

**CITY OF INDEPENDENCE, MISSOURI**

# **Continuing Disclosure Statement**

**(SEC) Rule 15c2-12**

**Fiscal Year Ending  
June 30, 2005**

**Independence**



**2001**



**CITY OF INDEPENDENCE, MISSOURI**

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

**For Fiscal Year Ending  
June 30, 2005**

**Prepared by the Department of Finance**

**James C. Harlow, Director of Finance & Administration**

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## **PART I - PURPOSE OF DOCUMENT**

This document is a supplement to the City's Comprehensive Annual Financial Report (CAFR) for the fiscal period ending June 30, 2005 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:

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

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 4.25          | 6/1/2006       | 453650LG     |
| 2           | 4.3           | 6/1/2007       | 453650LH     |
| 3           | 4.3           | 6/1/2008       | 453650LJ     |
| 4           | 4.4           | 6/1/2009       | 453650LK     |
| 5           | 4.5           | 6/1/2010       | 453650LL     |
| 6           | 4.6           | 6/1/2011       | 453650LM     |
| 7           | 4.7           | 6/1/2012       | 453650LN     |
| 8           | 4.75          | 6/1/2013       | 453650LP     |
| 9           | 4.8           | 6/1/2014       | 453650LQ     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 5.15          | 6/1/2011       | 60636CCB     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 5.1           | 4/1/2006       | 60636CCG     |
| 2           | 5.125         | 4/1/2007       | 60636CCH     |
| 3           | 5.15          | 4/1/2008       | 60636CCJ     |
| 4           | 5.2           | 4/1/2009       | 60636CCK     |
| 5           | 5.55          | 4/1/2012       | 60636CCN     |
| 6           | 5.875         | 4/1/2020       | 60636CCW     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 5.75          | 4/1/2009       | 60636CDU     |
| 2           | 5.8           | 4/1/2010       | 60636CDV     |
| 3           | 5.75          | 4/1/2012       | 60636CDX     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 5.45          | 6/1/2007       | 60636CEE     |
| 2           | 5.6           | 6/1/2010       | 60636CEH     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 6             | 4/1/2006       | 60636CEN     |
| 2           | 5.375         | 4/1/2007       | 60636CEP     |
| 3           | 6             | 4/1/2008       | 60636CEQ     |
| 4           | 6             | 4/1/2015       | 60636CEV     |
| 5           | 5.875         | 4/1/2017       | 60636CEW     |
| 6           | 6             | 4/1/2021       | 60636CEX     |

