	60636CWQ8
12	5	4/1/2020	60636CWR6

Missouri State Development Finance Board Infrastructure, Santa Fe Refunding Series 2007C, May 30, 2007:

Line	Coupon	Matures	CUSIP
1	5.45	4/1/2009	60636CWT2
2	5.41	4/1/2010	60636CWU9
3	5.42	4/1/2011	60636CWV7
4	5.465	4/1/2012	60636CWW5
5	5.515	4/1/2013	60636CWX3
6	5.646	4/1/2014	60636CWY1
7	5.696	4/1/2015	60636CWZ8
8	5.746	4/1/2016	60636CXA2
9	5.796	4/1/2017	60636CXB0
10	6.096	4/1/2018	60636CXC8
11	6.096	4/1/2019	60636CXD6
12	6.096	4/1/2020	60636CXE4
13	6.096	4/1/2021	60636CXF1
14	6.096	4/1/2022	60636CXG9
15	6.096	4/1/2023	60636CXH7

Missouri State Development Finance Board Infrastructure, Drumm Farm Series 2007D, May 30, 2007:

Line	Coupon	Matures	CUSIP
1	4	4/1/2009	60636CXK0
2	4	4/1/2010	60636CXL8
3	4	4/1/2011	60636CXM6
4	4	4/1/2012	60636CXN4
5	4	4/1/2013	60636CXP9
6	4.25	4/1/2014	60636CXQ7
7	4.25	4/1/2015	60636CXR5
8	4.25	4/1/2016	60636CXS3
9	4.25	4/1/2017	60636CXT1
10	4.5	4/1/2018	60636CXU8
11	4.5	4/1/2019	60636CXV6
12	4.5	4/1/2020	60636CXW4

Missouri State Development Finance Board Infrastructure, Centerpoint Series 2007E, June 28, 2007:

Line	Coupon	Matures	CUSIP
1	5	4/1/2009	60636CXX2
2	5	4/1/2010	60636CXY0
3	5	4/1/2011	60636CXZ7
4	5	4/1/2012	60636CYA1
5	5	4/1/2013	60636CYB9
6	5	4/1/2014	60636CYC7
7	5	4/1/2015	60636CYD5
8	5	4/1/2016	60636CYE3
9	5	4/1/2017	60636CYF0
10	5	4/1/2018	60636CYG8
11	5	4/1/2019	60636CYH6
12	5	4/1/2020	60636CYJ2
13	5	4/1/2021	60636CYK9
14	5.125	4/1/2025	60636CYL7
15	5.125	4/1/2027	60636CYM5
16	4.75	4/1/2028	60636CYN3

Missouri State Development Finance Board Infrastructure, Crackerneck Creek Series 2008A, February 19, 2008:

Line	Coupon	Matures	CUSIP
1	4.3	3/1/2011	60636CA25
2	4.85	3/1/2012	60636CA33
3	4.95	3/1/2013	60636CA41
4	5.15	3/1/2014	60636CA58
5	5.25	3/1/2015	60636CA66
6	5.6	3/1/2016	60636CA74
7	5.7	3/1/2017	60636CA82

Missouri State Development Finance Board Infrastructure, Crackerneck Creek Series 2008B, February 19, 2008:

Line	Coupon	Matures	CUSIP
1	4	3/1/2017	60636CZE2
2	4.25	3/1/2018	60636CZF9
3	4.25	3/1/2019	60636CZG7
4	5.125	3/1/2020	60636CZH5
5	5.125	3/1/2021	60636CZJ1
6	5.125	3/1/2022	60636CZK8
7	5	3/1/2023	60636CZL6
8	5	3/1/2024	60636CZM4
9	5	3/1/2025	60636CZN2

Missouri State Development Finance Board Infrastructure, Eastland Center Series 2008C, February 19, 2008:

Line	Coupon	Matures	CUSIP
1	4	4/1/2012	60636CZP7
2	4	4/1/2013	60636CZQ5
3	4	4/1/2014	60636CZR3
4	4	4/1/2015	60636CZS1
5	4	4/1/2016	60636CZT9
6	4	4/1/2017	60636CZU6
7	4.25	4/1/2018	60636CZV4
8	4.25	4/1/2019	60636CZW2
9	5.125	4/1/2020	60636CZX0
10	5.125	4/1/2021	60636CZY8
11	5.125	4/1/2022	60636CZZ5

Missouri State Development Finance Board Infrastructure, Events Center Series 2008D, April 1, 2008:

Line	Coupon	Matures	CUSIP
1	4	10/1/2009	60636CA90
2	4	4/1/2010	60636CB24
3	4	10/1/2010	60636CB32
4	4	4/1/2011	60636CB40
5	4	10/1/2011	60636CB57
6	4	4/1/2012	60636CB65
7	4	10/1/2012	60636CB73
8	4	4/1/2013	60636CB81
9	4	10/1/2013	60636CB99
10	4.25	4/1/2014	60636CC23
11	4.25	10/1/2014	60636CC31
12	4.375	4/1/2015	60636CC49
13	4.375	10/1/2015	60636CC56
14	4.5	4/1/2016	60636CC64
15	4.5	10/1/2016	60636CC72
16	5	4/1/2017	60636CC80
17	5	10/1/2017	60636CC98
18	5	4/1/2018	60636CD22
19	5	10/1/2018	60636CD30
20	5	4/1/2019	60636CD48
21	5	10/1/2019	60636CD55
22	5	4/1/2020	60636CD63
23	5.375	10/1/2020	60636CD71
24	5.375	4/1/2021	60636CD89
25	5.375	10/1/2021	60636CD97
26	5.375	4/1/2022	60636CE21
27	5.375	10/1/2022	60636CE39
28	5.375	4/1/2023	60636CE47
29	5.375	10/1/2023	60636CE54
30	5.625	4/1/2028	60636CE62
31	5.75	4/1/2033	60636CE70
32	5.75	4/1/2038	60636CE88

Missouri State Development Finance Board Infrastructure, Drumm Farm Series 2008E, April 23, 2008:

Line	Coupon	Matures	CUSIP
1	3.25	3/1/2009	60636CE96
2	3.25	3/1/2010	60636CF20
3	3.25	3/1/2011	60636CF38
4	3.25	3/1/2012	60636CF46
5	4.25	3/1/2013	60636CF53
6	4.25	3/1/2014	60636CF61
7	4.25	3/1/2015	60636CF79
8	4.25	3/1/2016	60636CF87
9	4.25	3/1/2017	60636CF95
10	4.75	3/1/2018	60636CG29
11	4.75	3/1/2019	60636CG37
12	4.75	3/1/2020	60636CG45
13	4.75	3/1/2021	60636CG52
14	5	3/1/2022	60636CG60

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:

Council Members	Occupation	Term
Don B. Reimal, Mayor	Retired	2010
Marcie Gragg	Church Leader	2008
Will Swoffer	Retired	2008
Myron Paris	Retired	2008
Jim Page	Retired	2008
Lucy Young	Administrative Assistant	2010
Jim Schultz	Insurance Agent	2010

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Robert Heacock was appointed as City Manager in September 2004, after serving as Acting City Manager since March 2004. 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. B. Allen Garner was appointed to this position in May 2003.

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 (31.75%); managerial and professional (26.66%); production, transportation, and material moving (16.90%); service, craft, and repair occupations (24.57%); and farming (0.12%).

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, 2007 and 2008 was $5,763,388 and $4,813,003, respectively.

Insurance

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

The City purchases all-risk property insurance from Hartford Steam Boiler Insurance Company, Associated Electric and Gas Insurance Services, 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. Risks covered include property damage, flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The all-risk property insurance coverage is subject to a $50,000 per occurrence deductible, except for a $2,500,000 per occurrence deductible at the Blue Valley and at the Missouri City power generating plants and a $1,500,000 per occurrence deductible at electrical substations.

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 $2,500,000 per occurrence deductible for the Blue Valley and Missouri power generating facilities and a $1,500,000 per occurrence deductible at electrical substations.

The City purchases general liability, public officials' liability, and third party automobile liability insurance coverage from the Missouri Public Entity Risk Management Fund (MOPERM). The MOPERM policies provides the City with $2,418,992 in coverage for all claims arising out of a single accident or occurrence and $362,849 for any one person in a single accident or occurrence, subject to a $25,000 general liability deductible, a $25,000 public officials deductible and a $100,000 deductible for third party automobile liability. The City obtains collision and comprehensive coverage for Fire Trucks and leased vehicles through MOPERM. The City self-insures its vehicles for collision and comprehensive coverage.

The City purchases excess liability insurance coverage from One Beacon Insurance Company. This policy provides an additional $1,000,000 in liability insurance above each of MOPERM's liability coverage lines for claims that are not subject to the State's Sovereign Immunity Statute. This policy also provides an additional $4,000,000 excess layer of coverage on a combined basis over MOPERM's liability insurance coverage.

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, 2008.

Revenue Debt

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

	Balance Payable
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	$10,940,000
$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%.	3,520,000
Less deferred loss on refunding	(1,305,248)
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	25,085,000

$14,785,000 Water Utility Revenue Bonds - Series 2004, principal due in annual installments of $490,000 to $1,105,000 through November 1, 2024, interest at approximately 3.375% to 5% callable at par	13,265,000
Events Center Fund:	
$12,325,000 Events Center Revenue Bonds – Series 2008, due in semi-annual installments of $30,000 to $410,000 through 2038, interest at 4.0% to 5.75%	12,325,000
	$63,829,752

Governmental Activities

On June 1, 2000, the City entered into a loan with the Missouri Development Finance Board in the amount if $530,000, due in annual installments of $40,000 to $65,000 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, 2008 was $130,000 plus interest. Restricted assets in the General Fund of $53,527 consist of funds available for costs related to this debt.

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 $160,000 to $215,000 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, 2008 was $415,000 plus interest. Of this amount, $269,484 is for the General Fund and $145,516 is for the Hartman Heritage TIF. Restricted assets in the General Fund of $171,261 consist of funds available for costs related to this debt.

On May 1, 2004, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $1,245,000 due in annual installments of $230,000 to $270,000 through June 1, 2009, and bearing interest at 2.25% to 4.25%. The proceeds will be used for the restoration of the Truman Memorial Building. The balance at June 30, 2008 was $270,000 plus interest.

On February 1, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $6,175,000 due in annual installments of $300,000 to $450,000 through February 1, 2013, and bearing interest at 3.0% to 5.0%. The proceeds are to be used for the building of the aquatics facility. The balance at June 30, 2008 was $4,120,000 plus interest.

On February 25, 2005, the City issued a $8,225,000 loan payable with the Missouri Development Finance Board, due in annual installments of $670,000 to $1,010,000 through March 1, 2015 and bearing interest at 4.0% to 5.25%. The proceeds of the bond issuance are to be used for public safety projects. The balance at June 30, 2008 was $6,135,000 plus interest.

On May 26, 2005, the City issued a $4,970,000 loan payable with the Missouri Development Finance Board, due in annual installments of $590,000 to $665,000 through April 1, 2009 and

bearing interest at 3.25% to 4.0%. The proceeds of the bond issuance are to be used for street projects. The balance at June 30, 2008 was $1,315,000 plus interest.

On December 12, 2006, the City issued a $2,770,000 loan payable with the Missouri Development Finance Board, due April 2009 bearing interest at 4.25%. The proceeds of the bond issuance are to be used for street projects. The balance at June 30, 2008 was $2,770,000 plus interest.

On December 12, 2006, the City issued a $5,485,000 loan payable with the Missouri Development Finance Board, due in annual installments of $1,010,000 to $1,190,000 from April 1, 2009 through April 1, 2013 and bearing interest at 4.25%. The proceeds of the bond issuance are to be used for parks projects. The balance at June 30, 2008 was $5,485,000 plus interest.

