

CITY OF INDEPENDENCE, MISSOURI



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

**Fiscal Year Ending
June 30, 2001**

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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, 2001 and is not to be distributed or used separately from the CAFR. The information contained in this document has been submitted by the City pursuant to a contractual undertaking the City made in accordance with SEC Rule 15c2-12. Nothing contained in the undertaking of this document shall be deemed to be a representation by the City that the financial information and operating data included in this report constitutes all of the information that may be material to a decision to invest in, hold or sell any securities of the City. The financial data and operating data presented in this document are as of the dates shown.

BOND ISSUES AND CUSIP NUMBERS

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

Line	Coupon	Matures	CUSIP
1	3.6	11/1/2001	453725AD
2	3.75	11/1/2002	453725AE
3	3.85	11/1/2003	453725AF
4	3.95	11/1/2004	453725AG
5	4.05	11/1/2005	453725AH
6	4.15	11/1/2006	453725AJ
7	4.2	11/1/2007	453725AK
8	4.25	11/1/2008	453725AL
9	4.35	11/1/2009	453725AM
10	4.5	11/1/2010	453725AN
11	4.6	11/1/2011	453725AP
12	4.7	11/1/2012	453725AQ
13	4.8	11/1/2013	453725AR
14	4.85	11/1/2014	453725AS
15	4.95	11/1/2015	453725AT
16	5	11/1/2016	453725AU

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

Line	Coupon	Matures	CUSIP
1	4	6/1/2002	453650LC
2	4	6/1/2003	453650LD
3	4.1	6/1/2004	453650LE
4	4.1	6/1/2005	453650LF
5	4.25	6/1/2006	453650LG
6	4.3	6/1/2007	453650LH
7	4.3	6/1/2008	453650LJ
8	4.4	6/1/2009	453650LK
9	4.5	6/1/2010	453650LL
10	4.6	6/1/2011	453650LM
11	4.7	6/1/2012	453650LN
12	4.75	6/1/2013	453650LP
13	4.8	6/1/2014	453650LQ

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

Line	Coupon	Matures	CUSIP
1	4	6/1/2002	60636CBY
2	4.2	6/1/2003	60636CBZ
3	4.3	6/1/2004	60636CCA
4	5.15	6/1/2011	60636CCB

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

Line	Coupon	Matures	CUSIP
1	5.5	04/01/2002	60636CCC
2	5.5	04/01/2003	60636CCD
3	6	04/01/2004	60636CCE
4	6	04/01/2005	60636CCF
5	5.1	04/01/2006	60636CCG
6	5.125	04/01/2007	60636CCH
7	5.15	04/01/2008	60636CCJ
8	5.2	04/01/2009	60636CCK
9	5.55	04/01/2012	60636CCN
10	5.875	04/01/2020	60636CCW

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

Line	Coupon	Matures	CUSIP
1	5.15	04/01/2002	60636CDM
2	5.75	04/01/2009	60636CDU
3	5.8	04/01/2010	60636CDV
4	5.75	04/01/2012	60636CDX

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

Line	Coupon	Matures	CUSIP
1	5	6/1/2002	60636CDZ
2	5.1	6/1/2003	60636CEA
3	5.2	6/1/2004	60636CEB
4	5.25	6/1/2005	60636CEC
5	5.45	6/1/2007	60636CEE
6	5.6	6/1/2010	60636CEH

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

Line	Coupon	Matures	CUSIP
1	6	4/1/2003	60636CEK
2	6	4/1/2004	60636CEL
3	6	4/1/2005	60636CEM
4	6	4/1/2006	60636CEN
5	5.375	4/1/2007	60636CEP
6	6	4/1/2008	60636CEQ
7	6	4/1/2015	60636CEV
8	5.875	4/1/2017	60636CEW
9	6	4/1/2021	60636CEX

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

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

PART II - THE CITY

GENERAL INFORMATION

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

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

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

<u>Council Members</u>	<u>Occupation</u>	<u>Term</u>
Rondell F. Stewart, Mayor	Retired	2002
Charlie E. Rich	Retired	2004
William J. McDonald	Self-employed	2002
John Perkins	Butcher	2004
Don B. Reimal	Carpenter	2004
Lucy Young	Office Manager	2002
Renee J. Paluka	Supervisor	2004

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

Historically, the character of the City has been viewed as predominantly residential. In recent years industrial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of anticipated increases in industrial activity. The labor force encompasses a wide variety of skills and occupations: technical, sales, and administrative support occupations (36.31%); managerial and professional (20.93%); operators, fabricators, and laborers (17.37%); service, craft, and repair occupations (24.75%); and farming (0.64%).

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, 2000 and 2001 was \$3,767,817 and \$4,024,181, respectively.

Insurance

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

The City purchases all-risk property insurance from Hartford Steam Boiler Insurance Company and Zurich American Insurance Company that provides coverage for all real and personal property owned by the City. The replacement cost property insurance policy has a blanket loss limit of \$200 million. Risk covered include property damage, flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The all-risk property insurance coverage is subject to a \$25,000 per occurrence deductible, except for a \$1,000,000 per occurrence deductible at the Blue Valley and Missouri City Power Stations and all other power generating facilities.

The City purchases replacement cost boiler and machinery insurance coverage from Hartford Steam Boiler 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 \$25,000 per occurrence deductible, a \$1,000,000 per occurrence deductible for electrical injury and various deductibles for power generating facilities.

The City purchases general liability, public officials' liability, and third party automobile liability insurance coverage from the Missouri Public Entity Risk Management Fund (MOPERM). The MOPERM policies provide a \$2 million in coverage per occurrence, subject to a \$5,000 general liability deductible, a \$10,000 public officials deductible and a \$100,000 deductible for third party automobile liability. The City self-insures its fleet of vehicles for collision and comprehensive coverages.

The City purchases excess liability insurance coverage from Self-Insured Retention Programs, Inc. (SIRPRO). The SIRPRO policy provides an additional \$10 million in liability insurance above the insurance coverage provided by MOPERM for claims that are not subject to the State's Sovereign Immunity Statute.

Payment Record

The City has never defaulted on any obligations.

Obligations of the City

General Obligation Debt

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

The City had no General Obligation debt outstanding as of June 30, 2001.

Revenue Debt

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

Power and Light Fund:	<u>Balance Payable</u>
\$23,520,000 1998 Electric Utility Refunding Bonds, due in annual installments of \$700,000 to \$2,040,000 through June 1, 2014, interest at 4.0% to 4.8%, callable at par after June 1, 2003, less Deferred Loss on Refunding of (\$1,846,327)	\$18,693,673
\$8,590,000 1993 Electric Utility Refunding Revenue Bonds, due in annual installments of \$100,000 to \$1,950,000 through June 1, 2014, interest at 4.5% to 7.5%, callable 4.5% at par after June 1, 2002	6,850,000
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	34,250,000
	<u>\$59,793,673</u>

Loans Payable

Sanitary Sewer Loan Payable:

On July 1, 1998, the City entered into a loan with the Missouri Development Finance Board in the amount of \$2,610,000, due in semi-annual installments of \$235,000 to \$290,000 through June 30, 2003, with interest at 4.75% to 5.00%. The payments will be funded by annual appropriations. The balance payable at June 30, 2001 was \$1,120,000 plus interest.

General Fund Loan Payable:

On June 1, 2000, the City entered into a loan with the Missouri Development Finance Board in the amount of \$530,000, due in annual installments of \$68,637 to \$72,280 through June 1, 2010 and bearing interest at 5.00% to 6.25%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City. The balance at June 30, 2001 was \$490,000.

Park Improvement Sales Tax Loan Payable:

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

Tax Increment Revenue Bonds

On November 1, 1994, the City issued \$5,115,000 in Tax Increment Revenue Bonds Series 1994, due in annual installments of \$115,000 to \$515,000 through April 1, 2015 and bearing interest at 8.75%. In September 2000, a payment of \$2,095,000 was paid by the City for extinguishment of this debt in full.

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

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

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

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

Capital Leases

Capital leases payable at June 30, 2001 are comprised of the following:

Governmental Funds:

First National Bank of Louisburg, interest at 5.25%, semiannual installments through December 1, 2001. A lease utilized to purchase two fire pumper trucks, various rescue equipment and three passenger vehicles for the Fire Department. Monies held by lessor were to be invested in permitted investments as directed by the City until disbursed. First lien rights are held by lessor until lease obligation is fulfilled. The balance due at June 30, 2001 was \$5,000.

Deere Credit, interest at 5.75%, annual installments through August 20, 2002. A lease to purchase a John Deere 672CH Motor Grader. The balance due at June 30, 2001 was \$55,723.

IBM at 5.69%, monthly installments through September 1, 2002. A lease utilized to purchase an IBM tape drive. The balance due at June 30, 2001 was \$12,502.

IBM Corporation, interest at 6.69%, monthly installments through June 1, 2003. A lease to purchase an IBM AS400 along with software. First lien rights are held by lessor until lease obligation is fulfilled. The balance due at June 30, 2001 was \$143,196.

Kansas State Bank of Manhattan, interest at 6%, annual installments through July 13, 2003. A lease to purchase a Daewood DH Excavator. The balance due at June 30, 2001 was \$51,496.

Emergency One, interest at 4.84%, annual installments through May 18, 2005. A lease utilized to purchase two fire pumper trucks and rescue unit. The balance due at June 30, 2001 was \$361,777.

First National Bank of Louisburg, interest at 5.75%, semiannual installments through October 1, 2005. A lease utilized to purchase a fire truck, three vehicles, various rescue equipment, a pick-up truck and a telephone system. The balance due at June 30, 2001 was \$220,750.

CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006. A lease utilized for Johnson Controls contract to renovate the HVAC of City Hall. No restrictions. The balance due at June 30, 2001 was \$436,127.

Emergency One, interest at 5.84%, annual installments through March 2006. A lease to purchase an Emergency One HP75 Aerial Pumper Fire Apparatus. The balance due at June 30, 2001 was \$487,637.

Emergency One, interest at 6.31%, annual installments through October 2007. A lease to purchase an Emergency One Model V803 Commercial Pumper Fire Apparatus. The balance due at June 30, 2001 was \$126,490.

Special Revenue Funds:

Caterpillar Financial Services Corporation, interest at 6.25%, annual installments through December 2003. A lease utilized to purchase a Caterpillar backhoe loader and a front-end loader. The balance at June 30, 2001 was \$96,900.