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

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

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

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

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

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

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 8             | 6/1/2006       | 453650LT     |
| 2           | 5             | 6/1/2007       | 453650LU     |
| 3           | 3             | 6/1/2008       | 453650LV     |
| 4           | 1             | 6/1/2009       | 453650LW     |
| 5           | 9             | 6/1/2010       | 453650LX     |
| 6           | 7             | 6/1/2011       | 453650LY     |
| 7           | 4             | 6/1/2012       | 453650LZ     |
| 8           | 8             | 6/1/2013       | 453650MA     |
| 9           | 6             | 6/1/2014       | 453650MB     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 8             | 3/1/2005       | 453632GQ     |
| 2           | 6             | 3/1/2006       | 453632GR     |
| 3           | 4             | 3/1/2007       | 453632GS     |
| 4           | 2             | 3/1/2008       | 453632GT     |
| 5           | 9             | 3/1/2009       | 453632GU     |
| 6           | 7             | 3/1/2010       | 453632GV     |
| 7           | 5             | 3/1/2011       | 453632GW     |
| 8           | 3             | 3/1/2012       | 453632GX     |
| 9           | 1             | 3/1/2013       | 453632GY     |
| 10          | 8             | 3/1/2014       | 453632GZ     |
| 11          | 2             | 3/1/2015       | 453632HA     |
| 12          | 0             | 3/1/2016       | 453632HB     |
| 13          | 8             | 3/1/2017       | 453632HC     |
| 14          | 6             | 3/1/2018       | 453632HD     |
| 15          | 4             | 3/1/2019       | 453632HE     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 3             | 11/1/2005      | 606360NA     |
| 2           | 1             | 11/1/2006      | 606360NB     |
| 3           | 9             | 11/1/2007      | 606360NC     |
| 4           | 7             | 11/1/2008      | 606360ND     |
| 5           | 5             | 11/1/2009      | 606360NE     |
| 6           | 2             | 11/1/2010      | 606360NF     |
| 7           | 0             | 11/1/2011      | 606360NG     |
| 8           | 8             | 11/1/2012      | 606360NH     |
| 9           | 4             | 11/1/2013      | 606360NJ     |
| 10          | 1             | 11/1/2019      | 606360NK     |
| 11          | 9             | 11/1/2024      | 606360NL     |
| 12          | 7             | 11/1/2005      | 606360NM     |
| 13          | 5             | 11/1/2014      | 606360NN     |
| 14          | 0             | 11/1/2015      | 606360NP     |
| 15          | 8             | 11/1/2017      | 606360NQ     |
| 16          | 6             | 11/1/2018      | 606360NR     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 9             | 10/1/2005      | 60636CMH     |
| 2           | 5             | 10/1/2006      | 60636CMJ     |
| 3           | 2             | 10/1/2007      | 60636CMK     |
| 4           | 0             | 10/1/2008      | 60636CML     |
| 5           | 8             | 10/1/2009      | 60636CMM     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 5             | 4/1/2005       | 60636CKF     |
| 2           | 3             | 4/1/2006       | 60636CKG     |
| 3           | 1             | 4/1/2007       | 60636CKH     |
| 4           | 7             | 4/1/2008       | 60636CKJ     |
| 5           | 4             | 4/1/2009       | 60636CKK     |
| 6           | 2             | 4/1/2010       | 60636CKL     |
| 7           | 0             | 4/1/2011       | 60636CKM     |
| 8           | 8             | 4/1/2012       | 60636CKN     |
| 9           | 3             | 4/1/2013       | 60636CKP     |
| 10          | 1             | 4/1/2014       | 60636CKQ     |
| 11          | 9             | 4/1/2015       | 60636CKR     |
| 12          | 7             | 4/1/2016       | 60636CKS     |
| 13          | 5             | 4/1/2017       | 60636CKT     |
| 14          | 2             | 4/1/2018       | 60636CKU     |
| 15          | 0             | 4/1/2019       | 60636CKV     |
| 16          | 8             | 4/1/2020       | 60636CKW     |
| 17          | 6             | 4/1/2021       | 60636CKX     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 9             | 3/1/2006       | 453632HG     |
| 2           | 7             | 3/1/2007       | 453632HH     |
| 3           | 3             | 3/1/2008       | 453632HJ     |
| 4           | 0             | 3/1/2009       | 453632HK     |
| 5           | 8             | 3/1/2010       | 453632HL     |
| 6           | 6             | 3/1/2011       | 453632HM     |
| 7           | 4             | 3/1/2012       | 453632HN     |
| 8           | 9             | 3/1/2013       | 453632HP     |
| 9           | 7             | 3/1/2014       | 453632HQ     |
| 10          | 5             | 3/1/2015       | 453632HR     |
| 11          | 3             | 3/1/2016       | 453632HS     |
| 12          | 1             | 3/1/2017       | 453632HT     |
| 13          | 8             | 3/1/2018       | 453632HU     |
| 14          | 6             | 3/1/2019       | 453632HV     |
| 15          | 4             | 3/1/2020       | 453632HW     |
| 16          | 2             | 3/1/2021       | 453632HX     |
| 17          | 0             | 3/1/2022       | 453632HY     |
| 18          | 7             | 3/1/2023       | 453632HZ     |
| 19          | 0             | 3/1/2024       | 453632JA     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 0             | 8/1/2005       | 60636CPF     |
| 2           | 8             | 2/1/2006       | 60636CPG     |
| 3           | 6             | 8/1/2006       | 60636CPH     |
| 4           | 2             | 2/1/2007       | 60636CPJ     |
| 5           | 9             | 8/1/2007       | 60636CPK     |
| 6           | 7             | 2/1/2008       | 60636CPL     |
| 7           | 5             | 8/1/2008       | 60636CPM     |
| 8           | 3             | 2/1/2009       | 60636CPN     |
| 9           | 8             | 8/1/2009       | 60636CPP     |
| 10          | 6             | 2/1/2010       | 60636CPQ     |
| 11          | 4             | 8/1/2010       | 60636CPR     |
| 12          | 2             | 2/1/2011       | 60636CPS     |
| 13          | 0             | 8/1/2011       | 60636CPT     |
| 14          | 7             | 2/1/2012       | 60636CPU     |
| 15          | 5             | 8/1/2012       | 60636CPV     |
| 16          | 3             | 2/1/2013       | 60636CPW     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 3             | 3/1/2006       | 60636CRM     |
| 2           | 1             | 3/1/2007       | 60636CRN     |
| 3           | 6             | 3/1/2008       | 60636CRP     |
| 4           | 4             | 3/1/2009       | 60636CRQ     |
| 5           | 2             | 3/1/2010       | 60636CRR     |
| 6           | 0             | 3/1/2011       | 60636CRS     |
| 7           | 8             | 3/1/2012       | 60636CRT     |
| 8           | 5             | 3/1/2013       | 60636CRU     |
| 9           | 3             | 3/1/2014       | 60636CRV     |
| 10          | 1             | 3/1/2015       | 60636CRW     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 9             | 3/1/2006       | 60636CRX     |
| 2           | 7             | 3/1/2007       | 60636CRY     |
| 3           | 4             | 3/1/2008       | 60636CRZ     |
| 4           | 8             | 3/1/2009       | 60636CSA     |
| 5           | 6             | 3/1/2010       | 60636CSB     |
| 6           | 4             | 3/1/2015       | 60636CSC     |
| 7           | 2             | 3/1/2020       | 60636CSD     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 0             | 3/1/2009       | 60636CSE     |
| 2           | 7             | 3/1/2010       | 60636CSF     |
| 3           | 5             | 3/1/2011       | 60636CSG     |
| 4           | 3             | 3/1/2012       | 60636CSH     |
| 5           | 9             | 3/1/2013       | 60636CSJ     |
| 6           | 6             | 3/1/2014       | 60636CSK     |
| 7           | 4             | 3/1/2015       | 60636CSL     |
| 8           | 2             | 3/1/2016       | 60636CSM     |
| 9           | 0             | 3/1/2019       | 60636CSN     |
| 10          | 5             | 3/1/2023       | 60636CSP     |
| 11          | 3             | 3/1/2026       | 60636CSQ     |