Neighborhood Improvement District

On May 15, 2004, the City issued $995,000 Neighborhood Improvement Bonds for Noland Road and Englewood Improvements, due in annual installments of $55,000 to $85,000 through March 1, 2019 and bearing interest at 4.5% to 5.57%.

On August 17, 2005, the City issued $111,000 Neighborhood Improvement Bonds for Fall Drive Sanitary Sewer Improvements, due in annual installments of $5,000 to $6,000 through March 1, 2019 and bearing interest at 5.375% to 5.5%.

Discretely-Presented Component Unit (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. This loan was defeased during the 2007-2008 Fiscal Year.

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 $120,000, to $1,235,000 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. This loan was refunded during the 2006-2007 fiscal year.

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 $275,000, to $800,000 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. This loan was refunded during the 2006-2007 fiscal year.

On November 1, 2000, the City issued a $12,815,000 loan payable with the Missouri Development Finance Board, due in annual installments of $120,000 to $1,235,000 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. This loan was refunded during the 2006-2007 fiscal year.

On August 1, 2001, the City issued a $10,230,000 loan payable with the Missouri Development Finance Board, due in annual installments of $165,000 to $1,865,000 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. This loan was refunded during the 2006-2007 fiscal year.

On November 1, 2001, the City issued a $1,425,000 loan payable with the Missouri Development Finance Board, due in annual installments of $15,000 to $160,000 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. This loan was refunded during the 2006-2007 fiscal year.

On November 1, 2002, the City issued a $3,480,000 loan payable with the Missouri Development Finance Board, due in annual installments of $75,000 to $845,000 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. This loan was refunded during the 2006-2007 fiscal year.

On September 1, 2003, the City entered into a $8,715,000 loan payable with the Missouri Development Finance Board, due in annual installments of $135,000 to $2,675,000 through April 1, 2021 and bearing interest at 2.0% to 5.0%. The proceeds of the loan are to be used for costs related to redevelopment of the Hartman Heritage Shopping Center.

On February 25, 2005, the City entered into a $1,030,000 loan payable with the Missouri Development Finance Board, due in annual installments of $50,000 to $85,000 through March 1, 2020 and bearing interest at 3.0% to 4.5%. The proceeds of the loan are to be used for costs related to the Drumm Farm Project.

On February 25, 2005, the City entered into a $11,325,000 loan payable with the Missouri Development Finance Board, due in annual installments of $185,000 to $1,270,000 through March 1, 2026 and bearing interest at 4.0% to 5.0%. The proceeds of the loan are to be used for costs related to the Crackerneck Creek Project.

On March 30, 2006 the City entered into a $48,370,000 loan payable with the Missouri Development Finance Board, due in annual installments of $340,000 to $8,225,000 through March 1, 2026 and bearing interest at 5.3% to 6.0%. The proceeds of the loan are to be used for costs related to the Crackerneck Creek Project.

On March 30, 2006 the City entered into a $12,790,000 loan payable with the Missouri Development Finance Board, due in annual installments of $3,500,000 to $5,385,000 beginning March 1, 2026 through March 1, 2028 and bearing interest at 5.0%. The proceeds of the loan are to be used for costs related to the Crackerneck Creek Project.

On May 17, 2006, the City entered into a $1,590,000 loan payable with the Missouri Development Finance Board, due in annual installments of $70,000 to $170,000 through March 1, 2020 and bearing interest at 4.0% to 4.625%. The proceeds of the loan are to be used for costs related to the Drumm Farm Project.

On December 1, 2006, the City entered into a $4,980,000 loan payable with the Missouri Development Finance Board, due in annual installments of $120,000 to $445,000 through April 1, 2028 and bearing interest at 4.00% to 4.25%. The proceeds of the loan are to be used for costs related to the HCA – Center Point Project.

On May 1, 2007, the City entered into a $19,390,000 loan payable with the Missouri Development Finance Board, due in annual installments of $815,000 to $2,570,000 through April 1, 2022 and bearing interest at 4.00% to 5.00%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center Area.

On May 1, 2007, the City entered into a $10,330,000 loan payable with the Missouri Development Finance Board, due in annual installments of $555,000 to $1,060,000 through April 1, 2020 and bearing interest at 4.00% to 5.00%. The proceeds of the loan are to be used for costs related to redevelopment of the Hartman Heritage Shopping Center.

On May 1, 2007, the City entered into a $10,060,000 loan payable with the Missouri Development Finance Board, due in annual installments of $385,000 to $1,795,000 through April 1, 2023 and bearing interest at 5.41% to 6.096%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Sante Fe Area.

On May 1, 2007, the City entered into a $995,000 loan payable with the Missouri Development Finance Board, due in annual installments of $70,000 to $80,000 through April 1, 2020 and bearing interest at 4.00% to 4.5%. The proceeds of the loan are to be used for costs related to the Drumm Farm Project.

On June 1, 2007, the City entered into a $19,720,000 loan payable with the Missouri Development Finance Board, due in annual installments of $425,000 to $2,670,000 through April 1, 2028 and bearing interest at 4.75% to 5.125%. The proceeds of the loan are to be used for costs related to the HCA – Center Point Project.

On February 19, 2008, the City entered into a $5,035,000 loan payable with the Missouri Development Finance Board, due in annual installments of $280,000 to $925,000 through March 1, 2017 and bearing interest at 4.30% to 5.70%. The proceeds of the loan are to be used for costs related to the Crackerneck Creek Project.

On February 19, 2008, the City entered into a $7,920,000 loan payable with the Missouri Development Finance Board, due in annual installments of $615,000 to $1,635,000 through March 1, 2025 and bearing interest at 4.00% to 5.125%. The proceeds of the loan are to be used for costs related to the Crackerneck Creek Project.

On February 19, 2008, the City entered into an $8,000,000 loan payable with the Missouri Development Finance Board, due in annual installments of $370,000 to $2,515,000 through April 1, 2022 and bearing interest at 4.00% to 5.125%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center Area.

On April 23, 2008, the City entered into a $1,230,000 loan payable with the Missouri Development Finance Board, due in annual installments of $30,000 to $420,000 through March 1, 2022 and bearing interest at 3.25% to 5.00%. The proceeds of the loan are to be used for costs related to the Drumm Farm Project.

Restricted assets held by the Commission of $31,183,973 consist of funds available for costs related to the redevelopment of the Bolger Square, Crackerneck Creek, Drumm Farm, Hartman Heritage, Sante Fe, Eastland Center, and HCA areas.

Capital Leases

Capital leases payable at June 30, 2008, are comprised of the following:

Sun Trust Leasing, interest at 4.19% annual installments through July 2013. A lease to purchase a fire truck. The balance due at June 30, 2008 was $485,735.

IBM Corporation, interest at 4.057% monthly installments through April 2010. A lease to purchase an I Series 520 System along with other computer equipment. The balance due at June 30, 2008 was $86,196.

IBM Corporation, interest at 3.199% monthly installments through 2011. A lease to purchase an I Series System along with other computer equipment. The balance due at June 30, 2008 was $78,742.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

	Employer	Product/Service	Number of Employees
1	Alliant Tech Systems	Small Arms Ammunition	2,400
2	Independence School District	Public School District	1,800
3	Centerpoint Medical Center	Health Care	1,600
4	City of Independence	Local Government	1,176
5	Government Employee Hospital (GEHA)	Medical Ins. Service Center	550
6	Rosewood Health Center at the Groves	Retirement Community	400
7	Burd & Fletcher	Paper Carton Manufacturing	350
8	Unilever	Food Manufacturing	330
9	Jackson County Circuit Court	Judicial System	274
10	Mid-Continent Public Library	Library	248

Source: Independence Council for Economic Development and MARC.

General and Demographic Information

Population: The following tables set forth certain population information.

Year	City of Independence	Jackson County	State of Missouri
2003	114,345	661,774	5,718,717
2004	114,745	662,185	5,759,532
2005	115,146	662,959	5,800,310
2006	115,953	661,695	5,810,759
2007	116,359	664,655	5,870,906
2008*	109,159	665,821	5,911,870

*Estimated

Source: City's Community Development Department, Claritas,Inc, and Mid-America Regional Council.

Population Distribution by Age:

Age	City of Independence	Jackson County	State of Missouri
Age 0 - 4	7.11%	7.62%	6.62%
Age 5 - 9	6.73%	7.05%	6.46%
Age 10 - 14	6.39%	6.82%	6.66%
Age 15 - 20	7.28%	7.93%	8.60%
Age 21 - 24	4.52%	4.79%	5.45%
Age 25 - 34	12.16%	12.90%	13.15%
Age 35 - 44	13.56%	14.39%	13.52%
Age 45 - 54	14.83%	14.87%	14.62%
Age 55 - 59	6.63%	6.32%	6.30%
Age 60 - 64	5.54%	4.87%	5.03%
Age 65 - 74	7.73%	6.39%	7.01%
Age 75 - 84	5.36%	4.21%	4.57%
Age 85 and older	2.15%	1.83%	2.01%
Median Age	39.28	37.00	37.26
Average Age	39.18	37.28	38.03

Source: Claritas, Inc.

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

	2003	2004	2005	2006	2007	2008*
Kansas City MSA						
Total Labor Force	1,011,190	1,019,058	1,024,681	1,026,514	1,040,925	1,044,494
Unemployed	60,709	62,062	57,727	51,305	51,536	57,327
Unemployment Rate	6.0%	6.1%	5.6%	5.00%	5.00%	5.5%
Jackson County						
Total Labor Force	339,011	337,663	334,653	333,477	338,027	337,277
Unemployed	21,930	23,329	21,262	18,891	19,427	21,829
Unemployment Rate	6.5%	6.9%	6.4%	5.7%	5.7%	6.5%
State of Missouri						
Total Labor Force	2,979,187	2,985,686	2,996,836	3,016,211	3,031,187	3,028,854
Unemployed	165,616	171,725	160,482	144,878	152,788	178,225
Unemployment Rate	5.6%	5.8%	5.4%	4.8%	5.0%	5.9%

*Average estimated through July 2008.

Source: Mid-America Regional Council

Income Statistics

The following table sets forth estimated income statistics for 2008.

	Per Capita	Median Household
City of Independence	$22,638	$53,624
Jackson County	24,418	57,761
State of Missouri	23,651	55,380

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	35,407	70.69%
Single Attached	1,747	3.49%
Double	2,157	4.31%
3 to 19 Units	6,660	13.30%
20 to 49 units	1,014	2.02%
50 + Units	1,552	3.10%
Mobile Home	1,521	3.04%
All Other	27	0.05%
Total Units	50,085	100%

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas was, estimated for 2008, as follows:

	2008 Estimated Owner Occupied Median Value
City of Independence	$104,380
Jackson County	121,360
State of Missouri	125,899

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.

	2003	2004	2005	2006	2007
Residential					
Number of Permits	657	737	567	434	224
Estimated Cost	47,280,932	66,838,976	40,861,800	27,365,631	18,755,251
Non-Residential					
Number of Permits	186	188	150	180	119
Estimated Cost	50,594,507	32,069,290	52,568,560	74,867,315	36,840,594

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, 2008 was performed by Cochran Head Vick and Company, P.C. in Kansas City, Missouri. Copies of the audit reports for the past five years are on file in the City Clerk's Office and are available for review.

Property Valuations

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

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

The assessment ratio for personal property is generally 33 % of estimated market value. However, subclasses of tangible personal property are assessed at the following assessment

percentages: grain and other agricultural crops in an unmanufactured condition, ½%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%. The City does not levy a tax on personal property.