Ford Motor Credit Company, interest at 6.39%, annual installments through May 2005. A lease to purchase a Vac-Con Sewer Cleaner. The balance due at June 30, 2001 was \$132,528.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

Employer	Product/Service	Number of Employees
1 Health Midwest	Medical Care	1,503
2 Alliant Tech Systems	Small Arms Ammunition	850
3 GEHA	Medical Ins. Service Center	842
4 Southwestern Bell Telephone	Communications	600
5 The Groves	Continuing Care	292
6 Thomas J. Lipton	Instant Tea, Salad Dressing	288
7 Comprehensive Mental Health	Counseling Services	285
8 Burd & Fletcher	Folding Paper Cartons	275
9 IBS Industries	Social Service Organization	230
10 Community of Christ	Religious Organization	200

Source: Independence Council for Economic Development

General and Demographic Information

The following tables set forth certain population information.

	1970	1980	1990	2000
City of Independence	111,630	11,637	112,402	113,288
Jackson County	654,178	629,267	633,232	654,880
State of Missouri	4,677,623	4,916,683	5,116,901	5,595,211

Source: Claritas, Inc. and Community Development Department

Population Distribution by Age

Age	City of Independence	Jackson County	State of Missouri
Under 5	6.86%	7.18%	6.84%
5 - 9 Years	6.87%	7.13%	7.12%
10 - 14 Years	6.98%	7.14%	7.18%
15 - 17 Years	4.05%	4.12%	4.19%
18 - 20 Years	3.80%	3.88%	4.25%
21 - 24 Years	4.80%	5.01%	5.13%
25 - 29 Years	6.02%	6.67%	6.31%
30 - 34 Years	6.95%	7.10%	6.73%
35 - 39 Years	7.78%	7.61%	7.13%
40 - 49 Years	15.18%	15.50%	14.91%
50 - 59 Years	11.82%	11.49%	11.69%
60- 64 Years	4.43%	4.03%	4.30%
65 - 69 Years	4.05%	3.53%	3.75%
70 - 74 Years	3.70%	3.24%	3.49%
75 + Years	6.72%	6.37%	6.98%
Median Age	37.37	36.16	36.58
Average Age	37.31	36.34	36.90

Source: Claritas, Inc.

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

	1995	1996	1997	1998	1999	2000	2001
Kansas City MSA							
Total Labor Force	925,343	942,826	953,082	968,800	977,689	1,005,032	1,074,649
Unemployed	40,182	38,993	35,227	36,853	28,998	32,972	41,494
Unemployment Rate	4.3%	4.1%	3.7%	3.8%	3.0%	3.3%	3.9%
Jackson County							
Total Labor Force	358,218	363,446	359,840	358,620	354,786	372,797	399,805
Unemployed	17,500	16,339	15,223	15,327	12,641	13,670	17,314
Unemployment Rate	4.9%	4.5%	4.2%	4.3%	3.6%	3.7%	4.3%
State of Missouri							
Total Labor Force	2,833,356	2,904,687	2,891,135	2,854,494	2,841,203	2,929,827	3,011,399
Unemployed	135,490	132,684	122,537	118,434	95,739	101,447	128,250
Unemployment Rate	4.8%	4.6%	4.2%	4.2%	3.4%	3.5%	4.3%

Source: Missouri Department of Economic Development

Income Statistics

The following table sets forth income figures from the last census information.

	Per Capita	Median Household
City of Independence	\$19,215	\$40,462
Jackson County	21,514	41,899
State of Missouri	21,184	40,502

Source: Claritas, Inc.

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for the year 1990:

Year Round Units	Number of Units	Percentage of Units
Single Detached	34,265	70.99%
Single Attached	1,685	3.49%
Double	2,317	4.80%
3 to 9 Units	4,180	8.66%
10 to 19 Units	2,177	4.51%
20 to 49 units	1,125	2.33%
50 + Units	1,062	2.20%
Mobile Home	1,110	2.30%
All Other	343	0.71%
Total Units	48,262	100%

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas was, according to the 2000 census, as follows:

Building Construction

	Owner Occupied Median Value
City of Independence	\$82,623
Jackson County	89,971
State of Missouri	87,453

Source: Claritas, Inc.

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.

	1995	1996	1997	1998	1999	2000
Residential						
Number of Permits	324	780	732	751	616	647
Estimated Cost	34,898,729	32,781,341	41,552,561	47,477,592	40,362,632	43,799,753
Non-Residential						
Number of Permits	263	368	290	370	282	219
Estimated Cost	21,953,940	41,951,212	46,214,864	36,386,117	72,399,536	61,394,644

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 and account groups, 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.

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, 2001 was performed by KPMG Peat Marwick LLP, Kansas City, Missouri. Copies of the audit reports for the past five years are on file in the City Clerk's Office and are available for review.

Property Valuations

Assessment Procedure: All taxable real and personal property within the City is assessed annually by the County Assessor. Missouri law requires that real property be assessed at the following percentages of estimated market value:

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

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

The assessment ratio for personal property is generally 33 $\frac{1}{3}$ % of estimated market value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 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, 2001 (the last completed assessment).

	<u>Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Market Value</u>
Real Estate:			
Residential	586,564,394	19%	3,087,181,021
Commercial	208,767,767	32%	652,399,272
Agricultural	1,074,288	12%	8,952,400
RR & Utilities	5,668,715	32%	17,714,734
Sub-Total	<u>802,075,164</u>		<u>3,766,247,427</u>
Personal Property*	<u>240,711,303</u>	<u>33.30%</u>	<u>722,856,766</u>
Total	<u>\$1,042,786,467</u>		<u>4,489,104,193</u>

Source: Jackson and Clay Counties Assessor's Offices.

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

Year	Assessed Valuation	Percent Change
2001	\$1,042,786,467	6.6%
2000	\$977,928,272	1.3%
1999	\$965,098,107	8.0%
1998	893,405,364	0.9%
1997	885,313,341	6.7%
1996	830,079,209	2.4%
1995	810,488,004	N/A

Source: Jackson and Clay Counties Assessor's Offices.

Major Property Taxpayers: The following table sets forth the ten largest real property taxpayers in the City based upon assessed valuation as of January 1, 2001.

Name of Taxpayer	Type	Local Assessed Valuation	Percentage of Total Local Assessed Valuation
1 Simon Property Group LP	Retail	\$16,468,551	1.58%
2 Community Center Two, LLC	Retail	8,821,175	0.85%
3 Space Center of Kansas City	Warehouse	7,986,435	0.77%
4 Southern Union Railroad	Utility	4,856,878	0.47%
5 POB Apollo Independence	Retail	3,840,000	0.37%
6 Independence Apartments	Housing	3,675,082	0.35%
7 Independence Regional	Hospital	2,464,000	0.24%
8 Butler Real Estate	Real Estate	2,293,891	0.22%
9 Wal Mart	Retail	2,240,000	0.21%
10 Noland Fashion Square	Retail	2,156,820	0.21%

Source: Jackson County Assessor's Office

PART III - DEPARTMENTS

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

UTILITIES

Public Utilities Advisory Board

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

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

<u>Board Member</u>	<u>Term Expires</u>
Skip Shearer	7/01/2004
Blair L. Wildermuth	7/01/2004
Marvin Sturgeon	7/01/2005
Charles Ventimiglia	7/01/2005
John C. McEnroe	7/01/2002
Russell Penniston	7/01/2002
Clyde W. Noren	7/01/2003

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, 2001, electric retail sales totaled 1,019,161 megawatt-hours (MWh). An all-time maximum system peak load of 294.9 megawatts (MW) occurred on August 28, 2000.

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 211 full-time employees as of June 30, 2001.

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 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 2001, the Department was billed \$2,061,640 by the City for City-provided support services. The Department also provides customer meter reading service to the City's Water Department. For fiscal year 2001, the Water Department was billed \$681,806 by the Power & Light Department for meter reading service.

Management

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

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

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

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

Vacant - Production Manager. The Production Manager position has been vacant since October 1, 2000 due to the retirement of the former Production Manager. The Department is currently seeking potential candidates to fill this position. In the interim, Mr. Tom Kephart has been serving as the Acting Production Manager. Mr. Kephart is the Operations Superintendent and has filled that position for 6 years. Mr. Kephart has served the Department in various production-related positions since 1978.

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

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

Stanley R. Kasiske - Support Services Manager. Appointed in June 1998, Mr. Kasiske has a Masters Degree in Public Administration and 27 years experience, most recently as a City Manager for a city with an electric utility.

Power Supply

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

For the fiscal year ending June 30, 2001, the Department purchased 90 MW of capacity from one other utility company. This 90 MW capacity purchase is committed through May 31, 2005. The Department has the contractual option to extend the purchase with this company in the amount of 20 to 90 MW of capacity through May 31, 2011. This option must be exercised by the Department no later than June 1, 2003.

In addition to the 90 MW capacity purchase for the year ending June 30, 2001, the Department purchased between 6 and 20 MW of short term capacity for the period of July 17, 2000 through September 20, 2000 from the Missouri Joint Municipal Electric Utility Commission.

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

The Department believes that its total current accredited generating capacity resources, including contract purchase capacity, is sufficient to meet its projected annual system peak load, including 13.7 percent reserves (SPP reserve requirements), through May 31, 2005.

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

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

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

** Regenerative (heat exchange) combustion turbine.

On October 6, 1997 the Department experienced a fire in one of the combustion generating units (I-2) located at Substation I. The fire damage resulted in some P.C.B. related contamination at the I-2 unit. This unit is currently undergoing cleanup and repair is projected to be back in service by January 2002. The City believes that its insurance will cover a substantial portion of the costs related to the damage.

On July 10, 2001, the Department experienced a generator field failure on one of the combustion turbine generating units (H-1) located at Substation H. The generator unit is currently undergoing repair and is expected back in service by January 2002. The total cost for repair of this unit's generator is expected to be below the deductible amount under the City's insurance coverage and the costs are to be funded from the Department's retained earnings.

Fuel Supply

The Department currently uses coal, natural gas, and No. 2 fuel oil in its power production facilities. For the year ending June 30, 2001, the total fuel burn mix consisted of 89.9% coal, 7.7% gas and 2.4% No. 2 fuel oil. Based on State of Missouri environmental regulations, the Department is restricted to sulfur dioxide emissions of 6.3 pounds per million Btu at its Blue Valley Steam Plant and 8.0 pounds per million Btu at its Missouri City Plant.