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

| <b>Line</b> | <b>Coupon</b> | <b>Matures</b> | <b>CUSIP</b> |
|-------------|---------------|----------------|--------------|
| 1           | 1             | 10/1/2005      | 60636CSR     |
| 2           | 9             | 4/1/2006       | 60636CSS     |
| 3           | 7             | 10/1/2006      | 60636CST     |
| 4           | 4             | 4/1/2007       | 60636CSU     |
| 5           | 4             | 10/1/2007      | 60636CSV     |
| 6           | 2             | 4/1/2008       | 60636CSW     |
| 7           | 0             | 10/1/2008      | 60636CSX     |
| 8           | 8             | 4/1/2009       | 60636CSY     |
| 9           | 6             | 10/1/2006      | 60636CSZ     |

## PART II - THE CITY

### GENERAL INFORMATION

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

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

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

| <u>Council Members</u>    | <u>Occupation</u> | <u>Term</u> |
|---------------------------|-------------------|-------------|
| Rondell F. Stewart, Mayor | Retired           | 2006        |
| Jim Schultz               | Insurance Agent   | 2006        |
| Will Swoffer              | Retired           | 2008        |
| Renee J. Paluka-White     | Commodity Buyer   | 2008        |
| Don B. Reimal             | Retired           | 2008        |
| James Page                | Retired           | 2008        |
| Jason White               | EMS Management    | 2006        |

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Robert Heacock was appointed as City Manager in September 2004, after serving as Acting City Manager since April 2004. The Director of Finance, who is appointed by the City Manager, acts as the chief financial officer of the City. This position is held by James C. Harlow, appointed in February 1984. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City. B. Allen Garner was appointed to this position in May 2003.

Historically, the character of the City has been viewed as predominantly residential. In recent years industrial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of anticipated increases in industrial activity. The labor force encompasses a wide variety of skills and occupations: technical, sales, and administrative support occupations (31.67%); managerial and professional (26.43%); production, transportation, and material moving (17.14%); service, craft, and repair occupations (24.63%); and farming (0.13%).

### **Employee Retirement System**

The City participates in the Missouri Local Government Employees Retirement System (LAGERS) which is a statewide multi-employer retirement system and covers all City employees. The City makes all required contributions to this plan. The total pension expense for the years ended June 30, 2004 and 2005 was \$4,192,623 and \$4,849,276, respectively.

## **Insurance**

The City self-insures for workers' compensation claims up to \$600,000 per accident, except for Power & Light employee. The City also purchases excess worker's compensation insurance coverage from Midwest Employers Casualty Company for claims exceeding the self insurance retention limit per accident.

The City purchases all-risk property insurance from Hartford Steam Boiler Insurance Company, Liberty International Insurance Company, and Zurich American Insurance Company that provides coverage for all real and personal property owned by the City. The replacement cost property insurance policy has a blanket loss limit of \$200 million. Risk covered include property damage, flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The all-risk property insurance coverage is subject to a \$50,000 per occurrence deductible, except for a \$1,000,000 per occurrence deductible at the Blue Valley and a \$1,500,000 deductible at the Missouri City Power Stations and all other power generating facilities.

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

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

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

## **Payment Record**

The City has never defaulted on any obligations.

## **Obligations of the City**

## General Obligation Debt

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

The City had no General Obligation debt outstanding as of June 30, 2005.