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

Current Assessed Valuation : The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City according to the assessment of January 1, 2007 (the last completed assessment).

	Assessed Valuation	Assessment Rate	Estimated Market Value
Real Estate:			
Residential	835,415,560	19%	4,396,924,000
Commercial	280,076,363	32%	875,238,634
Agricultural	1,092,071	12%	9,100,592
RR & Utilities	6,105,289	32%	19,079,028
Sub-Total	1,122,689,283		5,300,342,254
Personal Property*	289,243,271	33.30%	868,598,411
Total	$1,411,932,554		$6,168,940,666

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

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

Year	Assessed Valuation	Percent Change
2008	$1,411,932,554	0.8%
2007	$1,400,611,015	6.1%
2006	$1,319,902,510	2.0%
2005	$1,294,345,907	8.1%
2004	$1,197,742,533	2.3%
2003	$1,170,802,608	8.6%
2002	$1,078,098,132	3.4%
2001	$1,042,786,467	8.0%

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, 2007.

	Name of Taxpayer	Type	Local Assessed Valuation	Percentage of Total Local Assessed Valuation
1	Simon Property Group LP	Retail Center	$24,255,536	1.90%
2	DDR MDT Independence Commons	Retail Center	10,755,121	0.84%
3	Space Center	Underground Commercial	8,516,803	0.67%
4	Sprint Spectrum	Communications	7,591,371	0.60%
5	Unilever Bestfoods NA	Food Manufacturer	6,761,280	0.53%
6	Bradley Operating LTD PTP	Retail Center	6,046,633	0.47%
7	Burd & Fletcher	Paper Cartons	5,866,234	0.46%
8	Noland Fashion Square Partners	Retail Center	5,103,999	0.40%
9	MCI & Independence Regional	Health Care	4,758,831	0.37%
10	Southern Union Company	Utility	4,705,107	0.37%

Source: Jackson County Collection Department

PART III - DEPARTMENTS

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

UTILITIES

Public Utilities Advisory Board

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

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

Board Member	Term Expires
Blair L. Wildermuth	7/01/2012
Charles (Gene) McClellan	7/01/2012
Marvin Sturgeon	7/01/2009
Richard Franklin	7/01/2009
Robert Joe Miller	7/01/2010
Edward Van Compernolle	7/01/2010
Russell L. Stewart	7/01/2011

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, 2008, electric retail sales totaled 1,117,270 megawatt-hours (MWh). The maximum system peak load for the fiscal year ending June 30, 2008 of 308.4 megawatts (MW) occurred on August 14, 2007. The all-time maximum system peak load of 314.9 MW occurred on August 21, 2003.

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 220 budgeted full-time employees as of June 30, 2008.

> *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 2008, the Department was billed $2,705,481 by the other departments of the City for such support services. The Department also provides customer meter reading service to the City's Water and Water Pollution Control departments. For fiscal

year 2008, the Power and Light Department billed $769,390 for meter reading services to these other departments.

Management

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

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

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

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 a number of 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 30 years of electric power plant experience including 23 years in management at a power plant in Illinois and 3 years as a design engineer with a consulting engineering company.

James E. Franklin - Engineering Manager. Mr. Franklin was appointed Power Engineering Manager in January of 2008. He holds BSEE and MSEE degrees from the University of Missouri and an MBA degree from Rockhurst University. He has over 40 years experience in the energy industry, holding positions in engineering, management, and consulting.

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 35 years experience in the electric industry with 19 of those years in management and supervision. Prior to joining the Department, he worked 17 years for Illinois Power Company.

Gerald N. McReynolds- Support Services Manager. Mr. McReynolds joined the Department in October 2003. He holds a BA degree from the University of

Texas-El Paso, an AA-Accounting and BSBA in Accounting and Management from Missouri Western State College, and an MPA degree from the University of Missouri-Kansas City. Prior to joining the Department, he served for over twenty-one years in various leadership positions with Aquila, Inc. and served for seven years in the United States Air Force.

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 Department is a member.

In addition to its own generating capacity, the Department purchases capacity from Kansas City Power and Light (KCPL). Under the purchase agreement, the Department purchases 90 MW of capacity and associated energy from KCPL's Montrose generating station. The term of this purchase is through May 31, 2011 with certain provisions that allow the Department, at it sole option, to reduce or terminate the capacity purchase at any time after June 1, 2007.

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

In January 2004, the Department entered into a participation power agreement with Omaha Public Power District (OPPD). Under this agreement, the Department will purchase an 8.33% share (approximately 55 megawatts) of a new nominal 660 megawatt coal-fired baseload generating unit to be built at OPPD's existing Nebraska City power station site. The agreement provides that OPPD will be the owner/operator of the unit and OPPD will sell the Department's share of the output on an actual cost-based approach. OPPD has issued tax-exempt bonds to pay for the construction of the unit and the Department is obligated to pay its appropriate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the unit. The unit is currently scheduled to begin commercial operation prior to May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the Department for the life of the proposed unit.

In July 2005, the Department executed a certain purchase power agreement with the Missouri Joint Electric Utility Commission (MJMEUC). This agreement was further amended and restated in June 2006. Under the agreement, the Department will purchase a nominal 50 MW of capacity and energy from KCPL's planned second unit at its Iatan generating station (Iatan 2) with an expected commercial operation date of June 2010. In June 2006, MJMEUC entered into an Ownership Agreement with KCPL for an 11.76 percent undivided ownership share (nominal 100 MW) in the nominal 850 MW Iatan 2 unit. Under the purchase power agreement with the Department, MJMEUC will sell 50 percent (nominal 50 MW) of its Iatan 2 capacity and energy to the Department on a cost-based approach. The term of this agreement is designed to be for the life of the Iatan 2 unit. Both the OPPD agreement and the MJMEUC agreement will replace the

90 MW purchase from KCPL due to expire on May 31, 2011.

In August 2008, the Department executed a certain renewable energy purchase agreement with Smoky Hills Wind Project II, LLC. The Smoky Hills agreement is for a 15 MW purchase from a new wind generation project located in central Kansas - the Smoky Hills Wind Farm. The City's purchase is from Phase II which will add 148 MW of wind generation to the existing 100 MW Phase I. Phase II is projected to be completed and in-service by December 31, 2008. Partial energy deliveries are expected to begin in November 2008 and continue for a term of 20 years with certain renewal options at the mutual agreement of the parties.

The Department believes that its total accredited generating capacity resources, including the capacity purchases, is sufficient to meet its projected annual system peak load, including 13.7 percent reserves (SPP reserve requirement), through May 31, 2013. The Department has enlisted the services of a third party consultant to perform a Master Plan study. This study is focusing on the future power supply needs of the Department as well as the future transmission system needs.

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

Electric Generating Units

	Current Accredited Net Capacity (MW)	Year of Initial Operation	Fuel Type
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	131		
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) (1)	50	1976	gas/oil
Total Combustion Turbine Units	157		
Total System	288		

* 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.

(1) On July 20, 2005, the RCT-1 generating unit experienced compressor blade damage. On June 7, 2006, during the initial start-up after the repair/overhaul, significant damage to the turbine occurred. It is expected that the City's insurance will cover the repair costs of the damage (above the $1 million deductible) incurred on July 20, 2005 and that the contractor performing the overhaul at the time of the second failure will be responsible for the damage cost incurred on June 7, 2006. The Department is currently evaluating whether this unit should be repaired and placed back in service or to be replaced with a newly constructed unit.

Environmental Regulations

The Department operates its generation in accordance with the applicable federal and state emission rules and regulations. Blue Valley Unit No. 3 is subject to the Phase II requirements of the federal Acid Rain Program (ARP). Blue Valley Units No. 1 and No. 2 and the Missouri City units are exempt from the ARP requirements. Currently Blue Valley Unit No. 3 is allocated 4,670 tons of sulfur dioxide (SO_2) stack emission allowances annually. The Department has utilized this unit in a least cost manner while considering the cost of the SO_2 emissions. In October 2006, the Department purchased 1,000 tons of SO_2 allowances to provide additional allowances needed for compliance for calendar year 2006. As of January 1, 2008, the

accumulated available SO_2 emission allowances carried forward into calendar year 2008 was 1,886 tons.

In addition to the ARP requirements for Blue Valley Unit No. 3, the Department is restricted to SO_2 emissions (three hour average basis) of 6.3 pounds per million Btu for all three units at Blue Valley station and 8.0 pounds per million Btu for both units at its Missouri City station in accordance with the State of Missouri environmental regulations. During the fiscal year ending June 30, 2008, the Department was in compliance with such SO_2 regulations.

Blue Valley Unit No. 3 is also regulated for nitrogen oxide (NO_X) emissions. The unit is limited to 0.35 pounds per million Btu during the defined ozone season (May 1 through September 30) and 0.40 pounds per million Btu during the rest of the year. Low NO_X burners were installed on this unit to comply with this regulation. The average NO_X emission rate was 0.30 pounds per million Btu during the 2007 ozone season and 0.30 pounds per million Btu for the entire calendar year 2007.

Blue Valley RCT-1 unit is also subject to NO_X regulations, but is provided an exemption as long as the unit operates less than 400 hours during the ozone season. The unit experienced a significant failure of the compressor on June 7, 2006 and did not operate during the 2007 ozone season.

Blue Valley Unit No. 3 and Blue Valley RCT-1 were also subject to the federal/state regulations in conjunction with the Clean Air Interstate Rule ("CAIR") which was to further regulate SO_2 and NO_X emissions. Blue Valley Unit No. 3 was also subject to the Clean Air Mercury Rule ("CAMR") which was to regulate mercury emissions. Both the CAIR and CAMR rules were vacated by the United States Court of Appeals for the District of Columbia. The Department is monitoring the activities of the EPA and the Missouri Department of Natural Resources and will take the necessary action to comply with any future compliance rules regarding SO_2, NO_X and mercury emissions and how it will impact Blue Valley and Missouri City units.

The Blue Valley Units No. 1 and No. 2 and the Missouri City units were to be subject to the National Emission Standards for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers and Process Heaters ("Industrial Boiler MACT") which was to regulate the amount of mercury, hydrogen chloride and particulates. On June 8, 2007, the Industrial Boiler MACT rule was vacated by the United States Court of Appeals for the District of Columbia. On July 30, 2007 the vacature was mandated making the rule void. The Department is monitoring the activities of the EPA and the Missouri Department of Natural Resources and will take the necessary action to comply with any future compliance rules regarding industrial boilers and how it will impact Blue Valley Units No. 1 and No. 2 and Missouri City Units No. 1 and No. 2.

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

Fuel Supply

The Department currently uses coal, natural gas, and No. 2 fuel oil in its power production facilities. For the year ending June 30, 2008, the total fuel burn mix for the Department's generation energy supply consisted of 98.0% coal, 1.7% gas and 0.3% No. 2 fuel oil.

Currently, the Department purchases a majority of its coal supply under three separate contracts that supply coal with different quality specifications. For Blue Valley Unit No. 3, the Department is purchasing a lower SO_2 content coal (less than 3.5 lbs/MMBtu) from an Illinois mine at a 2008 base price of $68.75 per ton delivered based on 11,300 Btu per pound heat content. For Blue Valley Units No. 1 and No. 2, the Department is purchasing a higher SO_2 content coal (less than 6.0 lbs/MMBtu) from an Oklahoma company that mines coal in both Oklahoma and Kansas. The 2008 base price is $55.83 per ton delivered based on a 11,913 Btu per pound heat content. For the Missouri City plant, the Department is purchasing coal from the same Oklahoma company at a base price of $53.00 per ton delivered for an 11,800 Btu per pound heat content. Each of the three contracts is for one year with the right for the Department to extend the contract for two separate one-year extensions. Due to the reduced coal burn expected in calendar year 2009 and 2010 as the energy from the OPPD and MJMEUC purchase agreements begin, the Department extended only the two contracts with the Oklahoma coal supplier.