The Department is purchasing its coal supply under a contract with a Missouri coal company that was originally executed in January 1996. The coal contract was amended in March 1999 pursuant to Amendment No. 1, in August 2000 pursuant to Amendment No. 2, and in February 2001 pursuant to Amendment No. 3. In accordance with Amendment No. 2, the coal contract was extended through calendar year 2004, although the City may terminate the contract for any reason with 150 days prior notice after the year 2001. The City, also, has the option to extend the contract for one additional two-year period from January 1, 2005 through December 31, 2006.

Amendment No. 3 implemented a temporary price increase for a short-term period during which the coal supplier is ending its mining operations in the current mining area. This price is currently \$36.95 per ton delivered to the Blue Valley plant and \$37.20 per ton delivered to the Missouri City plant. The coal supplier is seeking permit approval for a new mining area. Pricing is to revert back to the prices pursuant to Amendment No. 2 once the coal supplier has started operations on this new mining area. These prices are \$31.82 per ton effective for calendar year 2001, delivered to the Blue Valley plant and the Missouri City plants and are subject to annual increases at a pre-defined escalation index capped at three percent per year.

The coal supplier is struggling financially and has asked for cooperation from the Department in its efforts to continue its mining operations. The Department is currently evaluating its future coal supply needs with this Missouri coal company as well as other potential coal supply alternatives.

The Department currently contracts its natural gas supply with a nationally recognized gas supplier for a one-year period ending June 30, 2002. This natural gas contract consists of gas supply and pipe line transportation service to the local distribution company's system. The local distribution company delivers the gas to the Department at two different power plant sites on a continuing contract basis until canceled by either party.

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

Purchases/Sales of Capacity and Energy

The Department purchases a majority of its energy needs under a capacity purchase agreement with Kansas City Power & Light (KCPL). The agreement with KCPL addresses three main areas. The first is a purchase agreement with KCPL under which the Department purchases 60 MW of capacity and energy for the three-year period through May 31, 1999 and 90 MW of capacity and energy for the two-year period ending May 31, 2001. In May 1999, the Department exercised its option with KCPL to purchase 90 MW of capacity for the four-year period from June 1, 2001 through May 31, 2005. After May 31, 2005, the Department has the option to purchase from 20 MW to 90 MW of capacity from KCPL for up to a six-year period ending May 31, 2011. This option must be

exercised by the Department no later than June 1, 2003. The second area of the KCPL agreement calls for the Department to supply 55 MW to KCPL for a four-year period through May 31, 2000 and 30 MW for a one-year period ending May 31, 2001. The third area of this agreement allows the Department to purchase load regulation service from KCPL.

The City became a participant in the MOKAN pool on January 3, 1983 through the execution of an amendment to the MOKAN General Participation Agreement (MOKAN Agreement). The MOKAN Agreement provided for a sharing of the transmission facilities of the member utilities, coordination of reserve capacity, and for the exchange of Standby Service, System Energy and Economy Energy among the participants to the MOKAN Agreement. The MOKAN Agreement was dissolved in January 1999. The operating requirements of the Southwest Power Pool now apply. As a result the Department's reserve capacity requirement was reduced from 15 percent (MOKAN) to 13.7 percent (SPP).

In July 1997, the City became a participant to the Western Systems Power Pool Agreement (WSPP Agreement). The WSPP Agreement provides for short-term electric power transactions by and among its members. Transactions under the WSPP Agreement are executed under rate schedules that allow for market-based pricing. Membership of the WSPP Agreement has expanded from the original experimental eleven western United States electric utilities to over 220 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, Missouri Public Service, and other utilities and power marketers.

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:

Missouri Public Service Company. An interconnection between the City and Missouri Public Service Company (MPS) is made at MPS's Sibley Substation and is governed by a Municipal Participation Agreement dated December 2, 1968. The interconnection is made between the City's 161-kV transmission line and the 161-kV bus in MPS's substation. This agreement provides the terms and conditions under which the parties can purchase Reserve Capacity, Standby Service, Requisitioned Power and Accompanying Energy, and Economy Energy. This agreement went into effect December 1, 1969 and was to remain in effect until May 31, 1990 and thereafter from year to year until terminated by either party. Forty-eight months written notice is required for termination of this agreement.

Associated Electric Cooperative. An interconnection with Associated Electric Cooperative ("AEC") was made to provide for the transfer of power from the Missouri City Power Plant to the City. The interconnection is made between the City's Eckles Road Switching Station and AEC's Missouri City-Pittsville 161-kV line and is governed by an Interchange Agreement dated August 8, 1979. Although the

primary purpose of the interconnection is to provide for the delivery of the Missouri City Power Plant output (currently rated at 38 megawatts), this agreement also provides for other transactions between the parties, such as Standby Service, Economy Energy, Short-Term Power, Participation Power, Firm Power and Surplus Energy. This agreement went into effect June 1, 1980 and will remain in effect until June 1, 1995, continuing in effect from year to year thereafter until terminated by either party. Three years written notice is required for termination of this agreement.

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

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

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

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

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

Transmission System

The Department's transmission system is comprised of approximately 22.6 miles of 161-kV lines and approximately 42.4 miles of 69-kV lines. One 161-kV line interconnects the Department's Substation A with its Eckles Road Switching Station that interconnects the Department's System with Associated Electric Cooperative. The line capacity is limited to approximately 200 megavoltamperes (MVA) by the transformation capacity at Substation A. A 161-kV line from Eckles Road to MPS' Sibley Power Station provides an interconnection with MPS. A 161-kV line from KCPL at its Hawthorn Power Station to the Department's Substation M provides approximately 100 MVA of interconnection capability, limited by the transformer at Substation M. A 161-kV line from KCPL's Leeds Substation to the Department's Substation N, provides an additional 100 MVA of interconnection capability. In the first quarter of 1999, the Department had a load flow study performed to determine the transmission firm import capacity with other utility systems. This study resulted in a firm import capacity of 227 MW. During the summer of 2000, the Department installed 30MVA of capacitor banks (10 MVA bank each at Substation H, Substation M, and Substation N) on the 69-KV transmission system to improve voltage regulation. The addition of these capacitor banks increased the firm import capacity to 245 MW. This import capacity of 245 MW is reduced by 38 MW if the Department operates its Missouri City plant at full capacity. The Department is currently evaluating 161-kV transmission system improvements which may increase the Department's firm transmission import capability.

SUBSTATIONS

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

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

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

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

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

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

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

Distribution System

The existing distribution system consists of approximately 560 circuit miles of 13-kV overhead lines, 19.5 circuit miles of 4 kV overhead lines, 132.4 circuit miles of 13-kV underground lines and 0.2 circuit miles of 4-kV underground lines.

During the fiscal year ending June 30, 2001, the Department modified a 69/13.8 KV substation (Substation H) and increased it's capacity from 40 MVA to 60 MVA.

Capital Improvements

As of June 30, 2001, the Department had a total of \$12,871,858 of funded, but uncompleted major capital improvement projects. These uncompleted projects include \$4,810,997 for production plant capital improvements, and \$8,060,860 for distribution plant capital improvements. For fiscal year ending June 30, 2002 the City Council has additionally appropriated from the Power & Light Fund \$6,880,000 for other capital improvement projects, of which \$4,830,000 are for production plant improvements and \$3,000,000 are for distribution plant improvements. For the six fiscal years ending June 30, 2001 through 2007, the Department is currently estimating a total of \$39,680,000 in additional major project capital improvements. These additional capital expenditures include \$15,180,000 in production plant improvements, \$24,500,000 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 2001 through 2006 can be found in Part IV of this document.

Electric Rates

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

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

The City implemented a 5.29 percent base rate increase effective July 1, 1989. Base rate increases scheduled for July 1, 1991 and 1992 were subsequently cancelled. Based on Department financial projections, the City has scheduled no base rate schedule increases through fiscal year ending 2004; however, some customer billing increases may result from projected increased fuel costs and purchased energy costs which are passed along to customers from the FCA clause. For the year ending June 30, 2001, the average monthly billed FCA credit rate decreased from \$(9.91) per MWh to \$(1.36) per MWh when compared to the year ending June 30, 2000. Overall, this change in the FCA rate resulted in approximately 12.2 percent average billing rate increase for all retail customers for the 12 month period ending June 30, 2001 compared to the previous 12 month period.

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

The City currently has the following basic customer class rate classifications: residential, small general service, large general service, and large power service. In addition to the basic rate class rate schedules, the City has special service rate schedules for residential all-electric service, total electric general service, schools and churches, sewer pumping, separately metered general service space heating, unmetered private outdoor lighting and public street lighting, and interruptible industrial 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. Other utility-imposed load management techniques are currently being studied by the Department.

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

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

In April 1990, the City began a rebate program to encourage use of energy efficient air conditioners, water heaters and heat pumps by residential customers. The rebate scale increases with increased efficiency of the unit purchased. Current rebates range from \$75 to \$897. Through December 2000, over 5,000 rebates have been paid for a total of \$1,185,000.

The electric rate schedules include the FCA provision which adjusts base rate billings for changes in the unit cost of fuel (adjusted for fuel displaced through the purchase or sale of energy to other electric utilities) from the fuel unit cost amount included in the Department's Base Rate Schedules for electric service. For the 12 months ending June 30, 2000 and 2001, the average monthly billed FCA rate was a credit of (\$9.91) per MWH and (\$1.36) per MWH, respectively. Based on the projected cost (including nominal inflation escalation) of fuel and purchased energy from other utilities, the billed projected FCA rate credit may increase to (\$5.45) per MWH for year ending June 2002. The large decrease in the average monthly FCA credit rate for fiscal year 2001 was caused primarily by events that are not expected to occur in fiscal year 2002, including the unavailability of the 90 MW capacity purchase contract for a two and half month period, the unusually high cost of natural gas fuel, and the unusually high market prices for short-term electric energy purchases.

The Power & Light Fund makes a payment annually from revenues to the City's General Fund as a payment in lieu of taxes. Pursuant to the City Charter, the payment is limited to an amount that would normally be paid by a privately-owned electric utility. The current payment in lieu of tax

practice is the result of a Declaratory Judgment issued by the Jackson County Circuit Court on March 10, 1980. The components are: (1) 9.08% gross receipts tax (applied against gross operating revenues), (2) City property taxes on facilities owned by the City for the utility within the City, and (3) a one percent City sales tax payment on all purchases made by the Department within the City. Payment for City electric service is made by the City to the Power & Light Fund under the appropriate retail rate classification.