## Revenue Debt

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

|   | <u>Balance Payable</u> |
|---|------------------------|
| Power and Light Fund:   |                        |
| \$23,520,000 1998 Electric Utility Refunding Bonds, due in annual installments of \$700,000 to \$2,040,000 through June 1, 2014, interest at 4.0% to 4.8%, callable at par after June 1, 2003, less Deferred Loss on Refunding of (\$1,417,503) | \$15,395,000           |
| \$5,975,000 2003 Electric Utility Refunding Revenue Bonds, due in annual installments of \$435,000 to \$660,000 through June 1, 2014, interest at 2.0% to 3.65%.  | 5,050,000              |
| Less deferred loss on refunding   | (1,970,392)            |
| 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   | 29,710,000             |
| \$14,785,000 Water Utility Revenue Bonds - Series 2004, principal due in annual installments of \$490,000 to \$1,105,000 through November 1, 2024, interest at approximately 3.375% to 5% callable at par                                       | 14,785,000             |
|   | <u>\$62,969,608</u>    |

## 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 \$40,000 to \$65,000 through June 1, 2010 and bearing interest at 5.00% to 6.25%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City. The balance at June 30, 2005 was \$300,000 plus interest.

On August 1, 2001, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,635,000, due in annual installments of \$160,000 to \$215,000 through June 1, 2010 and bearing interest at 4.20% to 4.40%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City, software for the Fire department and additional funding for Hartman Heritage Tax Increment Financing Project. The balance at June 30, 2005 was \$975,000 plus interest. Restricted assets in the General Fund of \$222,911 consist of funds available for costs related to this debt.

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

On May 26, 2005, the City issued a \$4,970,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$590,000 to \$665,000 through April 1, 2009 and bearing interest at 3.25% to 4.0%. The proceeds of the bond issuance are to be used for street projects. The balance at June 30, 2005 was \$4,970,000 plus interest.

#### **Park Improvement Sales Tax Loan Payable:**

On May 1, 2004, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,245,000 due in annual installments of \$230,000 to \$270,000 through June 1, 2009, and bearing interest at 2.25% to 4.25%. The proceeds will be used for the restoration of the Truman Memorial Building. The balance at June 20, 2005 was \$1,015,000 plus interest.

On February 1, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$6,175,000 due in annual installments of \$300,000 to \$450,000 through February 1, 2013, and bearing interest at 3.0% to 5.0%. The proceeds are to be used for the building of the aquatics facility. The balance at June 20, 2005 was \$6,175,000 plus interest.

#### **Neighborhood Improvement District**

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

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

#### **Tax Increment Revenue Bonds**

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

On April 1, 2000, the City entered into a \$11,850,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$120,000, to \$1,235,000 through April 1, 2020 and bearing interest at 5.8% to 6.2%. The proceeds of the loan are to be used for costs related to redevelopment of the Hartman Heritage Shopping Center.

On May 1, 2000, the City entered into a \$5,595,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$275,000, to \$800,000 through April 1, 2012 and bearing interest at 5.8% to 6.2%. The proceeds of the loan are to be used for costs related to redevelopment of the Eastland Center.

On November 1, 2000, the City issued a \$12,815,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$120,000 to \$1,235,000 through April 1, 2021 and bearing interest at 5.37% to 6%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center Area.

On August 1, 2001, the City issued a \$10,230,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$165,000 to \$1,865,000 through April 1, 2023 and bearing interest at 4.375% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Sante Fe Area.

On November 1, 2001, the City issued a \$1,425,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$15,000 to \$160,000 through April 1, 2021 and bearing interest at 2.4% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center Area.

On November 1, 2002, the City issued a \$3,480,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$75,000 to \$845,000 through April 1, 2022 and bearing interest at 3.5% to 5.125%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center Area.

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

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

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

## **Capital Leases**

Capital leases payable at June 30, 2005 are comprised of the following:

First National Bank of Louisburg, interest at 5.75%, semiannual installments through October 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, 2005 was \$27,399.

CHICORP lease, interest at 6.85%, monthly installments through April 2006. A lease utilized for Johnson Controls contract to renovate the HVAC of City Hall. No restrictions. The balance due at June 30, 2005 was \$88,460.

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, 2005 was \$60,887.

IBM Corporation, interest from 5.77% to 6.37% monthly installments through April 2007. A lease to purchase an I Series System along with software and printers. The balance due at June 30, 2005 was \$85,722.

IBM Corporation, interest from 2.64% to 6.1% monthly installments through 2008. A lease to purchase computer equipment. The balance due at June 30, 2005 was \$66,103.

Sun Trust Leasing, interest at 4.19% annual installments through July 2013. A lease to purchase a fire truck. The balance due at June 30, 2005 was \$687,260.

## **ECONOMIC INFORMATION CONCERNING THE CITY**

### **Commerce and Industry**

Some major employers in Independence, Missouri, include:

| <b>Employer</b>              | <b>Product/Service</b>      | <b>Number of Employees</b> |
|------------------------------|-----------------------------|----------------------------|
| 1 Health Midwest             | Health Care                 | 1,400                      |
| 2 Alliant Tech Systems       | Small Arms Ammunition       | 1,286                      |
| 3 GEHA                       | Medical Ins. Service Center | 650                        |
| 4 SBC Communications         | Communications              | 550                        |
| 5 Burd & Fletcher            | Paper Cartons               | 350                        |
| 6 Rosewood Health Center     | Retirement Community        | 300                        |
| 7 Unilever Best Foods        | Misc. Food Manufacturing    | 290                        |
| 8 Sprint Relay               | Telemarketing Bureau        | 200                        |
| 9 Comcast                    | Cable Networks              | 165                        |
| 10 Space Center Distribution | Warehousing and Storage     | 150                        |

Source: Independence Council for Economic Development

**General and**

### Demographic Information

The following tables set forth certain population information.