The Department currently contracts the management of 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, 2009 and can be extended by the Department for an additional one-year term. The local distribution company delivers the gas to the Department at two different power plant sites under the local distribution company's tariffs as filed with the Missouri Public Service Commission.

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

Current Purchases/Sales of Capacity and Energy

The Department purchases a significant portion of its energy needs under the capacity purchase agreement with KCPL. Under the agreement, the Department purchases 90 MW of capacity and energy for a term through May 31, 2011 with certain provisions that allow the Department, at its sole option, to reduce or terminate the capacity purchase at any time after June 1, 2007.
The delivered cost of capacity and energy under the agreement, including all demand energy, environmental emission allowance, and SPP transmission charges, totaled approximately $24,594,000 for 680,389 megawatt-hours of delivered energy during fiscal year 2008. The projected annual cost of the KCPL agreement for fiscal year 2009 is estimated at approximately $22,813,000.

In July 1997, the Department became a participant to the Western Systems Power Pool Agreement (WSPP Agreement). The WSPP Agreement provides for short-term electric power

transactions by and among its members. Transactions under the WSPP Agreement are executed under rate schedules that allow for market-based pricing. 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, Aquila Inc., Associated Electric Cooperative Inc., and other utilities and power marketers.

During fiscal year 2008, the Department purchased 93,704 megawatt-hours of wholesale energy under the WSPP Agreement for a total cost of approximately $7,338,000 and the Department sold 39,456 megawatt-hours of wholesale energy for approximately $1,968,000 under the WSPP Agreement.

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 Department has been a member of the SPP since 1970 and operates its electric system in accordance with the SPP rules. Beginning in the year 2000 and due to the restructuring of the electric industry, the SPP began the administration and operation of a regional transmission tariff where certain SPP members elected to have the SPP operate their transmission facilities under this tariff. The Department 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:

> *Great Plains Energy (KCPL). - Missouri Public Service Company.* An interconnection between the Department and Great Plains Energy - 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 Department'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. Currently, neither party has provided a notice of termination.

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

Kansas City Power & Light Company. The Department maintains three 69kV interconnections with KCPL, one at the Department's Substation H, one along the 69-kV line from KCPL's Hawthorn Plant to the Department's Substation E, and one along the 69-kV line from the Department'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 Department'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 Department 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 Department's Blue Valley to Eckles Road line. The Department 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 Department'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 Department and KCPL. The Department 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. KCPL provided notice of termination on May 19, 2006 to be effective May 31, 2011. The parties intend to develop a new interconnection prior to this date.

Transmission System

The Department's transmission system is comprised of approximately 22.6 miles of 161-kV lines and approximately 45.7 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 AECI. 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

Station	Substation Class, Type	Station Capacity [1]	Nominal Voltage
A [2]	transmission	200 MVA	161/69 kV
B	distribution	60 MVA	69/13.8 kV
C	distribution	60 MVA	69/13.8 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
R	distribution	60 MVA	69/13.8 kV

[1] Forced air rating at 55 degrees C rise.
[2] 161-kV tie with Missouri Public Service 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 currently serves over 56,000 customers and consists of approximately 550 circuit miles of 13-kV overhead lines, 16.0 circuit miles of 4 kV overhead lines, 200.9 circuit miles of 13-kV underground lines and 0.3 circuit miles of 4-kV underground lines.

Proposed Capital Improvements

As of June 30, 2008, the Department had a total of $7,864,529 of funded, but uncompleted major capital improvement projects. These uncompleted projects include $3,608,729 for production plant capital improvements and $4,255,800 for transmission and distribution plant capital improvements. For fiscal year ending June 30, 2009 the Department expects to undertake a total

of $27,728,000 for other capital improvement projects, of which $17,298,000 are for production plant improvements and $10,430,000 are for transmission and distribution plant improvements. For the six fiscal years ending June 30, 2014, the Department is currently estimating a total of $102,415,000 in additional major project capital improvements. These additional capital expenditures include $49,275,000 in production plant improvements and $53,140,000 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 2009 through 2014 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.

In November 2004, the City Council approved an overall base rate increases of 3.9% effective January 1, 2005 with an additional 3.9% base rate increase effective January 1, 2006. In addition to any base rate increases, some customer billing increases/decreases may result from projected increased fuel and purchased energy costs which are passed along to customers pursuant to the FCA. It is expected that the Department will require additional base rate increases over the next several years due to increased operation and maintenance costs, capital funding requirements and possible future power supply additions that will be required for load growth and retirement of existing generating facilities. It is anticipated that the first rate increase will be effective on January 1, 2009.

For the year ending June 30, 2008, the average monthly billed FCA rate increased from a charge of $8.45 per MWh to a charge of $12.00 per MWh when compared to the year ending June 30, 2007. Overall, the base rate increase and the change in the FCA rate resulted in approximately a 3.4 percent average billing rate increase for all retail customers for the 12 month period ending June 30, 2008 compared to the previous 12 month period. The Department's electric service rate

schedules are generally similar in type and number to the rate schedules of other electric utilities adjoining its service territory.

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

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

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

In April 1990, the Department began a rebate program to encourage use of energy efficient air conditioners, water heaters and heat pumps by residential customers. The rebate scale increases with increased efficiency of the unit purchased. Current rebates range from $75 to $698. Through December 2007, over 8,680 rebates have been paid for a total of $2,131,000.

The Power & Light Fund makes a payment annually from revenues to the City's General Fund as a payment in lieu of taxes. Pursuant to the City Charter, the payment is limited to an amount that would normally be paid by a privately-owned electric utility. The current payment in lieu of tax practice is the result of a Declaratory Judgment issued by the Jackson County Circuit Court on March 10, 1980. The components are: (1) 9.08% gross receipts tax (applied against gross operating revenues), (2) applicable City property taxes on facilities owned by the Department within the City, and (3) applicable City sales tax payment on all purchases made by the Department within the City. For years ending June 30, 2007 and June 30, 2008, the Department's total payment in lieu of taxes to the City amounted to $9,950,729 and $10,539,219, respectively. Payment for City electric service is made by the City to the Department under the appropriate retail rate classification.

Delinquent electric bills are processed as follows: a bill in arrears is considered delinquent after 30 days. A second bill is then issued with the customer having 10 to 15 days to pay both bills. After the 10 to 15 days have passed with no payment of both bills, the customer's service is subject to discontinuance. The Department's policy is to attempt to notify the customer by telephone or personal contact before service is discontinued. In 2008, out of approximately $105.0 million in billed retail revenue, $755,238 was charged off as uncollectible or 0.72% of total billed retail 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.

Historical Annual Peak Demand and Energy Requirements

Fiscal Year Ended June 30	Annual Peak Demand (MW)	Annual Peak Demand Percent Increase (Decrease)	Annual Energy Requirements For City Load (MWh)	Annual Energy Requirements For City Load Percent Increase (Decrease)
2004	314.9	7.0	1,128,378	2.0
2005	289.7	(8.0)	1,105,068	(2.1)
2006	296.2	2.2	1,158,504	4.8
2007	314.4	6.1	1,163,574	0.4
2008	308.4	(1.9)	1,187,360	2.0

Fiscal Year Ended June 30	Annual Load Factor(%)	Average Number of Monthly Metered Accounts	Annual Requirements Per Meter (kWh/Meter)	Summer Season Cooling Degree Days * (65°F Base)
2004	40.8	55,195	20,443	1,416
2005	43.5	55,921	19,761	1,184
2006	44.6	56,349	20,559	1,570
2007	42.2	56,489	20,598	1,475
2008	43.8	56,793	20,907	1,582

* 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,				
	2004	2005	2006	2007	2008
Energy Supplied (MWh):					
Net Generation, City Power Plants	349,737	366,647	438,010	394,542	452,692
Purchased Power Energy from Other Utilities	796,046	758,541	765,040	784,817	774,137
Unintentional Interchange	12	48	-18	-27	-13
Gross Energy Supplied	1,145,795	1,125,236	1,203,032	1,179,332	1,226,816
Energy Sold to Other Utilities	-17,417	-20,168	-44,528	-15,758	-39,456
Total energy, City Load	1,128,378	1,105,068	1,158,504	1,163,574	1,187,360
Border Customer Purchases	1,361	1,292	1,352	1,301	1,335
Total Energy, City Load and City Border Customers	1,129,739	1,106,360	1,159,856	1,164,875	1,188,695
Border Customer Sales	-5,266	-5,896	-6,249	-6,402	-4,246
Total Energy, City System	1,124,473	1,100,464	1,153,607	1,158,473	1,184,449
Consumption By Classes (MWh) *					
Residential	522,422	489,263	536,378	532,935	545,808
Commercial	490,939	495,960	502,127	508,964	516,788
Industrial	41,094	46,537	43,720	45,353	44,911
Other	9,378	9,535	9,469	9,521	9,763
Total Retail Sales	1,063,833	1,041,295	1,091,694	1,096,773	1,117,270
Sold to Other Utilities (inc. border customers)	22,683	26,064	50,777	22,160	43,702
Total MWh Sales	1,086,516	1,067,359	1,142,471	1,118,933	1,160,972
Revenue by Classes ($000) *					
Residential	$42,431	$41,375	$50,668	$53,326	$55,218
Commercial	34,242	36,011	40,881	43,673	44,708
Industrial	2,139	2,504	2,649	2,891	2,999
Other	941	1,008	1,128	1,214	1,328
Total Retail Sales	$79,753	$80,898	$95,326	$101,104	$104,253
Sold to Other Utilities	689	779	1,839	796	2,081
Total	$80,442	$81,677	$97,165	$101,900	$106,334
Average Number of Meters (Total System)	55,195	55,921	56,349	56,489	56,793
Average Number of Meters (Residential)	50,214	50,832	51,245	51,372	51,653

* 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 2.1% of retail sales of the system and 1.4% of retail billed revenues.