Delinquent electric bills are processed as follows: a bill in arrears is considered delinquent after 30 days. A second bill is then issued with the customer having 10 to 15 days to pay both bills. After the 10 to 15 days have passed with no payment of both bills, the customer's service is subject to discontinuance. The City's policy is to attempt to notify the customer by telephone or personal contact before service is discontinued. In 2001, out of approximately \$77 million in billings, \$413,495 was charged off as uncollectible or .54% of total billed revenues.

Operating Statistics

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

HISTORICAL ANNUAL PEAK DEMAND AND ENERGY REQUIREMENTS

Fiscal Year Ended June 30	Annual Peak Demand		Annual Energy Requirements For City Load	
	(MW)	Percent Increase	(MWh)	Percent Increase
1997	264.1	-	917,672	-
1998	265.5	0.5	990,182	7.9
1999	284.2	7.0	1,009,763	2
2000	291.8	2.7	1,021,566	1.2
2001	294.9	1.1	1,092,098	6.9

Fiscal Year Ended June 30	Annual Load Factor(%)	Average Number of Monthly Meters	Annual Requirements Per Meter (kWh/Meter)	Summer Season Cooling Degree Days *
				(65°Base)
1997	39.7	50,442	18,193	1,058
1998	42.6	52,029	19,031	1,491
1999	40.6	52,640	19,182	1,418
2000	39.9	53,135	19,226	1,350
2001	42.3	53,658	20,253	1,619

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

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Energy Supplied (MWh):					
Net Generation, City Power Plants	133,167	210,381	269,475	214,605	346,346
Purchased Power Energy from					
Other Utilities	785,814	789,600	752,641	838,707	770,405
Unintentional Interchange	381	-542	76	75	301
Gross Energy Supplied	<u>919,362</u>	<u>999,439</u>	<u>1,022,192</u>	<u>1,053,387</u>	<u>1,117,052</u>
Energy Sold to Other Utilities	-1,690	-9,257	-12,429	-31,821	-24,954
Total energy, City Load	<u>917,672</u>	<u>990,182</u>	<u>1,009,763</u>	<u>1,021,566</u>	<u>1,092,098</u>
Border Customer Purchases	<u>1,321</u>	<u>7,355</u>	<u>1,391</u>	<u>1,274</u>	<u>1,400</u>
Total Energy, City Load and City Border Customers	918,993	997,537	1,011,154	1,022,840	1,093,498
Border Customer Sales	<u>-2,259</u>	<u>-4,396</u>	<u>-5,761</u>	<u>-4,572</u>	<u>-5,321</u>
Total Energy, City System	916,734	993,141	1,005,393	1,018,268	1,088,177
Consumption By Classes (MMh) *					
Residential	398,377	459,958	459,656	459,993	500,667
Commercial	391,952	409,374	425,549	436,273	463,247
Industrial	52,479	55,965	47,766	46,691	46,239
Other	9,119	9,132	9,188	9,162	9,008
Total Retail Sales	<u>851,927</u>	<u>934,429</u>	<u>942,159</u>	<u>952,119</u>	<u>1,019,161</u>
Sold to Other Utilities (inc. border customers)	<u>3,950</u>	<u>13,653</u>	<u>18,190</u>	<u>36,393</u>	<u>30,275</u>
Total MWh Sales	<u>855,877</u>	<u>948,082</u>	<u>960,349</u>	<u>988,512</u>	<u>1,049,436</u>
Revenue by Classes ('000) *					
Residential	\$29,740	\$33,949	\$34,586	\$34,556	\$41,167
Commercial	24,821	25,454	26,812	27,053	32,622
Industrial	2,258	2,371	2,088	1,992	2,490
Other	669	671	681	715	827
Total Retail Sales	<u>57,488</u>	<u>62,445</u>	<u>64,167</u>	<u>64,316</u>	<u>77,106</u>
Sold to Other Utilities	<u>991</u>	<u>1,382</u>	<u>1,443</u>	<u>2,708</u>	<u>1,406</u>
Total	<u>58,479</u>	<u>63,827</u>	<u>65,610</u>	<u>67,024</u>	<u>78,512</u>
Average Number of Meters (Total System)	50,442	52,029	52,640	53,135	53,658
Average Number of Meters (Residential)	45,838	47,285	41,805	48,280	48,829

* Includes change in unbilled MWh and Revenue.

The following table is a listing of the twelve largest commercial and industrial customers 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 less than 2% of retail sales of the system.

Twelve (12) Largest Commercial and Industrial Customers

July 2000 - June 2001

	kWh	Revenue
1 Simon Properties Group	18,997,504	\$1,117,140
2 Thomas J. Lipton Co.	20,212,800	982,635
3 Commercial Distribution Center	15,315,600	858,642
4 Burd & Fletcher	12,863,100	666,248
5 Price Chopper (Noland Road)	7,277,760	411,205
6 Independence Regional Health Center	6,560,400	392,885
7 City's Rock Creek Sanitary Sewer Plant	5,664,000	385,708
8 Price Chopper (23rd Street)	6,426,000	362,438
9 Medical Center of Independence	5,209,460	290,110
10 R.L.D.S. Auditorium	4,842,000	285,702
11 Hy-Vee Food Stores	4,324,200	243,683
12 AGCO Material Group	4,131,936	241,712
Total	<u>111,824,760</u>	<u>\$6,238,108</u>

July 1999 through June 2000

	kWh	Revenue
1 Simon Properties Group	17,537,120	\$883,152
2 Thomas J. Lipton Co.	20,017,200	800,945
3 Commercial Distribution Center	14,563,800	681,752
4 Burd & Fletcher	10,867,500	456,108
5 AGCO Material Group	8,195,632	352,362
6 Independence Regional Health Center	6,690,900	345,456
7 Price Chopper (Noland Rd.)	7,224,960	344,679
8 Price Chopper (23rd Street)	6,584,100	312,290
9 City's Rock Creek Sanitary Sewer Plant	5,640,000	277,438
10 R.L.D.S. Auditorium	4,669,200	235,006
11 Medical Center of Independence	4,607,000	215,333
12 Hy-Vee Food Stores	4,484,100	213,290
Total	<u>111,081,512</u>	<u>\$5,117,811</u>

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

	Total kWh Over 24 Months	Total Revenue Over 24 Months
1 Simon Properties Group	36,534,624	2,000,292
2 Thomas J. Lipton Co.	40,230,000	1,783,580
3 Commercial Distribution Center	29,879,400	1,540,394
4 Burd & Fletcher	23,730,600	1,122,356
5 Price Chopper (Noland Rd.)	14,502,720	755,884
6 Independence Regional Health Center	13,251,300	738,341
7 Price Chopper (23rd Street)	13,010,100	674,728
8 City's Rock Creek Sanitary Sewer Plant	11,304,000	663,146
9 AGCO Material Group	12,327,568	594,074
10 R.L.D.S. Auditorium	9,511,200	520,708
11 Medical Center of Independence	9,816,460	505,443
12 Hy-Vee Food Stores	8,808,300	456,973
Total	<u>222,906,272</u>	<u>\$11,355,919</u>

Debt Service Coverage

<u>Year Ended June 30</u>	<u>Gross Revenues (2)</u>	<u>Operating Expense (1)</u>	<u>Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Debt Service Coverage</u>
1994	58,624,361	40,787,834	17,836,527	3,259,893	5.47
1995	58,748,836	41,427,298	17,321,538	3,261,335	5.31
1996	62,980,774	43,122,409	19,858,365	3,251,559	6.11
1997	61,774,504	41,624,569	20,149,935	3,253,240	6.19
1998	67,552,096	44,766,098	22,785,998	3,249,615	7.01
1999	69,173,245	46,068,740	23,104,505	3,095,463 (3)	7.46
2000	70,349,124	50,390,860	19,958,264	2,919,760	6.84
2001	81,965,004	57,618,481	24,346,523	2,903,835	8.38

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

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

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

Employee Relations

As of June 30, 2001 the Department had 211 full-time positions, of which 149 are hourly personnel engaged in Production, Transmission, Distribution, Engineering and Support Services, and 62 are Administrative or Supervisory Personnel.

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

The current Memorandum of Agreement between the City and the IBEW provides for annual wage increases and working conditions effective November 1, 1999, and thereafter until October 31, 2001.

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

Water Department

Description of the Water System

The City purchased the Missouri Water Company in 1986 through the issuance of \$47,500,000 variable interest rate revenue bonds. The bonds were converted to flexible interest rate bonds under the Second Amended and Restated Indenture of Trust dated June 1, 1987. The bonds were converted to fixed interest rates and the principal outstanding was reduced by \$6,050,000 on January 6, 1999.

The water system includes 37 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 688.6 miles of water main ranging in size from 4 inches to 36 inches, and six storage facilities with capacity totaling 10.1 millions gallons. These facilities provide water service to approximately 45,945 customers on a retail basis, and resale (wholesale) water service to 11 customers.

Organization

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

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

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

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

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

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, and other administrative services. For fiscal year 2001, the Department was billed \$1,471,846 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 2001, the City's Power & Light and Water Pollution Control Departments were billed \$891,270 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:

Randall L. Vest - Water Systems Director. Mr. Vest was appointed Water Systems Director in September of 1989 and has been with the Department for 35 years. Mr. Vest 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 Class "A" Water Certification from the Missouri Department of Natural Resources.

Daniel D. Montgomery - Assistant Director. Mr. Montgomery was appointed Assistant Director of the Water Department in August of 1987 and has been with the Department for 18 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 from the Missouri Department of Natural Resources.

Duane A. Wheaton - Customer Service Manager. Mr. Wheaton has been with the City for 36 years and was appointed Customer Service Manager in September of 1986.

Karen L. Kelley - Water Production Manager. Ms. Kelley was appointed Water Production Manager in October of 1991 and has been with the Department for 20 years. Ms. Kelly holds a BS in Biology degree from the University of Missouri at Kansas City. She holds a Class "A" Water Certification from the Missouri Department of Natural Resources.

Denne L. Roe - Water Distribution/Engineering Manager. Mr. Roe has been with the City for 27 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.

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-six vertical wells ranging in depth from 76 to 130 feet and capacity from 500 to 2,000 gallons per minute (gpm) pump raw water from the alluvial aquifer. In addition, a 125-foot deep horizontal collector well adds an additional 7,000 gpm to the capacity of the well field.