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

Source: Claritas, Inc. and Community Development Department

**Population Distribution by Age**

| <b>Age</b>       | <b>City of Independence</b> | <b>Jackson County</b> | <b>State of Missouri</b> |
|------------------|-----------------------------|-----------------------|--------------------------|
| Age 0 - 4        | 6.85%                       | 7.34%                 | 6.46%                    |
| Age 5 - 9        | 6.50%                       | 6.90%                 | 6.53%                    |
| Age 10 - 14      | 6.54%                       | 7.10%                 | 6.98%                    |
| Age 15 - 20      | 7.47%                       | 8.08%                 | 8.92%                    |
| Age 21 - 24      | 4.80%                       | 5.13%                 | 5.59%                    |
| Age 25 - 34      | 12.78%                      | 13.63%                | 12.83%                   |
| Age 35 - 44      | 14.16%                      | 15.06%                | 14.40%                   |
| Age 45 - 54      | 14.40%                      | 14.35%                | 14.30%                   |
| Age 55 - 59      | 6.04%                       | 5.59%                 | 5.73%                    |
| Age 60 - 64      | 5.04%                       | 4.36%                 | 4.68%                    |
| Age 65 - 74      | 7.69%                       | 6.23%                 | 6.90%                    |
| Age 75 - 84      | 5.65%                       | 4.46%                 | 4.74%                    |
| Age 85 and older | 2.08%                       | 1.79%                 | 1.93%                    |
| Median Age       | 38.57                       | 36.22                 | 36.86                    |
| Average Age      | 38.98                       | 36.94                 | 37.71                    |

Source: Claritas, Inc.

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

|                          | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005*</b> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <b>Kansas City MSA</b>   |             |             |             |             |             |              |
| Total Labor Force        | 1,007,924   | 1,000,751   | 1,001,821   | 1,024,408   | 1,020,817   | 1,035,979    |
| Unemployed               | 32,861      | 44,308      | 57,192      | 61,703      | 56,883      | 61,902       |
| Unemployment Rate        | 3.3%        | 4.4%        | 5.7%        | 6.0%        | 5.6%        | 6.0%         |
| <b>Jackson County</b>    |             |             |             |             |             |              |
| Total Labor Force        | 371,726     | 371,514     | 363,912     | 372,046     | 365,400     | 348,846      |
| Unemployed               | 13,723      | 18,737      | 23,717      | 25,206      | 22,569      | 23,143       |
| Unemployment Rate        | 3.7%        | 5.0%        | 6.5%        | 6.8%        | 6.2%        | 6.6%         |
| <b>State of Missouri</b> |             |             |             |             |             |              |
| Total Labor Force        | 2,967,617   | 3,017,126   | 2,982,061   | 3,020,592   | 3,013,205   | 3,029,841    |
| Unemployed               | 101,799     | 2,876,522   | 164,400     | 170,126     | 155,210     | 178,107      |
| Unemployment Rate        | 3.4%        | 4.7%        | 5.5%        | 5.6%        | 5.2%        | 5.9%         |

\*Average through July 2005.

Source: Mid-America Regional Council

## Income Statistics

The following table sets forth income statistics for 2005.

|                      | <b>Per Capita</b> | <b>Median Household</b> |
|----------------------|-------------------|-------------------------|
| City of Independence | \$22,170          | \$52,628                |
| Jackson County       | 23,701            | 56,504                  |
| State of Missouri    | 22,845            | 53,250                  |

Source: Claritas, Inc.

## Housing Structures

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

| <b>Year Round Units</b> | <b>Number of Units</b> | <b>Percentage of Units</b> |
|-------------------------|------------------------|----------------------------|
| Single Detached         | 35,279                 | 70.92%                     |
| Single Attached         | 1,735                  | 3.49%                      |
| Double                  | 2,181                  | 4.38%                      |
| 3 to 19 Units           | 6,433                  | 12.93%                     |
| 20 to 49 units          | 1,019                  | 2.05%                      |
| 50 + Units              | 1,503                  | 3.02%                      |
| Mobile Home             | 1,567                  | 3.15%                      |
| All Other               | 26                     | 0.05%                      |
| <b>Total Units</b>      | <b>49,743</b>          | <b>100%</b>                |

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas was, estimated for 2005, as follows:

|                      | <b>Owner Occupied Median Value</b> |
|----------------------|------------------------------------|
| City of Independence | \$92,364                           |
| Jackson County       | 106,114                            |
| State of Missouri    | 111,973                            |

Source: Claritas, Inc.