Twelve (12) Largest Commercial and Industrial Customer Accounts

July 2007 - June 2008

		kWh	Revenue
1	Unilever	23,092,800	$1,538,583
2	Centerpoint Medical Center	16,251,000	1,257,023
3	Burd & Fletcher (Combined Accts.)	19,041,780	1,202,174
4	Simon Property Group LP	14,659,920	1,053,007
5	Commercial Distribution Center Inc.	13,237,800	967,872
6	Price Chopper (Noland Road)	6,463,440	485,495
7	Price Chopper (23rd Street)	6,406,200	474,295
8	The Boyer Company	5,241,300	441,401
9	Costco Wholesale Inc.	5,312,700	425,973
10	City's Rock Creek Sanitary Sewer Plant	5,304,000	414,382
11	Hy-Vee (Noland Road)	4,655,040	357,350
12	Hy-Vee (23rd Street)	4,159,200	308,302
	Total	123,825,180	$8,925,857
	Percent of Total Retail Billed Sales	11.1%	8.5%

July 2006 - June 2007

		kWh	Revenue
1	Unilever	22,734,000	$1,436,959
2	Simon Property Group LP	14,699,232	1,016,115
3	Commercial Distribution Center Inc.	13,675,200	960,920
4	Burd & Fletcher (5151 Geospace)	13,291,800	777,816
5	Price Chopper (Noland Road)	6,543,840	469,382
6	Independence Regional Health Center	6,053,400	463,120
7	Price Chopper (23rd Street)	6,201,600	440,434
8	Burd & Fletcher (3000 Geospace)	6,558,720	404,119
9	City's Rock Creek Sanitary Sewer Plant	5,246,400	391,850
10	Costco Wholesale Inc.	5,000,100	387,244
11	Medical Center of Independence	5,084,000	353,926
12	Hy-Vee (Noland Road)	4,727,520	345,728
	Total	109,815,812	$7,447,613
	Percent of Total Retail Billed Sales	10.0%	7.5%

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

24 Months Totals (July 2006-June 2008)

		Total kWh Over 24 Months	Total Revenue Over 24 Months
1	Unilever	45,826,800	$2,975,542
2	Burd & Fletcher (Combined Accts.)	38,892,300	2,384,109
3	Simon Property Group LP	29,359,152	2,069,122
4	Commercial Distribution Center Inc.	26,913,000	1,928,792
5	Centerpoint Medical Center	17,689,800	1,362,656
6	Price Chopper (Noland Road)	13,007,280	954,877
7	Price Chopper (23rd Street)	12,607,800	914,729
8	Costco Wholesale Inc.	10,312,800	813,217
9	City's Rock Creek Sanitary Sewer Plant	10,550,400	806,232
10	The Boyer Company	8,600,100	704,392
11	Hy-Vee (Noland Rd.)	9,382,560	703,078
12	Community of Christ	8,019,000	614,146
	Total	231,160,992	$16,230,892
	Percent of Total Retail Billed Sales	10.5%	7.9%

The following tables provide financial information for the past five fiscal years. For the fiscal year ending June 30, 2008, the Department realized a negative net income due to less than projected sales revenue and increased operation and maintenance costs that were substantially greater than anticipated projected costs. The sales revenue was less than anticipated due to generally unfavorable local and national economic conditions. The main areas of increased operation and maintenance costs were in the General and Administrative function caused by a GASB45 accounting change requiring the monetization of other post retirement benefits and in the Production, Transmission and Distribution functions due to unanticipated higher material and labor costs. These increased costs were funded through existing unrestricted pooled cash and investments. The Department anticipates that the negative net income will be largely corrected in the future by a series of rate increases over the next several years. The initial rate increase is expected to be implemented in January 2009.

Condensed Statement of Operations

	Fiscal Years Ending June 30,				
	2004	2005	2006	2007	2008
Total Operating Revenue	81,333,414	82,592,294	98,278,354	103,133,249	107,619,947
Operating Revenue Deductions					
Fuel	9,311,607	9,942,311	13,073,601	13,835,233	17,900,398
Purchased Power	24,875,974	25,510,840	29,535,505	33,166,084	31,962,458
Production	8,209,261	8,841,921	10,382,555	10,513,325	14,264,645
Transmission & Distribution	8,247,538	8,761,062	9,662,336	10,247,780	11,425,578
Customer Service	2,727,377	2,579,983	2,972,880	2,966,584	3,017,212
General & Administrative	7,681,652	7,989,029	8,883,416	8,804,290	12,193,191
Total O&M	61,053,409	63,625,146	74,510,293	79,533,296	90,763,482
Total Operating Revenue Deductions	78,003,981	80,905,832	94,199,949	99,803,233	112,866,877
Net Operating Income	3,329,433	1,686,462	4,078,405	3,330,016	-5,246,930
Total Non-Operating Deductions (net)	-295,836	262,174	651,551	1,058,328	358,431
Net Income	3,033,597	1,948,636	4,729,956	4,388,344	-4,888,499
Capital Contributions	106,411	1,522,200	112,433	2,628,123	1,310,874
Change in Net Assets	3,140,008	3,470,836	4,842,389	7,016,467	-3,577,625

Debt Service Coverage

Year Ended June 30	Gross Revenues (1)	Operating Expenses (2)	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
2004	82,265,717	61,850,892	20,414,825	2,728,448	7.48
2005	84,020,908	64,452,736	19,568,172	2,776,038	7.05
2006	100,254,630	75,369,479	24,885,151	2,780,273	8.95
2007	105,313,797	80,423,304	24,890,493	2,779,823	8.95
2008	109,358,222	91,756,283	17,601,939	2,773,218	6.35

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

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

Condensed Balance Sheet

	Fiscal Years Ending June 30,				
	2004	2005	2006	2007	2008
Net Utility Plant	140,014,450	139,153,883	142,404,133	154,852,654	164,364,711
Current Assets	52,821,233	56,806,780	56,453,158	53,183,144	38,829,751
Deferred Charges and Other Assets	2,565,284	1,769,077	1,722,237	1,692,338	1,721,060
Total Assets	195,400,967	197,729,740	200,579,528	209,728,136	204,915,522
Current Liabilities	8,497,336	9,749,015	9,370,536	13,333,931	12,285,256
Long-Term Liabilities and Deferred Credits	22,137,344	19,743,603	18,129,481	16,298,227	16,111,918
Total Equity	164,766,287	168,237,122	173,079,511	180,095,978	176,518,348
Total Liabilities and Equity	195,400,967	197,729,740	200,579,528	209,728,136	204,915,522

Employee Relations

As of June 30, 2008 the Department had 220 budgeted full-time positions, of which 161 are hourly personnel and 59 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 agreement between the City and the IBEW provides for annual wage increases and working conditions effective November 1, 2004, and thereafter until October 31, 2009.

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

Water Department

Description of the Water System

The City purchased the Missouri Water Company in 1986 through the issuance of $47,500,000 variable interest rate revenue bonds. The bonds were converted to flexible interest rate bonds under the Second Amended and Restated Indenture of Trust dated June 1, 1987. The bonds were converted to fixed interest rates and the principal outstanding was reduced by $6,050,000 on January 6, 1999. During June 2004, the City issued, through the Missouri Development Finance Board, $14,785,000 of additional obligations. The proceeds of this issue will be used for infrastructure improvements to the water system.

The water system includes 40 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 741 miles of water main ranging in size from 2 inches to 36 inches, and five storage facilities with capacity totaling 10 million gallons. These facilities provide water service to approximately 48,350 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 and towers and reservoirs within the system.
>
> *Transmission and Distribution Division* - The Transmission and Distribution Division is responsible for the construction, engineering, operation and maintenance of the transmission and distribution facilities of the Department.

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, and other administrative services. For fiscal year 2008, the Department was billed $1,752,049 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 2008, the City's Power & Light and Water Pollution Control Departments were billed $1,343,096 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 25 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.

Thomas A. Heinkel - Customer Service Manager. Mr. Heinkel has been with the City for 14 years and was appointed Customer Service Manager in November of 2003. Mr. Heinkel holds a BA in Biology from Texas Lutheran University.

Karen L. Kelley - Water Production Manager. Ms. Kelley was appointed Water Production Manager in October of 1991 and has been with the Department for 27 years. Ms. Kelley holds a BS in Biology degree from the University of Missouri at Kansas City. She holds a Class "A" Water Certification and Distribution System III Certification from the Missouri Department of Natural Resources.

Denne L. Roe - Water Distribution/Engineering Manager. Mr. Roe has been with the City for 34 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-nine vertical wells ranging in depth from 76 to 130 feet and capacity from 500 to 3,000 gallons per minute (gpm) pump raw water from the alluvial aquifer. In addition, a 125-foot deep horizontal collector well adds an additional 7,000 gpm to the capacity of the well field.

Water Treatment

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

Solids Contact Basins	
Number	8
Capacity, ea, mgd	6
Settling Basins	
Number	6
Capacity, ea, mgd	8.4
Filters	
Number	14
Capacity, ea, mgd	4
Chemicals	
Lime	
Average, ppd	52,000
Range, ppd	40,000 - 83,000

Chemicals (cont.)	
Chlorine	
Average, ppd	695
Range, ppd	500 - 1085
Ammonia	
Average, ppd	75
Range, ppd	50 - 130
Phosphate	
Average, ppd	125
Range, ppd	90 - 160

Distribution System

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

Piping : The Department had, at the end of fiscal year 2008, approximately 741 miles of piping ranging in size from 2 inches to 36 inches. The majority of the system mains are 6 inches in diameter.

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

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

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

The 35th Street Pumping Station contains two electrically driven 2,250 gpm pumps and one 1750 gpm pump. Each pump can be remotely controlled from the Courtney Bend WTP or manually controlled from within the pumping station.
The 39th Street Pumping Station contains three electrically driven pumps, each with a capacity of 2,100 gpm. These pumps can be controlled either remotely from the Courtney Bend WTP, or manually from within the pumping station.

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

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

The North Main and Dodgion Tanks are the elevated storage facilities available to the Water Department. The Dodgion elevated tank generally sets the hydraulic grade line for the distribution system.

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

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

Dodgion Elevated Tank		35th Street Storage Reservoir	
Capacity, MG	0.5	Capacity, MG	2.0
Diameter, ft	50	Diameter, ft	80
Height to HWL, ft	39	Height, ft	54
130 ft. above ground			

Emergency Interconnections : The Water Department has four emergency interconnections with the City of Kansas City, Missouri Water Department's distribution system to supply either system with water in an emergency. The capacity of each system varies based upon system

pressure and direction of flow. The emergency interconnections are located at I-435 and Truman Road, Highway 40 and Noland Road, Highway 40 and Hunter, and in the vicinity of Blue Ridge Boulevard and Wilson Road.

Support Facilities

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

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

Maintenance

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

Financial Data

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

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

Customers Served : As shown in the following table, the number of customers served by the Water Department totaled 48,350 as of June 30, 2008. 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 2005 to 2008. The compound annual growth rate from 2005 to 2008 was .32 percent.

Historical Customers, Water Sales, and Revenues

Customer Classification	Year Ended June 30			
	2005	2006	2007	2008
Residential	44,490	44,742	44,836	44,779
Commercial	2,971	3,027	3,067	3,096
Industrial **	8	8	8	7
Public Authority	64	66	69	74
Resale *	13	13	13	13
Private Fire Protection	346	354	365	381
Total	47,892	48,210	48,358	48,350
	Water Sales - 1,000 Gallons			
Residential	3,126,596	3,341,082	3,286,570	3,215,673
Commercial	903,446	960,835	974,695	975,056
Industrial	290,786	276,692	275,179	213,850
Public Authority	83,053	98,713	94,745	103,646
Resale	4,862,549	4,832,068	4,764,000	4,892,428
Private Fire Protection	NA	NA	NA	NA
Total	9,266,430	9,509,390	9,395,189	9,400,653
	Water Sales - $			
Residential	7,789,773	8,488,894	8,657,593	8,994,600
Commercial	2,053,011	2,245,526	2,347,234	2,458,013
Industrial	331,251	362,537	367,863	308,642
Public Authority	189,489	231,257	228,957	267,428
Resale	5,670,010	5,858,904	5,232,779	5,023,444
Private Fire Protection	55,966	93,419	66,559	67,814
Public Fire Protection	617,130	623,822	641,549	674,303
Other Sales	287,467	251,492	352,345	339,489
Total	16,994,097	18,155,851	17,894,879	18,133,733

* 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	2,612,815	$2,580,259
Blue Springs	929,565	998,614
District #2, Jackson County	316,493	313,205
District #1, Lafayette County	248,504	276,059
Oak Grove	244,686	263,398
Grain Valley	129,729	148,530
District #15, Jackson County	166,095	178,537
Buckner	106,627	113,957
Sugar Creek	63,930	70,378
District #17, Jackson County	48,720	52,914
Lake Tapawingo	25,264	27,593
	4,892,428	$5,023,444

Large Consumption Water Customers

Customer Name	Water Sales (1,000 Gallons)	Water Sales (Dollars)
Lipton Tea*	103,991	$120,512
Lafarge Corporation	76,376	127,183
Centerpoint Medical Center	20,502	25,665
Commercial Distribution	9,536	13,034
Tandum/QCA	7,542	10,834
Independence Center	16,403	21,492
	234,350	$318,720

* Lipton Tea has two (2) meter connections.