Water Treatment

The Courtney Bend WTP, constructed in 1956 for the Missouri Water Company and purchased by the City in 1986, is located at Highway 291 and the Missouri River. The plant was expanded in 1961, 1963, 1969, 1976, 1986, and finally in 1992 to its current capacity of 42 million gallons per day (mgd). The Courtney Bend Plant incorporates softening, clarification, filtration, and chemical disinfection into its treatment process. The major process components of the WTP are summarized below:

Solids Contact Basins		Chemicals (cont.)	
Number	7	Chlorine	
Capacity, ea, mgd	6	Average, ppd	425
Settling Basins		Range, ppd	350 - 800
Number	5	Ammonia	
Capacity, ea, mgd	8.4	Average, ppd	60
Filters		Range, ppd	50 - 100
Number	14	Phosphate	
Capacity, ea, mgd	3	Average, ppd	125
Chemicals		Range, ppd	100 - 200
Lime			
	Average, ppd		30,000
	Range, ppd		26,000 - 50,000

Distribution System

The distribution system consists of pumps, piping, and storage facilities necessary to serve the retail and wholesale consumers. The system also has four emergency interconnects with the Kansas City, Missouri Water Department's distribution system and a 200 kW electrical generator for providing emergency power to the 35th Street, 39th Street, or I-435 and Truman Road Pumping Stations.

Piping: The Department had, at the end of fiscal year 2001, approximately 688.6 miles of piping ranging in size from 4 inches to 36 inches. The majority of the system mains are 6 inches in diameter. The distribution system piping leaving the treatment plant has a capacity of 42 MGD.

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

The High Service Pumping Station at the Courtney Bend WTP contains 13 pumps with an operating head of 505 feet and capacity of 2,100 gpm and 3 pumps with an operating head of 505 feet and capacity of 4,200 gpm. The total operating capacity of these pumps is 57.5 MGD.

The Van Horn Pumping Station contains three electric-driven pumps that can be controlled from the Courtney Bend WTP, and one diesel-driven pump that is controlled from within the Van Horn station. Local control of the electrically driven pumps can also be done from within the pumping station. The capacity of the pumps range from 600 to 1,800 gpm.

The 35th Street Pumping Station contains three electrically driven 2,500 gpm pumps. Each pump can be remotely controlled from the Courtney Bend WTP or manually controlled from within the pumping station.

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

The Chrysler Booster Pumping Station has two electric, 150 gpm, automatic pumps designed to maintain system pressure at 30 psi for service to approximately 100 consumers. This is an automated system and provisions for control of this system at the treatment plant are not provided. System operations are monitored at the plant, however, by a pressure meter at the high spot in the system, which is located at Highway 40 and Blue Ridge. The signal is then transferred back to the Courtney Bend WTP.

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

Storage: The City of Independence Water Department currently has six storage facilities located at various sites within the distribution system. Three of the facilities are elevated storage tanks. These include the North Main, Dodgion, and Blue Ridge elevated tanks. The total storage capacity of the elevated tanks is 1.1 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 10.1 MG.

The North Main and Dodgion Tanks are the predominant elevated storage facilities available to the Water Department. The North Main elevated tank generally sets the hydraulic grade line for the distribution system. The Blue Ridge elevated tank is relatively small (0.1 MG) and the overflow elevation is typically below the hydraulic grade line. Therefore, it does not provide assistance in meeting equalization demands. It does, however, assist in meeting fire flow demands.

The Van Horn, 35th Street, and 39th Street ground storage reservoirs are typically remotely filled from the Courtney Bend WTP. Provisions are available to fill these reservoirs locally by the use of a timer or manual operation of the valving on the fill lines. The following summarizes the characteristics of the storage facilities:

North Main Elevated Tank

Capacity, MG	0.5
Diameter, ft	50
Height to HWL, ft	39.3
	121.3 ft. above ground

Van Horn Storage Reservoir

Capacity, MG	2.0
Diameter, ft	135
Height to HWL, ft	20

Dodgion Elevated Tank

Capacity, MG	0.5
Diameter, ft	50
Height to HWL, ft	39
	130 ft. above ground

35th Street Storage Reservoir

Capacity, MG	2.0
Diameter, ft	80
Height to HWL, ft	53

Blue Ridge Elevated Tank

Capacity, MG	0.1
Diameter, ft	28
Height to HWL, ft	21.7
	115 ft. above ground

39th Street Storage Reservoir

Capacity, MG	5.0
Diameter, ft	130
Height, ft	50

Emergency Interconnections; The Water Department has four emergency interconnections with the City of Kansas City, Missouri Water Department's distribution system to supply either system with water in an emergency. The capacity of each system varies based upon system pressure and direction of flow. The emergency interconnections are located at I-435 and Truman Road, Highway 40 and Noland Road, Highway 40 and Hunter, and in the vicinity of Blue Ridge Boulevard and Wilson Road. The I-435 and Truman Road interconnection has a 3,400 gpm booster pump that can be either operated from the electrical supply or from the Water Department's mobile generator unit.

Support Facilities

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

Two interconnected buildings located at Truman and Forest contain the bulk of the service, maintenance, and construction force. The Service building contains primary facilities such as workshops for servicing, cleaning, and repairing meters, as well as a garage area for maintenance and cleaning of department vehicles. The second building, the Construction/Maintenance building, has a garage area, workshop area, and storage area. A storage yard for miscellaneous pieces of 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 45,945 as of June 30, 2001. 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 1998 to 2001. The annual growth rate from 1998 to 2001 was 0.79 percent, which is consistent with the long term annual growth rate of 0.84 percent from 1985 to 2001.

Historical Customers, Water Sales, and Revenues

Customer Classification	Year Ended June 30			
	1998	1999	2000	2001
Number of Customers				
Residential	41,874	42,229	42,558	42,832
Commercial	2,687	2,686	2,749	2,763
Industrial **	8	8	8	7
Public Authority	56	56	58	56
Resale *	13	13	13	13
Private Fire Protection	239	251	263	274
Total	44,877	45,243	45,649	45,945
Water Sales - 1,000 Gallons				
Residential	3,102,987	3,012,303	3,318,523	3,187,628
Commercial	894,131	874,827	938,581	943,195
Industrial	200,881	197,321	202,940	188,229
Public Authority	52,800	63,588	62,987	64,231
Resale	4,095,942	4,041,687	4,379,477	4,424,543
Private Fire Protection	NA	NA	NA	NA
Total	8,346,741	8,189,726	8,902,508	8,807,826
Water Sales - \$				
Residential	7,359,247	7,197,098	7,777,844	7,552,382
Commercial	1,925,840	1,888,654	2,014,589	2,032,338
Industrial	238,872	219,180	225,018	215,619
Public Authority	105,014	124,333	123,779	124,919
Resale	3,854,736	3,801,176	4,131,174	4,165,235
Private Fire Protection	35,361	40,272	42,182	42,886
Public Fire Protection	533,042	537,100	545,244	565,561
Other Sales	222,499	219,028	230,047	238,155
Total	14,274,611	14,026,841	15,089,877	14,937,095

* 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	2,248,620	\$2,112,764
Blue Springs	887,778	839,113
District #2, Jackson County	192,839	182,315
District #1, Lafayette County	249,237	234,363
Oak Grove	241,630	227,133
Grain Valley	194,382	182,131
District #15, Jackson County	132,489	124,974
Buckner	104,182	97,613
Sugar Creek	77,324	74,172
District #17, Jackson County	67,943	63,895
Lake Tapawingo	28,118	26,762
	<u>4,424,542</u>	<u>\$4,165,235</u>

Large Consumption Water Customers

Customer Name	Water Sales (1,000 Gallons)	Water Sales (Dollars)
Lipton Tea	92,524	\$102,531
Lafarge Corporation	30,154	34,510
Independence Regional Health	26,720	31,236
Commercial Distribution	19,114	23,411
Tandum/QCA	10,588	11,103
Independence Center	9,129	12,828
	<u>188,229</u>	<u>\$215,619</u>

* Lipton Tea has two (2) meter connections.

Water Sales

Volume: Total water sales volumes increased at an annual growth rate of 1.84 percent from 1998 to 2001. During the 4 year period, wholesale customers purchased approximately 49.47 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 1.55 percent from 1998 to 2001. Because wholesale customers pay a lower rate than retail customers, water sales revenues do not increase proportionate to water sales volumes. Water rates during the three year period were those which became effective October 1, 1990.

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

Operation and Maintenance Expenses: Operation and maintenance expenses for the period 1998 to 2001 are shown in the following table.

Historical Operation and Maintenance Expense

Description	Year Ended June 30			
	1998	1999	2000	2001
	\$	\$	\$	\$
Source of Supply				
Operations	177,916	181,957	187,921	202,110
Maintenance	78,693	190,845	159,958	313,361
Total Source of Supply	256,609	372,802	347,879	515,471
Power and Pumping				
Operations				
Fuel/Power Purchased	986,064	942,400	961,018	1,059,654
Other	190,935	196,091	177,820	191,384
Maintenance	54,000	72,824	66,006	42,407
Total Power and Pumping	1,230,999	1,211,315	1,204,844	1,293,445
Water Treatment				
Operations				
Chemicals	525,144	510,522	593,686	579,129
Other	392,698	412,715	492,101	592,126
Maintenance	444,574	436,619	864,403	305,040
Total Water Treatment	1,362,416	1,359,856	1,950,190	1,476,295
Transmission & Distribution				
Operations	867,406	908,494	943,755	1,102,557
Maintenance	864,489	1,499,366	1,125,836	1,609,839
Total Transmission & Distribution	1,731,895	2,407,860	2,069,591	2,712,396
Customer Accounting & Collection				
Operations	701,294	820,408	874,597	862,349
Sales Promotion				
Operations	33,281	66,721	73,521	76,809
Administrative & General				
Operations				
Outside Services Employed	849,489	1,329,976	938,869	825,543
Employee Pensions & Benefits	814,979	834,535	845,428	939,551
Other	937,283	901,776	1,018,916	1,027,024
Maintenance	7,750	114,800	76,275	15,877
Total Administrative & General	2,609,501	3,181,087	2,879,488	2,807,995
Subtotal Operations Expense	6,476,489	7,105,595	7,107,632	7,458,236
Subtotal Maintenance Expense	1,449,506	2,314,454	2,292,478	2,286,524
Total Operation & Maintenance Expense	7,925,995	9,420,049	9,400,110	9,744,760

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. As indicated, debt service coverage ratios during the past three years significantly exceeded the 125 percent requirement.