## Building Construction

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

|                        | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Residential</b>     |             |             |             |             |             |
| Number of Permits      | 647         | 596         | 744         | 657         | 737         |
| Estimated Cost         | 43,799,753  | 39,941,328  | 51,015,505  | 47,280,932  | 66,838,976  |
| <b>Non-Residential</b> |             |             |             |             |             |
| Number of Permits      | 219         | 158         | 204         | 186         | 188         |
| Estimated Cost         | 61,394,644  | 47,467,165  | 78,904,822  | 50,594,507  | 32,069,290  |

Source: City's Community Development Department

## FINANCIAL INFORMATION CONCERNING THE CITY

### Accounting, Budgeting and Auditing Procedures

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

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

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending June 30, 2005 was performed by Cochran, Head, and Company, Kansas City, Missouri. Copies of the audit reports for the past five years are on file in the City Clerk's Office and are available for review.

## Property Valuations

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

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

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

The assessment ratio for personal property is generally 33 $\frac{1}{3}$  % of estimated market value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition,  $\frac{1}{2}$ %; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%. The City does not levy a tax on personal property.

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

**Current Assessed Valuation:** The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City according to the assessment of January 1, 2004 (the last completed assessment).

|                           | <u>Assessed<br/>Valuation</u> | <u>Assessment<br/>Rate</u> | <u>Estimated Market<br/>Value</u> |
|---------------------------|-------------------------------|----------------------------|-----------------------------------|
| <b>Real Estate:</b>       |                               |                            |                                   |
| Residential               | 774,627,429                   | 19%                        | 4,076,986,468                     |
| Commercial                | 256,267,751                   | 32%                        | 800,836,722                       |
| Agricultural              | 1,142,640                     | 12%                        | 9,522,000                         |
| RR & Utilities            | 5,525,949                     | 32%                        | 17,268,591                        |
| <b>Sub-Total</b>          | <u>1,037,563,769</u>          |                            | <u>4,904,613,781</u>              |
| <b>Personal Property*</b> | <u>256,782,138</u>            | <u>33.30%</u>              | <u>771,117,532</u>                |
| <b>Total</b>              | <u><u>\$1,294,345,907</u></u> |                            | <u><u>\$5,675,731,312</u></u>     |

Source: Jackson and Clay Counties Assessor's Offices.

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

| <b>Year</b> | <b>Assessed Valuation</b> | <b>Percent Change</b> |
|-------------|---------------------------|-----------------------|
| 2005        | \$1,294,345,907           | 8.1%                  |
| 2004        | \$1,197,742,533           | 2.2%                  |
| 2003        | \$1,172,491,869           | 9.1%                  |
| 2002        | \$1,075,178,240           | 3.1%                  |
| 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%                  |

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, 2004.

| <b>Name of Taxpayer</b>             | <b>Type</b>            | <b>Local Assessed Valuation</b> | <b>Percentage of Total Local Assessed Valuation</b> |
|-------------------------------------|------------------------|---------------------------------|---|
| 1 Simon Property Group, LP          | Retail Center          | \$18,525,568                    | 1.43%   |
| 2 DDR MDT Independence Commons      | Retail Center          | 9,286,793                       | 0.72%   |
| 3 Space Center of Kansas City, Inc. | Underground Commercial | 8,550,233                       | 0.66%   |
| 4 Bradley Operating LTD PTP         | Retail Center          | 7,402,354                       | 0.28%   |
| 5 Alliant Lake City                 | Ammunition             | 5,755,545                       | 0.44%   |
| 6 Noland Fashion Square Partners    | Retail Center          | 5,103,999                       | 0.57%   |
| 7 Southern Union Company            | Utility                | 3,926,922                       | 0.39%   |
| 8 Southwestern Bell                 | Communications         | 3,844,865                       | 0.30%   |
| 9 Independence Regional Health      | Hospital               | 3,587,375                       | 0.30%   |
| 10 Burd & Fletcher                  | Paper Cartons          | 3,477,899                       | 0.27%   |

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> |
|---------------------|---------------------|
| Robert Joe Miller   | 7/01/2006           |
| Bob Robinson        | 7/01/2006           |
| Clyde W. Noren      | 7/01/2007           |
| Skip Shearer        | 7/01/2008           |
| Blair L. Wildermuth | 7/01/2008           |
| Marvin Sturgeon     | 7/01/2009           |
| Richard Franklin    | 7/01/2009           |

## **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, 2005, electric retail sales totaled 1,041,295 megawatt-hours (MWh). The maximum system peak load for the fiscal year ending June 30, 2005 of 289.7 megawatts (MW) occurred on July 13, 2004. The all-time maximum system peak load of 314.9 MW occurred on August 21, 2003.