Water Sales Volume : Total water sales volumes increased at an annual growth rate of .46 percent from 2005 to 2008. During the 3 year period, wholesale customers purchased approximately 51.50 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 1.02 percent from 2005 to 2008. Because wholesale customers pay a lower rate than retail customers, water sales revenues do not increase proportionate to water sales volumes.

Reported water sales revenues include a gross receipts tax of 9.08 percent on all water sales. The gross receipts tax is collected by the Water Department and transferred to the General Fund as a

Payment In Lieu of Taxes (PILOT). As of July 1, 2004 the PILOT was charged on all water sales.

Operation and Maintenance Expenses : Operation and maintenance expenses for the period 2005 to 2008 are shown in the following table.

Historical Operation and Maintenance Expense

Description	Year Ended June 30			
	2005	2006	2007	2008
	$	$	$	$
Source of Supply				
Operations	229,106	236,022	234,580	289,230
Maintenance	163,038	589,233	222,181	216,460
Total Source of Supply	392,144	825,255	456,761	505,690
Power and Pumping				
Operations				
Fuel/Power Purchased	1,171,384	1,273,337	1,322,085	1,400,789
Other	186,541	191,766	187,075	216,029
Maintenance	28,795	29,323	38,230	38,717
Total Power and Pumping	1,386,720	1,494,426	1,547,390	1,655,535
Water Treatment				
Operations				
Chemicals	742,702	840,001	849,139	1,024,386
Other	532,220	559,289	573,009	700,878
Maintenance	232,182	282,828	434,504	409,251
Total Water Treatment	1,507,104	1,682,118	1,856,652	2,134,515
Transmission & Distribution				
Operations	1,274,543	1,424,343	1,535,453	1,815,239
Maintenance	1,102,864	1,497,495	1,270,447	1,655,154
Total Transmission & Distribution	2,377,407	2,921,838	2,805,900	3,470,393
Customer Accounting & Collection				
Operations	975,487	929,649	1,014,021	1,211,629
Sales Promotion				
Operations	47,414	37,216	32,474	45,315
Administrative & General				
Operations				
Outside Services Employed	935,156	947,177	983,710	1,171,580
Employee Pensions & Benefits	1,273,214	1,433,023	1,567,553	1,534,356
Other	1,886,528	1,686,022	1,326,105	1,751,621
Maintenance	35,328	42,339	72,940	105,228
Total Administrative & General	4,130,226	4,108,561	3,950,308	4,562,785
Subtotal Operations Expense	9,254,295	9,557,845	9,625,204	11,161,052
Subtotal Maintenance Expense	1,562,207	2,441,218	2,038,302	2,424,810
Total Operation & Maintenance Expense	10,816,502	11,999,063	11,663,506	13,585,862

Debt Service Coverage

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

Historical Debt Service Coverage

	Year Ended June 30			
	2005	2006	2007	2008
	$	$	$	$
Revenues				
Operating Revenues	17,080,050	18,312,720	17,744,405	18,114,183
Interest Income	411,961	469,404	404,633	239,518
Other Income	436,607	503,498	324,851	68,421
Total Revenues	17,928,618	19,285,622	18,473,889	18,422,122
Expenses				
Operations	9,254,295	9,557,845	9,625,204	11,161,052
Maintenance	1,562,206	2,441,218	2,038,302	2,424,810
Federal Retirement Taxes	280,125	301,881	313,998	320,143
less OPEB	-	-	-	(637,067)
Total Operating Expenses	11,096,626	12,300,944	11,977,504	13,268,938
Gross Receipts Tax (PILOT)	1,395,053	1,826,915	1,733,484	1,705,015
Total Expenses	12,491,679	14,127,859	13,710,988	14,973,953
Revenues Available for Debt Service Coverage	6,831,992	6,984,678	6,496,385	5,153,184
Debt Service				
Revenue Bond Interest	2,014,517	2,053,730	1,923,627	1,838,014
Revenue Bond Expenses	89,876	91,399	90,406	90,256
Revenue Bond Principal	1,285,000	1,905,000	2,040,000	2,200,000
Certificates of Participation Interest	-	-	-	-
Certificates of Participation Principal	-	-	-	-
Total Debt Service to be Covered	3,389,393	4,050,129	4,054,033	4,128,270
Debt Service Coverage Ratio:				
Revenue Bonds	202%	172%	160%	125%

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 2008 through 2013 can be found in Part V of this document.

The proposed capital improvement program for the next three years primarily reflects planned rehabilitation, replacement, and new water system components. The program includes main replacement, new main installation, and security upgrades.

Employee Relations

The Department currently has 97 full-time positions, of which 71 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 effective July 1, 2007 and thereafter until June 30, 2012. There have been no work stoppages, slow downs or strikes.

The current Memorandum of Agreement between the City and the Service Employees International provides for annual wage increases and working conditions effective May 1, 2006, and thereafter until April 30, 2011.

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

biological treatment facility that 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 over 300 miles of storm water sewers in the City. Though not as deep as sanitary sewers, storm sewers require constant maintenance and cleaning due to the impact of the midwest's weather conditions. In addition to the daily maintenance and cleaning, the department performs sampling and testing of storm water and enforces the City's storm water management program for compliance with storm water regulations. There are 47 employees who clean, repair and plan for the replacement projects for the City's sanitary and storm water sewers.

Organization

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

> Administration Division - The Administration Division is responsible for the general administration of the Sanitary Sewer Utility and Storm Water Management Program.
>
> Wastewater Treatment Division - The Wastewater Treatment Division operates and maintains the Department wastewater treatment plant and pumping stations.
>
> Collection System Maintenance Division - The Collection System Maintenance Division is responsible for maintenance and repair of the 592 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.
>
> Stormwater Division - The Stormwater Division manages stormwater capital projects, maintains and repairs the stormwater system, and is responsible for compliance with the State Operating Permit for the Independence Municipal Separate Storm Sewer System.

The Department is also provided with support from other departments of the City. These services include customer service, purchasing, accounting, legal, and other administrative type services. For fiscal year 2008, the Department was billed $911,002 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 38 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 34 employees maintain over 3 million feet of sewer line from 8 inches to 60 inches in diameter. Additionally, there are over 13,000 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 western wastewater flows to Kansas City, and a minor portion of Kansas City's wastewater flows to Independence. Additionally, the majority of the City of Sugar Creek's wastewater flows to the Rock Creek Plant.

The collection system is in considerably better condition today than a decade ago. The improved condition has been the result of activities to eliminate infiltration and inflow, as well as the repair

and replacement of sewer lines and manholes. An additional 13 employees are dedicated to the cleaning and repairing of the over 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 44,332 as of June 30, 2008. The number of customers served increased at a moderate rate over the 3 year period 2005 to 2008. The annual growth rate from 2005 to 2008 was .20 percent.

Historical Customers, Usage, and Revenues

Customer Classification	2005	Year Ended June 30 2006	2007	2008
		Number of Customers		
Residential	40,520	40,767	40,832	40,807
Commercial	3,529	3,523	3,519	3,510
Contract Sales	15	14	14	15
Total	44,064	44,304	44,365	44,332
		Usage - 100 Cubic Feet		
Residential	2,978,466	2,939,160	3,012,448	2,937,586
Commercial	1,866,364	1,775,347	1,738,329	1,700,923
Total	4,844,830	4,714,507	4,750,777	4,638,509
		Revenue $		
Residential	8,834,127	9,196,013	9,584,113	9,854,124
Commercial	4,322,804	4,364,268	4,585,890	4,559,524
Contract Sales	273,245	200,749	253,867	281,691
Intermunicipal Agreements	408,950	442,549	462,894	455,779
Other Revenues	115,596	130,924	138,169	144,366
Total	13,954,722	14,334,503	15,024,933	15,295,484

Large Volume Customers

Customer Name	Sales (1,000 Gallons)	Sales (Dollars)
Thomas J. Lipton, Co.	70,917	$377,084
AMOCO	57,622	262,819
City of Indep, Power & Light	92,437	234,557
Centerpoint Medical Center	28,053	73,421
Simon Properties Group	15,864	39,872
Commercial Distribution	7,213	17,835
	272,106	$1,005,588

Usage Volume : Total usage volumes decreased slightly from 2005 to 2008. The decrease was 1.42 percent due to decreased water consumption. Usage volumes are shown in the previous table.

Revenues : As shown in the previous table, revenues increased approximately 3.2 percent annually from 2005 to 2008. The increase in customers and water consumption along with a rate increase contributed to the increase.

Operations and Maintenance Expenses : Operations and maintenance expenses for the period 2005 to 2008 are shown on the following table.

Historical Operation and Maintenance Expense

Description	Year Ended June 30 2005	2006	2007	2008
Collection	1,980,406	2,016,941	2,177,264	2,521,672
Laboratory Services	142,473	157,166	152,611	221,916
Treatment & Disposal	5,815,092	6,085,181	6,353,441	7,175,127
Administrative & General	2,079,588	2,141,512	2,201,251	2,467,939
Total Operations & Maintenance	10,017,559	10,400,800	10,884,567	12,386,654

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 2008 through 2013 can be found in Part V of this document.

Employee Relations

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

Hourly employees at the Department are represented by the Service Employees International Union (SEIU) Local 2000. 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, 2004, and thereafter until April 30, 2011.

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PART IV - OPERATING BUDGET - SUMMARY

The following pages are a summary of the City's Operating Budget for the current year.

CITY OF INDEPENDENCE, MISSOURI
2008-09 Operating Budget
Summary of Sources and Uses by Fund and Fund Type

		Special Revenue Funds				
	General Fund	Grant Funds	Tourism Fund	CDBG/HOME Funds	Combined Sales Tax Funds	License Surcharge (Excise Tax)
Sources:						
Undesignated Fund Balance	1,158,915					
Designated Fund Balance						
Estimated Revenues	70,028,724	1,160,737	1,146,000	1,186,760	30,730,596	1,078,681
Consolidation Adjustments-			(35,000)			
Interfund Charges for Support Ser.						
Internal Service Fund Charges						
Transfers In-						
From Other Funds						
Total Sources	71,187,639	1,160,737	1,111,000	1,186,760	30,730,596	1,078,681
Uses:						
Operating Budgets-						
City Council	406,982					
City Clerk	455,201					
City Manager	1,065,315					
Tourism			992,144			
National Frontier Trails Center	376,480					
Technology Services	1,760,857					
Municipal Court	751,741					
Law	745,326	25,130				
Finance	1,868,028					
Human Resources	511,577					
Community Development	2,820,958			294,682		
Police	22,442,460	631,318			2,638,769	
Fire	14,941,308	42,512			1,776,080	
Health	2,706,680	461,777				
Water						
Public Works	7,345,945				9,000	
Water Pollution Control	314,500				1,781,129	
Parks and Recreation	2,125,418				2,841,876	
Power and Light						
Non-Departmental	8,969,377					
Debt Service/Lease Purchase	-				7,774,078	
Capital Outlay/Budget	1,474,129				15,973,271	
Consolidation Adjustments-						
Interfund Charges for Support Ser.			(35,000)			
Internal Service Fund Charges						
Total Operating Budgets	71,082,282	1,160,737	957,144	294,682	32,794,203	-
Transfers Out-						
Desig. for Capital & Grant Projects			124,326	892,078		
To Other Funds	105,357				-	
To Capital Project Funds						
Total Uses	71,187,639	1,160,737	1,081,470	1,186,760	32,794,203	-
Transfer To(From) Undesignated Fund Balance/Retained Earnings	-	-	29,530	-	(2,063,607)	1,078,681