Historical Debt Service Coverage Year Ended June 30

	1998	1999	2000	2001
	\$	\$	\$	\$
Revenues				
Operating Revenues	14,292,785	14,048,642	15,073,939	14,925,210
Interest Income	1,464,662	1,290,545	1,495,069	1,239,734
Other Income	56,650	61,467	87,294	102,351
Total Revenues	15,814,097	15,400,654	16,656,302	16,267,295
Expenses				
Operations	6,476,490	7,105,595	7,107,632	7,458,236
Maintenance	1,449,506	2,314,454	2,292,479	2,286,523
Federal Retirement Taxes	236,754	244,734	256,225	273,367
Total Operating Expenses	8,162,750	9,664,783	9,656,336	10,018,126
Gross Receipts Tax (PILOT)	870,331	855,160	911,346	898,924
Total Expenses	9,033,081	10,519,943	10,567,682	10,917,050
Revenues Available for Debt Service Coverage	7,651,347	5,735,871	6,999,966	5,350,245
Debt Service				
Revenue Bond Interest	1,555,705	1,510,313	1,585,560	1,561,920
Revenue Bond Expenses	175,130	111,160	73,046	90,401
Revenue Bond Principal	800,000	900,000	850,000	900,000
Certificates of Participation Interest	14,035	10,962	-	-
Certificates of Participation Principal	150,686	161,199	-	-
Total Debt Service to be Covered	2,695,556	2,693,634	2,508,606	2,552,321
Debt Service Coverage Ratio:				
Revenue Bonds	302%	227%	279%	210%
All Debt	284%	213%	279%	210%

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 2001 through 2006 can be found in Part IV of this document.

The proposed capital improvement program for the next three years primarily reflects planned rehabilitation and replacement of water system components. The program also includes expansion of the Courtney Bend Water Treatment Plant and the construction of a new transmission main will commence in fiscal year 2002 and will be completed in fiscal year 2004. The estimated cost of the expansion is \$13,285,000 and the the transmission main is \$8,250,000.

Employee Relations

The Department currently has 96 full-time positions, of which 70 are hourly personnel engaged in Production, Transmission, Distribution, Engineering and Support Services, and 26 are Administrative or Supervisory Personnel.

Hourly employees at the Department are represented by the Steelworkers Local No. 13558 or Service Employees International Union, Local No. 96. There have been no work stoppages, slow downs or strikes.

The current Memorandum of Agreement between the City and the Steelworkers provides for annual wage increases and working conditions effective May 1, 2000, and thereafter until March 19, 2003. The current Memorandum of Agreement between the City and the Service Employees International Union provides for annual wage increases and working conditions effective May 1, 2001, and thereafter until April 30, 2004.

The City complies with its statutory duty to meet and confer with the Steelworkers Local No. 13558 and Service Employees International Union, Local No. 96 representative concerning wages and working conditions.

Water Pollution Control Department

Description of the Sanitary Sewer System

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

The Department maintains over 515 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 our sanitary sewers is greater than 8 feet below ground (our deepest sewer line is more than 70 feet underground). The sewer system is inspected by pulling video cameras through the lines to detect any damage. Minor damage caused by settling soil, roots, chemical deterioration or simply old age, can sometimes be repaired without digging (trenchless technology). Major repairs however, may require deep excavation and pipe replacement. The

department performs over 100 repair projects a year. In addition, Water Pollution Control administers rehabilitation projects each year to correct problems of aging or over loaded sewers (some of the City*s sewers are over 100 years old). The Department operates and maintains the City*s wastewater treatment plant, a secondary biological treatment facility that treats 10 million gallons per day and incinerates solids removed from the waste stream.

The Department also maintains the City*s separate storm water sewers and catch basins, which convey runoff from yards, parking lots and streets to the natural waterways that flow throughout the City. There are approximately 250 miles of storm water sewers in the City. Though not as deep as sanitary sewers, storm sewers require constant repair and cleaning due to the impact of the midwest*s weather conditions. In addition to the daily repair and cleaning, the department performs sampling and testing of storm water and enforces the City*s storm water management program for compliance with the nation*s recent storm water regulations. There are 48 employees who clean, repair and plan for the replacement projects for the City*s sanitary and storm water sewers.

Organization

The Department consists of four Divisions: 1) Administration; 2) Wastewater Treatment; 3) Collection System Maintenance; 4) Environmental Compliance Testing.

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

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 515 miles of sanitary sewers and approximately 250 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.

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 2001, the Department was billed \$879,875 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 30 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.

John Unrein, Plant Superintendent, was appointed in 1988 and has been with the Department since 1979. He holds 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 2.7 million feet of sewer line from 8 inches to 48 inches in diameter. Additionally, there are over 11,900 manholes in the system that require maintenance.

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

The collection system is in considerably better condition today than just a few years ago. The improved condition has been the result of enforcement activity to eliminate infiltration and inflow, as well as the repair and replacement of sewer lines and manholes. An additional 14 employees are dedicated to the cleaning and repairing of the 250 miles of storm water sewers, catch basins, and culverts.

Wastewater Treatment

Twenty-six 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 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 42,508 as of June 30, 2001. The number of customers served increased at a moderate rate over the 3 year period 1998 to 2001. The annual growth rate from 1998 to 2001 was 1.80 percent.

Historical Customers, Usage, and Revenues

<u>Customer Classification</u>	<u>1998</u>	<u>Year Ended June 30</u>		<u>2001</u>
		<u>1999</u>	<u>2000</u>	
Number of Customers				
Residential	36,852	37,195	38,712	39,034
Commercial	3,459	3,442	3,482	3,453
Contract Sales	18	24	15	21
Total	40,329	40,661	42,209	42,508
Usage - 100 Cubic Feet				
Residential	2,740,671	2,756,619	2,860,163	2,959,300
Commercial	1,775,445	1,805,273	1,802,752	1,930,595
Total	4,516,116	4,561,892	4,662,915	4,889,895
Revenue \$				
Residential	7,316,053	7,724,284	7,898,920	8,015,061
Commercial	3,916,617	4,030,709	3,998,924	4,024,645
Contract Sales	297,503	362,913	244,525	336,586
Intermunicipal Agreements	394,231	415,117	410,490	405,826
Other Revenues	89,704	93,385	101,528	102,317
Total	12,014,108	12,626,408	12,654,387	12,884,435

Large Volume Customers

<u>Customer Name</u>	<u>Sales</u> <u>(1,000 Gallons)</u>	<u>Sales</u> <u>(Dollars)</u>
Thomas J. Lipton, Co.	60,604	\$567,604
AMOCO	111,663	285,200
City of Indep, Power & Light	82,111	162,798
Indep. Regional Health Center	28,135	56,712
Simon Properties Group	24,092	48,701
Commercial Distribution	11,620	22,962
	318,225	\$1,143,977

Usage

Volume: Total usage volumes increased from 1998 to 2001 due to an increase in the number of customers. The annual growth rate was 2.76 percent due to an increase in the number of customers and increased water consumption. Usage volumes are shown in the previous table.

Revenues: As shown in the previous table, revenues increased approximately 2.41 percent annually from 1998 to 2001. The increase in revenues is mainly attributed to the rate increase placed in effect in July of 1998. In addition, the slight increase in customers and water consumption contributed to the small increase in 2000 and 2001.

Operations and Maintenance Expenses: Operations and maintenance expenses for the period 1998 to 2001 are shown on the following table.

Historical Operation and Maintenance Expense

<u>Description</u>	<u>Year Ended June 30</u>			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Collection	1,193,902	1,464,839	1,513,305	1,433,962
Laboratory Services	160,188	167,775	166,564	172,500
Treatment & Disposal	4,816,249	5,016,451	5,153,761	5,400,817
Administrative & General	1,367,456	1,855,795	1,643,836	1,886,180
Total Operations & Maintenance	<u>7,537,795</u>	<u>8,504,860</u>	<u>8,477,466</u>	<u>8,893,459</u>

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 2001 through 2006 can be found in Part IV of this document.

Employee Relations

The Department currently has 86 full time positions, of which 56 are hourly personnel engaged in 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 96. There have been no work stoppages, slow downs, or strikes.

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

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PART IV - OPERATING BUDGET - SUMMARY

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

**CITY OF INDEPENDENCE, MISSOURI
2001-2002 Operating Budget
Summary of Sources and Uses by Fund and Fund Type**

	General Fund	Special Revenue Funds				
		Tourism Fund	CDBG/HOME Funds	Street Sales Tax Fund	Parks Sales Tax Fund	Storm Water Sales Tax Fund
Sources:						
Undesignated Fund Balance	\$664,963					
Estimated Revenues	57,805,495	513,439	1,629,000	6,549,320	2,215,440	4,392,880
Consolidation Adjustments-						
Interfund Charges for Support Ser.		(10,000)				
Internal Service Fund Charges						
Transfers In-						
From Other Funds						
Total Sources	\$58,470,458	\$503,439	\$1,629,000	\$6,549,320	\$2,215,440	\$4,392,880
Uses:						
Operating Budgets-						
City Council	\$342,824					
City Clerk	412,530					
City Manager	739,870					
Tourism		513,439				
National Frontier Trails Center	305,027					
Technology Services	1,435,189					
Municipal Court	547,522					
Law	659,813					
Finance	1,397,239					
Personnel	441,933					
Community Development	2,090,141		273,818			
Police	16,410,950					
Fire	12,406,284					
Health	1,962,053					
Water						
Public Works	6,331,255					
Water Pollution Control	307,686					1,112,203
Parks and Recreation	2,000,678				319,178	
Power and Light						
Non-Departmental	6,845,738					
Debt Service/Lease Purchase	103,504					
Capital Outlay/Budget	3,403,066			6,549,320	1,280,822	1,681,000
Consolidation Adjustments-						
Interfund Charges for Support Ser.		(10,000)				
Internal Service Fund Charges						
Total Operating Budgets	\$58,143,302	\$503,439	\$273,818	\$6,549,320	\$1,600,000	\$2,793,203
Transfers Out-						
Desig. for Capital & Grant Projects	\$0		\$1,355,182			
To Other Funds	177,156		0			
To Capital Project Funds	150,000					
Total Uses	\$58,470,458	\$503,439	\$1,629,000	\$6,549,320	\$1,600,000	\$2,793,203

CITY OF INDEPENDENCE, MISSOURI
2001-2002 Operating Budget
Summary of Sources and Uses by Fund and Fund Type