## **Organization**

The Department is divided into five divisions: 1) Administration/Planning; 2) Support Services; 3) Production; 4) Transmission and Distribution; and 5) Engineering and Systems Operations. The Department had 220 budgeted full-time employees as of June 30, 2005.

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

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

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

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

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

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, customer service and billing and other administrative services. For fiscal year 2005, the Department was billed \$2,374,428 by the other departments of the City for such support services. The Department also provides customer meter reading service to the City's Water and Water Pollution Control departments. For fiscal year 2005, the Power and Light Department billed \$822,465 for meter reading services to these other departments.

## **Management**

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

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

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

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

*Martin D. Barker - Production Manager.* Mr. Barker was appointed Power Production Manager in December of 2001. He holds a BSME degree from Kansas State University. He has over 25 years of electric power plant experience including 23 years in management at a power plant in Illinois and 3 years as a design engineer with a consulting engineering company.

*Vacant - Engineering Manager.* The former Engineering Manager retired from the Department during this fiscal year. The Department expects to fill this position during the fourth quarter of 2005.

*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 28 years experience in the electric industry with 15 of those years in management and supervision. Prior to joining the Department, he worked 17 years for Illinois Power Company.

*Gerald N. McReynolds- Support Services Manager.* Mr. McReynolds joined the Department in October 2003. He holds a BA degree from the University of Texas-El Paso, an AA-Accounting and BSBA in Accounting and Management from Missouri Western State College, and an MPA degree from the University of Missouri-Kansas City. Prior to joining the Department, he served for over twenty-one years in various leadership positions with Aquila, Inc. and served for seven years in the United States Air Force.

## **Power Supply**

Currently, the Department has 288 MW of accredited generating capacity (12 generating units) which is owned and operated by the Department. The amount of accredited capacity is based on the capacity accreditation rules of the Southwest Power Pool (SPP), in which the City is a member.

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

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

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

In January 2004, the City entered into a participation power agreement with Omaha Public Power District (OPPD). Under this agreement, the City will purchase an 8.33% share (approximately 55 megawatts) of a new nominal 660 megawatt coal-fired baseload generating unit to be built at OPPD's existing Nebraska City power station site. The agreement provides that OPPD will be the owner/operator of the unit and OPPD will sell the City's share of the output on an actual cost-based approach. OPPD will issue tax-exempt bonds to pay for the construction of the unit and the City is obligated to pay its appropriate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the unit. The unit is currently scheduled to begin commercial operation prior to May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. This transaction will replace a portion of the 90 MW purchase from KCPL due to expire on May 31, 2011.

In July 2005, the City executed a certain purchase power agreement with the Missouri Joint Electric Utility Commission (MJMEUC). This agreement is designed to allow the City to purchase a nominal 50 MW of capacity and energy from KCPL's planned second unit at its Iatan generating station (Iatan 2) with an expected commercial operation date in the 2010-2011 timeframe. MJMEUC is to obtain a certain undivided ownership at actual cost in the nominal 850 MW Iatan 2 unit and will sell the capacity and energy to the City on a cost-based approach. This purchase is contingent upon MJMEUC executing the necessary ownership agreements with KCPL which is expected to occur by January 2006.

The Department is currently evaluating the need for additional generating capacity subsequent to the expiration of the 90 MW KCPL contract at May 31, 2011.

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

## Power & Light Fund, Electric Generating Units

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

(1) On July 20, 2005, the RCT-1 generating unit experienced compressor blade damage. The compressor is currently being repaired.

In addition, a major inspection/overhaul is being completed during this time. It is expected that the City's insurance will cover the repair costs over and above the deductible amount (\$1 million) on the insurance policy.

table:

### Environmental Regulations

The Department operates its generation in accordance with the applicable federal and state emission rules and regulations. Blue Valley Unit No. 3 is subject to the Phase II requirements of the federal Acid Rain Program (ARP). Blue Valley Units No. 1 and No. 2 and the Missouri City

units are exempt from the ARP requirements. Currently Blue Valley Unit No. 3 is limited to an annual sulfur dioxide (SO<sub>2</sub>) stack emission of approximately 4,670 tons. Based on the Department's present coal supply, the 4,670 tons of SO<sub>2</sub> emissions can limit Blue Valley Unit No. 3 to approximately a 30 percent annual capacity factor. Presently, the Department plans to utilize this unit in a manner which will allow it to stay within the SO<sub>2</sub> limitations established by the ARP without buying SO<sub>2</sub> emission credits or only buying a limited amount of such credits. As of December 31, 2004, the accumulated available SO<sub>2</sub> emission allowances carried forward into calendar year 2005 was 1,278 tons.

In addition to the ARP requirements for Blue Valley Unit No. 3, the Department is restricted to SO<sub>2</sub> emissions (three hour average basis) of 6.3 pounds per million Btu for all three units at Blue Valley station and 8.0 pounds per million Btu for both units at its Missouri City station in accordance with the State of Missouri environmental regulations. During the fiscal year ending June 30, 2005, the Department was in compliance with such SO<sub>2</sub> regulations.