CITY OF INDEPENDENCE, MISSOURI
2008-09 Operating Budget
Summary of Sources and Uses by Fund and Fund Type

	Enterprise Funds				
	Power & Light Fund	Sanitary Sewer Fund	Water Fund	Internal Service Funds	Grand Total All Funds
Sources:					
Undesignated Fund Balance					1,158,915
Designaated Fund Balance					
Estimated Revenues	114,028,750	16,180,000	20,800,710	21,267,456	277,608,414
Consolidation Adjustments-					(35,000)
Interfund Charges for Support Ser.	(2,840,300)	(939,500)	(1,752,000)		(5,531,800)
Internal Service Fund Charges				(16,731,529)	(16,731,529)
Transfers In-					-
From Other Funds		105,357			105,357
Total Sources	111,188,450	15,345,857	19,048,710	4,535,927	256,574,357
Uses:					
Operating Budgets-					
City Council					406,982
City Clerk					455,201
City Manager					1,065,315
Tourism					992,144
National Frontier Trails Center					376,480
Technology Services	70,047				1,830,904
Municipal Court					751,741
Law				4,353,753	5,124,209
Finance			39,863		1,907,891
Personnel					511,577
Community Development					3,115,640
Police					25,712,547
Fire					16,759,900
Health					3,168,457
Water			13,265,934		13,265,934
Public Works		71,759		2,153,643	9,580,347
Water Pollution Control		11,777,560			13,873,189
Parks and Recreation					4,967,294
Power and Light	88,265,370				88,265,370
Non-Departmental	18,316,501	3,208,016	4,787,724	14,760,060	50,041,678
Debt Service/Lease Purchase	2,786,693		4,155,459		14,716,230
Capital Outlay/Budget		3,330,000	3,106,000		23,883,400
Consolidation Adjustments-					-
Interfund Charges for Support Ser.	(2,840,300)	(939,500)	(1,752,000)		(5,566,800)
Internal Service Fund Charges				(16,731,529)	(16,731,529)
Total Operating Budgets	106,598,311	17,447,835	23,602,980	4,535,927	258,474,101
Transfers Out-					
Desig. for Capital & Grant Projects					1,016,404
To Other Funds					105,357
To Capital Project Funds					-
Total Uses	106,598,311	17,447,835	23,602,980	4,535,927	259,595,862
Transfer To(From) Undesignated Fund Balance/Retained Earnings	4,590,139	(2,101,978)	(4,554,270)	-	(3,021,505)

PART V - CAPITAL IMPROVEMENTS PLAN - SUMMARY

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

Proposed Capital Improvement Program
2008-2009 through 2013-2014

	Funding Source	Project Cost					
		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Community Improvements							
Park Maintenance, Security & Inspection-Mobile Equipmt	PRST	150,000	150,000				
Park Revitalization	PRST	350,000	100,000	100,000	125,000	100,000	
Rock Creek Multi-Use Center	PRST	400,000	400,000				
Sidewalks to Parks Program	PRST	100,000		200,000		200,000	100,000
Sidewalks to Schools Program	PRST	100,000	200,000		350,000		250,000
Community Improvements Total		1,100,000	850,000	300,000	475,000	300,000	350,000
Street & Bridges Improvements							
Bly Road Bridge	SST	300,000	1,800,000				
Claremont Culvert South of Truman	SST				100,000	400,000	
Street & Bridges Improvements Totals		300,000	1,800,000	0	100,000	400,000	0
Public Safety Improvements							
24 Hwy and Blue Mills Road Intersection	SST			100,000	400,000		
35th and Phelps Intersection	SST				900,000		
Fire Training Facility	FST	2,000,000					
First Floor Expansion and Renovation of Police HQ	PST	1,039,200	110,800				
Holke Road Curve Correction	GFD	15,000					
Holke Road Curve Correction	Excise Tax	185,000					
Intersection Whitetopping	SST	230,000	230,000	230,000	230,000	240,000	240,000
Noland and Fair Intersection	SST				440,000		
Penniston Building - Special Use Vehicle Storage & Office	PST	10,000	10,000	10,000	10,000	10,000	10,000
Public Safety Maintenance Facility - Central Garage	PST		50,000	50,000	50,000		
School Zone Signalization Program	SST		40,000	40,000	40,000	40,000	50,000
Second Floor Expansion & Renovation of Police HQ	PST	75,000	75,000				
Public Safety Totals		3,554,200	515,800	430,000	2,070,000	290,000	300,000

Proposed Capital Improvement Program
2008-2009 through 2013-2014

	Funding Source	Project Cost					
		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Street Improvements							
32nd Street - M-291 Hwy to Van Hook Park	SST	200,000	600,000				
35th Street Noland to Crysler Ave	SST	400,000			700,000		
35th Street Noland to Crysler Ave	STP				2,600,000		
39th St-Noland Rd to Crysler Ave	SST		2,000,000				
39th St-Noland Rd to Crysler Ave	STP		2,000,000				
Alley Rehabilitation Program	SST			150,000		150,000	
Crenshaw Road	Excise Tax					200,000	980,000
Holke Road	Excise Tax	300,000	1,620,000				
Jackson Drive - Holke to M-78 Hwy	SST	1,000,000	2,000,000				
Little Blue Parkway Ph 10, 24 Highway Interchange	STP	3,700,000					
Little Blue Parkway Ph 10, 24 Highway Interchange	TIF	1,300,000					
Little Blue Parkway Ph 6, Necessary Rd to Truman	Excise Tax	1,070,000					
Little Blue Parkway Ph 6, Necessary Rd to Truman	STP	7,100,000					
Little Blue Parkway Ph 6, Necessary Rd to Truman	TIF	830,000					
Little Blue Parkway Ph 7, Truman Rd to 78 Highway	STP	1,300,000					
Little Blue Parkway Ph 7, Truman Rd to 78 Highway	TIF	580,000					
Little Blue Parkway Ph 8, 78 Highway to Bundschu Rd	STP	4,000,000					
Little Blue Parkway Ph 8, 78 Highway to Bundschu Rd	Excise Tax	730,000					
Little Blue Parkway Ph 8, 78 Highway to Bundschu Rd	SST	4,000,000					
Little Blue Parkway Ph 9, Bundshu Rd to 24 Highway	STP	1,000,000					
Little Blue Parkway Ph 9, Bundshu Rd to 24 Highway	TIF	3,700,000					
Ringo Road	Excise Tax					300,000	
Salisbury Road M-291 Hwy to the Athletic Complex	SST	1,700,000					
Street Overlay Program	SST	4,000,000	4,000,000	5,000,000	6,000,000	7,000,000	7,000,000
Strode Road and 7 Hwy	Excise Tax					265,000	
Street Improvements Totals		36,910,000	12,220,000	5,150,000	9,300,000	7,915,000	7,980,000

Proposed Capital Improvement Program
2008-2009 through 2013-2014

	Funding Source	Project Cost					
		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Facility Improvements							
Contact Basin No.2-Drive Replacement	WATER	75,000					
Lime Slurry Lines	WATER	75,000					
New Secondary Transformer	WATER	150,000					
Plant Improvemt - Replace Well Starters & Circuit Breakers	WATER	20,000	10,000				
Plant Improvements - Vertical Wells in North Well Field	WATER	250,000					
Settling Basin No. 5 Drive Replacement	WATER					200,000	
Settling Basin No.'s 1& 2 Drive Replacement	WATER				300,000		
Settling Basin No.'s 3 & 4 Drive Replacement	WATER			300,000			
Facility Improvements Total		570,000	10,000	300,000	300,000	200,000	-
Water Improvements							
39th St. Reservouir Pumps	WATER	50,000		50,000			
39th Street (Noland to Crysler Avenue)	WATER				650,000		
CB-6 Drive Replacement	WATER						425,000
Clean Center Lagoon	WATER				90,000		
Clean South Lagoon	WATER		90,000				
Construct Roads in North Well Field	WATER	100,000					
Emergency Generator	WATER	300,000					
Filter Solenoid Valves	WATER				15,000		20,000
Lime Silo Additions	WATER			350,000		975,000	
Little Blue Parkway - Phase II	WATER		2,448,000				
Little Blue Parkway (Truman to R.D. Mize Road)	WATER	980,000					
Main Replacements - City Streets	WATER	200,000	200,000	200,000	200,000	200,000	200,000
Paint 39th St. Reservoir	WATER						650,000
Paint North Main Tower	WATER				425,000		
PLC Upgrade	WATER			500,000			
Small Main Replacement Program	WATER	100,000	100,000	100,000	100,000	100,000	100,000
Steam Generator Replacement	WATER			806,000	806,000	906,000	906,000
Water Main Extensions in Eastern Independence	WATER	806,000	700,000				
Water Improvements Totals		2,536,000	3,538,000	2,006,000	2,286,000	2,181,000	2,301,000

Proposed Capital Improvement Program
2008-2009 through 2013-2014

	Funding Source	Project Cost					
		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Power & Light Fund:							
161-kV Transmission Line	P&L Fund	650,000	6,800,000	7,000,000	500,000		
Blue Valley Air Heater Refurbishment, Unit #3	P&L Fund	150,000	250,000	100,000			
Blue Valley Boiler Tube Replacements	P&L Fund	2,000,000	1,200,000	2,500,000			
Blue Valley Bottom Ash & Flyash System Refurbishmt	P&L Fund		450,000				
Blue Valley Circulating Water Pump Overhaul	P&L Fund		300,000	450,000			
Blue Valley Condenser Retubing, Units #1 & 2	P&L Fund		500,000	500,000			
Blue Valley Cooling Tower #1 Replacement, Units #1&2	P&L Fund		1,800,000	1,200,000			
Blue Valley Cooling Tower #2 Replacement, Unit #3	P&L Fund	1,500,000	1,000,000				
Blue Valley Feedwater Heater Retubing, Units #1 & 2	P&L Fund		500,000	1,000,000			
Blue Valley Flyash Pond Restoration	P&L Fund				3,000,000		
Blue Valley Medium Voltage Switchgrear Replacemt	P&L Fund	500,000	1,000,000				
Blue Valley Power Cabling Replacement	P&L Fund	500,000	500,000				
Blue Valley Precipitator Refurbishment, Unit #3	P&L Fund		500,000	400,000			
Blue Valley Sootblowing Air Comp. Backup Cool Tower	P&L Fund		125,000				
Blue Valley Turbine Operation Safety Upgrades	P&L Fund	250,000	500,000	750,000			
Blue Valley Turbine Overhaul, Unit #3	P&L Fund	500,000	1,000,000				
Bleu Valley Turbine Overhaul, Units #1 & 2	P&L Fund		1,000,000	2,200,000			
Blue Valley Water Well Pump and Piping Refurbishmt	P&L Fund		100,000	300,000			
Combustion Turbine Controls Upgrade, Sub. H, I & J	P&L Fund	1,000,000	1,000,000	1,000,000			
Digital Controls System Processor Upgrade	P&L Fund	150,000	100,000				
Fiber Optic Network	P&L Fund	4,500,000					
Missouri City Baghouse Refurbishment	P&L Fund	500,000					
Missouri City Plant Boiler Tube Replacements	P&L Fund	2,600,000					
MO City & Blue Valley Asbestos Abatement	P&L Fund	300,000		100,000			
MO City Baghouse Refurbishment	P&L Fund	500,000					
MO City Turbine/Generator Major Insp. Units #1 & 2	P&L Fund	3,000,000					
New Substation S (southeastern Independence)	P&L Fund			7,000,000			
Production Coal Handling Upgrades	P&L Fund	600,000	250,000	250,000			
Production Facilities Maintenance Projects	P&L Fund	400,000	200,000				
Production Plant Upgrades & Improvements	P&L Fund	750,000	750,000	500,000	500,000	400,000	
Regenerative Combustion Turbine Controls Replacemt	P&L Fund		1,500,000				
Service Center Facility Improvements	P&L Fund	250,000	250,000				
Spill Prevention Containmt & Control Equipmt Upgrades	P&L Fund	200,000					
Substation I-3 & I-4 Hot Gas Path Inspections	P&L Fund		2,100,000				
Substation Improvements to Subs. F, H, I & J	P&L Fund		5,150,000	8,250,000	1,000,000		
Substation J-1 & J-2 Hot Gas Path Inspections	P&L Fund	2,000,000					
T&D Overhead Improvements and Additions	P&L Fund	1,140,000	625,000	325,000			
T&D Underground Improvements and Additions	P&L Fund	2,200,000	2,150,000	700,000	500,000	250,000	
Undergrounding Utility Services	P&L Fund	1,300,000	650,000	650,000	650,000	650,000	
Undergrounding Utility Services	FG Other	3,900,000	1,950,000	1,950,000	1,950,000	1,950,000	
Water Treatment Facility Upgrades	P&L Fund	400,000	200,000				
Power & Light Totals		31,740,000	34,400,000	37,125,000	8,100,000	3,250,000	-