	Special Revenue	Enterprise Funds			Internal Service Funds	Grand Total All Funds
	Fund Cont'd License Surcharge (Excise Tax)	Power & Light Fund	Sanitary Sewer Fund	Water Fund		
Sources:						
Undesignated Fund Balance						\$664,963
Estimated Revenues	300,800	79,390,770	13,447,000	16,696,439	10,735,629	\$193,676,212
Consolidation Adjustments-						
Interfund Charges for Support Ser.		(2,041,770)	(746,880)	(1,465,270)		(\$4,263,920)
Internal Service Fund Charges					(10,735,629)	(\$10,735,629)
Transfers In-						
From Other Funds		163,284	30,948	21,624		\$215,856
Total Sources	\$300,800	\$77,512,284	\$12,731,068	\$15,252,793	\$0	\$179,557,482
Uses:						
Operating Budgets-						
City Council						\$342,824
City Clerk						\$412,530
City Manager				51,424		\$791,294
Tourism						\$513,439
National Frontier Trails Center						\$305,027
Technology Services		58,258				\$1,493,447
Municipal Court						\$547,522
Law						\$659,813
Finance						\$1,397,239
Personnel						\$441,933
Community Development						\$2,363,959
Police						\$16,410,950
Fire						\$12,406,284
Health						\$1,962,053
Water				10,120,076		\$10,120,076
Public Works					1,156,998	\$7,488,253
Water Pollution Control			8,690,024			\$10,109,913
Parks and Recreation						\$2,319,856
Power and Light		58,759,181				\$58,759,181
Non-Departmental		11,813,483	2,582,596	3,219,755	9,578,631	\$34,040,203
Debt Service/Lease Purchase		2,918,860	595,450	2,526,990		\$6,144,804
Capital Outlay/Budget		6,880,000	1,845,000	3,551,000		\$25,190,208
Consolidation Adjustments-						
Interfund Charges for Support Ser.		(2,041,770)	(746,880)	(1,465,270)		(\$4,263,920)
Internal Service Fund Charges					(10,735,629)	(\$10,735,629)
Total Operating Budgets	\$0	\$78,388,012	\$12,966,190	\$18,003,975	\$0	\$179,221,259
Transfers Out-						
Desig. for Capital & Grant Projects						\$1,355,182
To Other Funds						\$177,156
To Capital Project Funds						\$150,000
Total Uses	\$0	\$78,388,012	\$12,966,190	\$18,003,975	\$0	\$180,903,597

PART V - CAPITAL IMPROVEMENTS PLAN - SUMMARY

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

PROPOSED CAPITAL IMPROVEMENTS PROJECTS 2001-2002 THROUGH 2006-2007

PROJECT TITLE	FUND SOURCE	PROJECT COSTS in (000'S)					
		2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
COMMUNITY IMPROVEMENTS							
Athletic Fields & Court Renovation - McCoy Tennis Court	PRST	\$50					
Building Reconstruction - Various Parks	PRST	\$400					
Crysler Stadium Improvements	PRST			\$80			
Landscaping West Side of Noland Road: 31st to 35th Street	TEA 21	\$286					
Landscaping West Side of Noland Road: 31st to 35th Street	GTIF	\$110					
Park Maintenance/Security - Security Lighting	PRST	\$20					
Playground Renovation - Various Parks	PRST	\$150	\$170				
Rock Creek School - Acquisition & Rehabilitation	GTIF			\$235	\$154		
Transit Center and Parking Lot	GTIF		\$80				
Truman Depot	GF Other	\$186					
Truman Memorial Building Renovation - Basic Furnishings	GTIF		\$150				
Truman Memorial Building Renovation - Building Reconstruction	GTIF	\$200	\$284				
Truman Memorial Building Renovation - Building Reconstruction	State Grant						
Truman Memorial Building Renovation - Building Reconstruction	PRST	\$450	\$350				
Truman Memorial Building Renovation - Building Reconstruction	GFD		\$116				
Truman Memorial Building Renovation - Building Reconstruction	FG Other						
Truman Memorial Building Renovation - Front Façade & Veterans Plaza	GFD		\$6				
Truman Memorial Building Renovation - Front Façade & Veterans Plaza	State Grant						
Truman Memorial Building Renovation - Front Façade & Veterans Plaza	GTIF	\$150	\$150				
Walking Trails & Bicycle Paths - Trail System Design	PRST	\$75					
Youth Skateboard Park	GTIF	\$68	\$32				
COMMUNITY IMPROVEMENTS TOTALS		\$2,250	\$2,138	\$315	\$154		
GENERAL INFRASTRUCTURE IMPROVEMENTS							
Critical Sidewalks	GTIF	\$60	\$60	\$60	\$60	\$60	\$60
Directional Signs To Key Locations	Gen. Fund	\$56					
Directional Signs To Key Locations	GFD		\$48				
Fire Station 3 (Englewood) - Reconstruction	GTIF				\$150	\$200	\$500
Square Parking Lot Improvements	GF Other	\$123					
GENERAL INFRASTRUCTURE IMPROVEMENTS TOTALS		\$239	\$108	\$60	\$210	\$260	\$560
PUBLIC SAFETY IMPROVEMENTS							
Additional Opticom Intersections - Emergency Vehicle Priority	GTIF	\$100					
Fire Station #7 (M-291) - Replacement & Land Acquisition	GTIF	\$200	\$200	\$1,200	\$600		
PUBLIC SAFETY IMPROVEMENTS TOTALS		\$300	\$200	\$1,200	\$600		
STREETS & BRIDGES IMPROVEMENTS							
2002 Street Improvements Program	SST	\$5,900					
35th Street & Noland Road Intersection Improvements	STP		\$520				
35th Street & Noland Road Intersection Improvements	GTIF	\$100	\$130				
39th Street - Lee's Summit to Noland Road	CURS			\$400	\$240		
39th Street - Lee's Summit to Noland Road	STP			\$1,600	\$960		
39th Street - Lee's Summit to Noland Road	GTIF	\$300					
39th Street - Noland Road to Chrysler Avenue	GTIF				\$694	\$1,496	
Intersection Safety Improvements	SST				\$200		
Intersection White Topping - High Maintenance Intersections	SST			\$200	\$200	\$200	\$200
Maple Avenue Reconstruction - Delaware to Union Street	GTIF		\$70				
Phelps Road Reconstruction - 35th to 39th Streets	GTIF						\$1,040
Phelps Road Reconstruction - 39th Street to US 40 Highway	GTIF						\$1,850
Truman Road Widening - M-291 to Swope Drive	GTIF	\$10	\$320	\$70			
Streetscape Enhancements - West Entry 24 Hwy at Bess Truman Drive	GTIF	\$90					
Streetscape Enhancements - West Entry 24 Hwy at Bess Truman Drive	P&L Fund	\$508					
Streetscape Enhancements - West Entry 24 Hwy at Bess Truman Drive	TEA 21	\$82					
Truman Road Widening - M-291 to Swope Drive	STP	\$40	\$1,960				
Truman Road Widening - M-291 to Swope Drive	CURS						
STREETS & BRIDGES IMPROVEMENTS TOTALS		\$7,030	\$3,000	\$2,270	\$2,294	\$1,696	\$3,090

**PROPOSED CAPITAL IMPROVEMENTS PROJECTS
2001-2002 THROUGH 2006-2007**

PROJECT TITLE	FUND SOURCE	PROJECT COSTS in (000'S)					
		2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
FACILITY IMPROVEMENTS							
Courtney Bend Water Plant Expansion	Facility Imj Water Fund		\$8,171	\$8,548			
Plant Improvement - Clean North Sludge Lagoon	Facility Imj Water Fund				\$90		
Plant Improvement - Dismantle & Replace East Wash Water Tank	Facility Imj Water Fund	\$250					
Plant Improvement - Drive Replace Contact Basin No. 1	Facility Imj Water Fund	\$100					
Plant Improvement - New Mixing Chamber (Existing Plant)	Facility Imj Water Fund	\$351					
Plant Improvement - Rebuild Contact Basin No. 5	Facility Imj Water Fund	\$100					
Plant Improvement - Replace Slaker No. 6	Facility Imj Water Fund	\$100					
Plant Improvement - Soft Start High Service Pump	Facility Imj Water Fund				\$50		
Plant Improvement - Soft Start High Service Pump	Facility Imj Water Fund					\$50	
Plant Improvement - Soft Start High Service Pump No. 1	Facility Imj Water Fund			\$50			
Plant Improvement - Soft Start High Service Pump No.3	Facility Imj Water Fund		\$50				
Plant Improvement - Soft Starter High Service Pump No. 4	Facility Imj Water Fund	\$50					
Treatment Plant - Aerator Gear Box & Motor Restoration	Facility Imj Sewer Fund	\$50	\$125				
Plant Improvements - Replace Well Starters & Circuit Breakers	Facility Imj Water Fund	\$50	\$50		\$50		
Plant Improvements - Vertical Wells in North Well Field	Facility Imj Water Fund		\$530	\$546			
Pump Station - Replace Pumps, Motors & Screening	Facility Imj Sewer Fund				\$25		
Pump Station - Replace Motors, Drives, Valves & Pumps	Facility Imj Sewer Fund				\$120	\$275	
Pump Station - Replace Wastewater Bar Screens	Facility Imj Sewer Fund				\$50		
Pump Station - Storm Water Clarifier Improvements	Facility Imj Sewer Fund				\$75		
Plant Improvement - Replace Filter Valve Operator Cylinders	Facility Imj Water Fund	\$20	\$20				
Pumping Station - Kentucky Hills Relocation	Facility Imj Sewer Fund		\$2,500				
Treatment Plant - Continuous Emissions Monitoring System	Facility Imj Sewer Fund			\$200			
Treatment Plant - Ash Slurry Heat Exchanger	Facility Imj Sewer Fund						\$30
Treatment Plant - Building Boiler Replacement	Facility Imj Sewer Fund			\$125			
Treatment Plant - Building Rehabilitation	Facility Imj Sewer Fund						\$200
Treatment Plant - Clarifier Rehabilitation	Facility Imj Sewer Fund			\$200			
Treatment Plant - Degritting System Replacement	Facility Imj Sewer Fund						\$260
Treatment Plant - Floor Resurfacing	Facility Imj Sewer Fund					\$25	
Treatment Plant - Heating Ventilating & Air Conditioning	Facility Imj Sewer Fund	\$50	\$210				
Treatment Plant - Incinerator Rehabilitation	Facility Imj Sewer Fund				\$400		\$100
Treatment Plant - Pumps, Blowers, Compressors, Manifold Replacement	Facility Imj Sewer Fund						\$395
Treatment Plant - Replace Ash Press Pumps & Valves	Facility Imj Sewer Fund				\$25	\$36	
Treatment Plant - Replace Building Air Compressors	Facility Imj Sewer Fund					\$25	
Treatment Plant - Replace Dissolved Air Flotation Pump/Compressor	Facility Imj Sewer Fund				\$25		
Treatment Plant - Replace Incinerator Screw Feeders/Drives	Facility Imj Sewer Fund				\$170		
Treatment Plant - Replace Mixing Basin Motors & Drives	Facility Imj Sewer Fund	\$30					
Treatment Plant - Replace Pumps, Drives, Valves, Blowers & Dryers	Facility Imj Sewer Fund		\$90	\$115	\$80		
Treatment Plant - Replace Thickener Scraper & Drive	Facility Imj Sewer Fund					\$110	
Treatment Plant - Replace Wet Air Oxidation Grinders	Facility Imj Sewer Fund					\$25	
Treatment Plant - Replace Wet Air Oxidation, Reactor/Heat Exchanger	Facility Imj Sewer Fund				\$500		
Treatment Plant - Steam Generator Replacement	Facility Imj Sewer Fund			\$75			
Treatment Plant - Sub-Station Transformers/Switch Gear Replacement	Facility Imj Sewer Fund						\$400
Treatment Plant - Wet Air Oxidation Process Rehabilitation	Facility Imj Sewer Fund						\$525
FACILITY IMPROVEMENTS TOTALS		\$1,151	\$11,746	\$9,859	\$1,260	\$946	\$1,910

**PROPOSED CAPITAL IMPROVEMENTS PROJECTS
2001-2002 THROUGH 2006-2007**

PROJECT TITLE	FUND SOURCE	PROJECT COSTS in (000'S)					
		2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
UTILITY IMPROVEMENTS							
39th St. Main Replacement - Noland to Lee's Summit Road	Water Fund			\$750			
Blue Valley Clarifier and Lime Slaker Improvements	P&L Fund	\$400					
Blue Valley Plant Upgrades & Improvements	P&L Fund	\$950					
Blue Valley Power Plant Unit #3 Generator Rewind	P&L Fund	\$875					
Blue Valley Rail Improvements	P&L Fund		\$1,000	\$1,000			
Cement City Road Main Extension	Water Fund	\$188					
Crysler Avenue Main Replacement - 31st to 23rd Street	Water Fund		\$600				
Crysler Avenue Main Replacement - 39th to 31st Street	Water Fund	\$670					
Engineering - Production	P&L Fund		\$200	\$200	\$200	\$200	
Fly Ash System Upgrade at Blue Valley Power Plant	P&L Fund	\$575					
Little Blue Parkway Main - M-291 to 24 Highway	Water Fund		\$3,067	\$3,157	\$3,250		
Main Replacement - City Street Projects	Water Fund	\$200					
Sanitary Sewer Replacement - 11600 East 6th Terrace	Sewer Fund			\$25			
Maple Avenue Main Improvement - Pleasant to Delaware Street	Water Fund	\$70					
Missouri City Power Plant Overhaul	P&L Fund	\$1,080					
New Transmission Main - Plant to M-291 Highway	Water Fund	\$406					
Pumping Station - Force Main & Pump Replacement	Sewer Fund						\$375
Power Production Future Improvements - Undetermined locations	P&L Fund		\$2,000	\$1,500	\$1,500	\$1,500	\$1,500
Power Production NOx Improvements	P&L Fund		\$500				
Storm Sewer - Redwood & Cheyenne Drives	SWST	\$215					
Pumping Station - Automatic Bar Screen Replacement	Sewer Fund						\$250
Storm Sewer - Construction Contingency	SWST	\$89	\$182	\$171	\$168	\$168	\$168
Pumping Station - Crane & Hoist Replacement	Sewer Fund						\$50
Pumping Station - Rock Creek Pump Station Improvements	Sewer Fund						\$355
Rebuild Blue Ridge Elevated Tower	Water Fund	\$290					
Salisbury Road Water Main Improvement Project	Water Fund	\$100					
Sanitary Sewer Collection System - Clarifier Drive Replacement	Sewer Fund	\$160					
Sanitary Sewer Collection System - East South Avenue & Leslie Street	Sewer Fund		\$30	\$120			
Sanitary Sewer Collection System - Fairland Street & Brookside Avenue	Sewer Fund		\$25	\$100			
Sanitary Sewer Collection System - Flow Meter Installation	Sewer Fund		\$240	\$240	\$360		
Sanitary Sewer Collection System - From Forest & Turner Ave. to 23rd St.	Sewer Fund	\$90					
Sanitary Sewer Collection System - George Owen Park Sewer	Sewer Fund	\$100					
Sanitary Sewer Collection System - Golden Acres Manhole Construction	Sewer Fund	\$85					
Sanitary Sewer Collection System - Kentucky Road & Wilson Road	Sewer Fund	\$155					
Sanitary Sewer Collection System - North Kiger Road & Morgan Road	Sewer Fund		\$48	\$175			
Sanitary Sewer Collection System - Norton Street & Markham Road	Sewer Fund	\$30	\$113				
Sanitary Sewer Collection System - Norton Street to Country Club Park	Sewer Fund	\$30	\$113				

**PROPOSED CAPITAL IMPROVEMENTS PROJECTS
2001-2002 THROUGH 2006-2007**

PROJECT TITLE	FUND SOURCE	PROJECT COSTS in (000'S)					
		2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
UTILITY IMPROVEMENTS Continued							
Sanitary Sewer Collection System - Trenchless Technology	Sewer Fund	\$1,000	\$1,000	\$1,000	\$1,500	\$2,000	\$2,000
Sanitary Sewer Collection System - Truman Road & Berry Road	Sewer Fund	\$100					
Sanitary Sewer Evaluation Survey - Various Locations	Sewer Fund		\$180	\$180	\$180	\$90	\$90
Sanitary Sewer Replacement - 2000 South Ash Street	Sewer Fund				\$91		
Sanitary Sewer Replacement - 23rd Street & Hall Road	Sewer Fund			\$20	\$70		
Sanitary Sewer Replacement - 44th Street, Noland Road to Dover Drive	Sewer Fund				\$72	\$360	
Sanitary Sewer Replacement - 711 Northern Boulevard	Sewer Fund			\$90			
Sanitary Sewer Replacement - Lacy Village	Sewer Fund			\$110			
Sanitary Sewer Replacement - Sinnott Circle	Sewer Fund			\$35	\$154		
Small Main Replacement Program	Water Fund	\$606	\$606	\$606	\$606		
Storm Sewer - North 39th Street & Pleasant Street	SWST	\$217					
Storm Sewer - 10422 Sheley Road	SWST	\$20		\$95			
Storm Sewer - 1103 West 35th Street	SWST	\$180					
Storm Sewer - 11320 East 19th Street	SWST	\$80	\$405				
Storm Sewer - 14201 East 35th Street	SWST	\$60	\$305				
Storm Sewer - 16621 Crackneck Road	SWST	\$95					
Storm Sewer - 18909 Arrowhead Drive	SWST	\$70					
Storm Sewer - 18th Street & Hardy Avenue Design	SWST		\$38	\$192			
Storm Sewer - 39th Street & Woodland Street Detention Basin	SWST	\$225					
Storm Sewer - 44th Street & Phelps Road	SWST	\$77		\$383			
Storm Sewer - Berry Road Culvert Replacement	SWST					\$550	
Storm Sewer - Berry Road Regional Detention Basin	SWST				\$1,250		
Storm Sewer - Dakota & Apache Drives	SWST	\$100					
Storm Sewer - Dodgion Street to Hocker Street, North of Gilmer Street	SWST	\$31	\$154				
Storm Sewer - East 24th Street & South Harris Avenue	SWST		\$48	\$238			
Storm Sewer - Future Projects - Undetermined Locations	SWST			\$465	\$434	\$965	\$1,516
Storm Sewer - Norton Avenue at 32nd Street to Country Club Park	SWST	\$83	\$413				
Storm Sewer - Watershed Studies (Burr Oak & Mill Creek)	SWST	\$140	\$140	\$140			
Transmission & Distribution Overhead Improvements & Additions	P&L Fund		\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Transmission & Distribution Substation Improvements & Additions	P&L Fund	\$1,500	\$4,000	\$2,500	\$1,500	\$500	\$500
Transmission & Distribution Underground Improvements & Additions	P&L Fund	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Truman Road Main Replacement - M291 to Swope Drive	Water Fund			\$200			
Truman Road Parallel Main - Highway 7 to Highway 78 (Phase1)	Water Fund				\$850	\$874	
UTILITY IMPROVEMENTS TOTALS		\$12,842	\$17,907	\$16,192	\$14,685	\$9,707	\$9,304
FISCAL YEAR TOTALS		\$23,812	\$35,099	\$29,896	\$19,203	\$12,609	\$14,864

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 multiyear 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 true interest cost) in open competitive bidding. Contrasts with negotiated underwriting.
Contingency -	A budgetary appropriation set aside for emergencies and expenditures not otherwise planned for.
Continuing Disclosure -	The requirement that certain issuers of municipal obligations file annual reports concerning financial and operating data presented in official statements for those obligations, and that they give contemporaneous notice of certain “material events.”
Covenants -	Contractual agreements securing a bond issue typically including revenue coverage, insurance, maintenance, financial reporting, etc.
Coverage -	This term indicates the margin of safety for payment of debt service on revenue bonds. It reflects the number of times annual net revenues exceed annual principal and interest (debt service) obligations.
CUSIP Number -	Acronym for the Committee on Uniform Security Identification Procedures, now a division of Standard & Poor’s, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities. There is a unique nine-digit alphanumeric CUSIP number for each maturity of bonds in

an issue submitted to CUSIP for registration, the first six of which are always the same for a given issuer and unique to that issuer.

- Dated Date -** The date of a bond issue from which the bondholder is entitled to receive interest even though the bonds may actually be delivered at some other date.
- Dealer -** An individual, corporation or partnership that is engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include a bank or any individual buying or selling securities for his own account, but not as part of regular business.
- Debt Limit -** The statutory or constitutional maximum debt that an issuer can legally incur.
- Debt Service -** Debt Service expenditures are the result of bonded indebtedness of the City. Debt Service expenditures include principal, interest, fiscal agent's fees, and bond reserve requirements on the City's outstanding debt.
- Default -** Failure by the issuer to pay the principal or interest due on a bond, or failure to fulfill other agreed upon legal and contractual obligations.
- 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 mills 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 repre-

sentatives, 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.