Proposed Capital Improvement Program
2008-2009 through 2013-2014

	Funding Source	Project Cost					
		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Storm Water							
14th & Arlington Storm Drainage Improvements	SWST			70,000	520,000		
20th & Arlington	SWST					267,000	
26th/Glendale/Windsor Storm Drainage Improv.	SWST		500,000	800,000			
33rd & Claremont Storm Drainage Improvements	SWST	52,000	310,000				
35th & Northern	SWST	324,000					
36th & Poplar Storm Drainage	SWST			25,000	140,000		
39th & Main Drainage	SWST	750,000					
3rd St. North at Peck & Gilbert Storm Drainage Imp	SWST				65,000	480,000	
40th Terrace & Spring Storm Drainage Improvements	SWST						496,000
44th & Osage	SWST			80,000	630,000		
8th Street Neighborhood West of Sterling Drainage	SWST					65,000	350,000
Bellevista Neighborhood Drainage	SWST		750,000				
Bundschu Regional Stormwater Detention Basin	SWST				120,000	910,000	
Burr Oak Regional Stormwater Detention	SWST		97,000	750,000			
Crackerneck Sub-basin Analysis	SWST			120,000			
Detention Basin Re-Vegetation	SWST	100,000	100,000	100,000	100,000	100,000	100,000
Ellison Way North of 23rd Storm Drainage Improvements	SWST						75,000
Fairway Gardens Storm Drainage Improvements	SWST	715,000					
Highway 40 & Pittman Drainage Improvements	SWST					40,000	240,000
Liberty & Stone Drainage	SWST		88,000	960,000			
N. Noland and Lynn	SWST				80,000	500,000	
Neighborhood Construction Projects	SWST	150,000	150,000	150,000	150,000	150,000	150,000
Nickell Street Drainage	SWST						350,000
Norfleet to Willis Culvert & Channel Improvements	SWST	600,000					
Northern @ Westport Storm Drainage	SWST	650,000					
Pearl to Crane & Hereford Storm Drainage	SWST			125,000	800,000	950,000	
Ralston Storm Drainage Improvements	SWST					100,000	750,000
Redwood at Ute Storm Drainage Improvements	SWST	50,000	300,000				
Rock Creek Sub-Basin Analysis	SWST		100,000				
Sheley Road West of Crysler Drainage	SWST	500,000					
Spring Branch East Industrial Park	SWST	65,000	375,000				
Spring Branch Sub-basin Analysis	SWST				126,000		
Storm Systems Evaluation Survey (SSES)	SWST	100,000	100,000	100,000	100,000	100,000	100,000
Sugar Creek Neighborhood Drainage Improvements	SWST			75,000	567,000		
Trenchless Technology	SWST	150,000	150,000	150,000	150,000	150,000	150,000
William Yates School Neighborhood Drainage	SWST						830,000
Willis Storm Drainage Improvements	SWST	70,000	400,000				
Storm Water Totals		4,276,000	3,420,000	3,505,000	3,548,000	3,812,000	3,591,000
Buildings/Other							
Flooring & Restroom Restoration	Sewer	70,000					
Public Safety Building	TIF				5,212,025		
Buildings/Other Totals		70,000	0	0	5,212,025	0	0

Proposed Capital Improvement Program
2008-2009 through 2013-2014

	Funding Source	Project Cost					
		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Water Pollution Control Improvements							
Ash Pumps	Sewer		77,000				
Building Air Compressors	Sewer					125,000	
Degritting System Replacement	Sewer				268,000		
Flow Monitoring Structures	Sewer			180,000	180,000		
Incinerator Screw Feeders/Drives	Sewer			175,000			
Plant & Pump Station Improvements	Sewer	150,000					
Primary Thickener Basin Rehabilitiation	Sewer		110,000				
RTO Replacement	Sewer				220,000		
Steam Generator Replacement	Sewer	110,000					
Sub-Station Transformers/Switch Gear Replace	Sewer						412,000
Wet Air Oxidation Grinders Replacement	Sewer				70,000		
Wet Air Oxidation, Process Rehabilitation	Sewer			265,000			
Water Pollution Control Totals		260,000	187,000	620,000	738,000	125,000	412,000
Sanitary Sewer							
10th St. to Northern Neighborhood	Sewer			60,000	400,000		
17th Street, Menown to Blue Ridge	Sewer	275,000					
2000 South Ash Street	Sewer						160,000
23rd Street & Hall Road	Sewer					60,000	
33rd Terrace	Sewer		50,000	500,000			
44th Street, Noland Road to Dover Drive	Sewer				90,000	600,000	
45th Street, Noland to Washington	Sewer					100,000	600,000
Bison Park	Sewer		150,000				
Nieghborhood Projects	Sewer	150,000	150,000	150,000	150,000	150,000	150,000
North Liberty Force Main	Sewer		50,000	800,000			
Redwood	Sewer		750,000				
Sanitary Sewer Evaluation Survey	Sewer	300,000	300,000	300,000	300,000	300,000	300,000
Sinnott Circle	Sewer	275,000					
South Cottage to South Grand	Sewer		60,000	250,000			
Trenchless Technology	Sewer	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Sanitary Sewer Totals		3,000,000	3,510,000	4,060,000	2,940,000	3,210,000	3,210,000
Fiscal Year Totals:		84,316,200	60,450,800	53,496,000	35,069,025	21,683,000	18,144,000

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.

Defeasance - In financial reporting, the netting of outstanding liabilities and related assets on the statement of position. Defeased debt is no longer reported as a liability on the face of the statement of position. Most refundings result in the defeasance of the refunded debt.

Department - A major administrative division of the City that has management responsibility for an operation or a group of related operations within a functional area.

Designated Fund Balance- An account used to show that a portion of fund balance was segregated for a specific purpose. The account is not legally restricted and is therefore available for general appropriation.

Discount - The amount by which the purchase price of a security is less than the principal amount or par value.

Due Diligence - The investigation undertaken to make sure that a proposed security offering follows the purpose and scope outlined by the enabling legislation, statutes, and bond resolution of the issuer, and that the project is financially and economically sound so that the principal and interest will be paid on time.

Encumbrances - Obligations in form of purchase orders, contracts or salary commitments that are chargeable to an appropriation and that an appropriation is restricted. They cease to be encumbrances when paid or when an actual liability is created.

Enterprise Fund - Separate financial accounting used for government operations that are financial and operated in a manner similar to private sector operations. Enterprise funds for the City are Power & Light, Sanitary Sewer and Water.

Estimated Revenue - The amount of projected revenue to be collected during the fiscal year.

Expenditure - This term refers to the outflow of funds paid or to be paid for an asset obtained or goods and services obtained despite when the expense occurs. This term applies to all funds. Note: An encumbrance is not an expenditure. An encumbrance reserves funds to be expended.

Financial Advisor - A consultant who provides advice to public jurisdictions on the size, structure, timing, method of sale, terms, and other matters related to the planning and execution of municipal financings.

Full Disclosure - The publication and distribution of all pertinent information relating to an issuer and the securities being offered by that issuer. This information is conveyed to potential investors through the Official Statement of the issuer.

Fiscal Year - The period signifying the beginning and ending period for recording financial transactions. The Charter specifies July 1 to June 30 as the fiscal year.

Fund - An independent fiscal and accounting entity with a self-balancing set of accounts recording cash or other resources with all related liabilities, obligations, reserves, and equities that are segregated to carrying on specific activities or attaining certain objectives.

Fund Balance - The Fund Balance is the excess of a governmental fund's assets over its liabilities. A negative fund balance is a deficit.

General Fund - The largest governmental fund, the General Fund accounts for most of the financial resources of the general government. General Fund revenues include property taxes, licenses and permits, local taxes, service charges, and other types of revenue. This fund usually includes most of the basic operating services, such as fire and police protection, finance, data processing, parks and recreation, public works and general administration.

General Obligation Bonds - A bond secured by the pledge of the issuer's full faith, credit and taxing power.

Gross Debt - The sum total of an issuer's debt obligations.

Gross Spread - The dollar difference between the amount the issuer receives for its securities and the amount that the investors pay for those securities; the gross revenue accruing to the underwriters of a security prior to any costs or expenses.

Indenture - The formal agreement between a group of bondholders, acting through a trustee, and the issuer, specifying the terms and conditions of a bond offering.

Interest Rate - The percentage rate at which the bond bears interest. Interest is generally payable semiannually.

Internal Service Funds - Proprietary funds used to account for the furnishing of goods or services by one department or agency to other departments or agencies on a cost-reimbursement basis; for example, the Central Garage.

Issuer - A state, political subdivision, agency, or authority that borrows money through the sale of bonds or notes.

Lease Revenue Bond - A bond secured by a lease agreement and rental payments from a public agency (lessee) to another (lessor). Lease payments are typically made from revenue sources including general fund, enterprise fund or user fees. The lessor and issuer of the bonds may be a city, county, non-profit corporation, redevelopment agency, joint powers authority, parking authority, etc. The title reverts to lessee after bonds are retired.

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

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

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

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

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

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

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

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

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

Net Revenue - Gross revenues less operating and maintenance expenses.

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

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

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

Object of Expenditure - Expenditure classifications based upon the types or categories of goods and services purchased. Objects of expenditures are:

* 100 - Personal Services (salaries and wages);
* 200 - Services (utilities, maintenance contracts, travel)
* 300 - Supplies;
* 400 - Capital (automobiles, trucks, computers)

Objective - A program objective is an operationalized statement of a program goal, containing specific descriptions of desired results. An objective states a result in which the achievement is measurable within a given time frame and cost parameter. Objectives usually contain verbs such as "increase," "reduce," or "maintain."

Official Statement - A comprehensive statement issued by a governmental entity prior to the sale of its bonds or notes that contains all the salient facts concerning the issuer, the issuer's financial condition, the security pledged for the securities being offered, the projected use of the proceeds of the sale, and other facts deemed necessary to enable the investor to judge the quality of the securities being offered. Also known as the Disclosure Statement.

Original Issue Discount - The difference between par value (the face value of the bond) and the original public offering price which will be tax-exempt income to the bondholder if held to maturity.

Parity Debt - With respect to a bond issue, securities issued or to be issued with equal and ratable claim on the same underlying security and source of payment for debt service.

Paying Agent - The place where the principal and interest of a municipal bond or note is payable, usually a designated bank, trust company or the issuer's Treasurer's Office.

Per 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.