Blue Valley Unit No. 3 is also regulated for nitrogen oxide (NO<sub>x</sub>) emissions. The unit is limited to 0.35 pounds per million Btu during the defined ozone season (May 1 through September 30) and 0.40 pounds per million Btu during the rest of the year. Low NO<sub>x</sub> burners were installed on this unit to comply with this regulation. The average NO<sub>x</sub> emission rate was 0.287 pounds per million Btu during the 2004 ozone season and 0.293 pounds per million Btu for the entire calendar year 2004.

Blue Valley RCT-1 unit is also subject to NO<sub>x</sub> regulations, but is provided an exemption as long as the unit operates less than 400 hours during the ozone season. The unit operated 102.8 hours during the 2004 ozone season.

## **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, 2005, the total fuel burn mix for the Department's generation energy supply consisted of 96.5% coal, 3.2% gas and 0.3% No. 2 fuel oil.

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

The amended and restated coal contract has a base term through December 31, 2004 and may be extended for two additional years through December 31, 2006 at the sole option of the City. The City exercised this extension option on September 17, 2004. In addition, by mutual agreement of the City and the coal supplier, the contract can be extended for another two years through December 31, 2008. The City also has the right to terminate the contract for any reason with 150 days prior notice.

The base price for the coal in the calendar year 2005 is \$32.80 per ton for unwashed coal and

\$35.97 per ton for washed coal based on 11,000 Btu per pound heat content of the coal. These prices are subject to annual increases or decreases at a pre-defined index capped at three percent per year. The Department is currently accepting a washed coal product from the supplier.

In addition, the Department purchases coal on the spot market from mines located in Oklahoma, Kansas, and Illinois to supplement the Missouri coal supply.

During the fiscal year, the City settled with the bonding agency that insured the performance of the previous coal mining company under the coal supply contract. The City contended that the previous coal mining company had defaulted on the contract during calendar year 2001 and the City sought collection of the \$250,000 performance bond that is contained in the coal contract. The insurance company disputed the default. After certain legal proceedings and negotiations, the parties agreed to settle the dispute. Under the settlement, the insurance company agreed to pay the City \$165,000 and this payment was received in November 2004.

The Department currently contracts its natural gas supply with an Oklahoma gas supplier. This natural gas supply contract consists of gas supply and pipeline transportation service to the local gas distribution company's system. The current term of this gas supply contract is through March 31, 2006. The local distribution company delivers the gas to the Department at two different power plant sites under the local distribution company's tariffs as filed with the Missouri Public Service Commission.

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

### **Current Purchases/Sales of Capacity and Energy**

The Department purchases a significant portion of its energy needs under the capacity purchase agreement with KCPL. Under the agreement, the Department purchases 90 MW of capacity and energy for a term through May 31, 2005. After May 31, 2005, the agreement provides the Department with an option to extend the purchase in an amount of 20 MW to 90 MW of capacity for the six-year period ending May 31, 2011 with the same terms and conditions except that the current capacity price of \$84 per kilowatt-year (including transmission) is to be negotiated up to the contract specified maximum price of \$126 per kilowatt-year. The Department exercised this extension option for a capacity of 90 MW. The parties agreed to seek the Federal Energy Regulation Commission (FERC) determination on the appropriate capacity price. After settlement hearings at FERC, the parties reached an agreement for the extension at a capacity rate of \$82 per kilowatt-year. The transmission component was unbundled from the capacity product and the City obtained transmission service under the SPP regional transmission tariff.

The delivered cost of capacity and energy under the agreement, including all demand, transmission, and energy charges, totaled approximately \$19,717,000 for 663,347 megawatt-hours of delivered energy during fiscal year 2005. The projected annual cost of the KCPL agreement for fiscal year 2006 is estimated at approximately \$22,018,000.

In July 1997, the City became a participant to the Western Systems Power Pool Agreement (WSPP Agreement). The WSPP Agreement provides for short-term electric power transactions by and among its members. Transactions under the WSPP Agreement are executed under rate

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

During fiscal year 2005, the Department purchased 95,127 megawatt-hours of wholesale energy for a total cost of approximately \$5,239,000 and the Department sold 20,168 megawatt-hours of wholesale energy for approximately \$661,000 under the WSPP Agreement.

### **Regional Reliability Organization**

The Southwest Power Pool (“SPP”) is an organization of electric utilities serving the south-central part of the United States established to oversee and maintain the reliability of the bulk electric power system. The City has been a member of the SPP since 1970 and operates its electric system in accordance with the SPP rules. Beginning in the year 2000 and due to the restructuring of the electric industry, the SPP began the administration and operation of a regional transmission tariff where certain SPP members elected to have the SPP operate their transmission facilities under this tariff. The City elected to become a non-transmission owning member and continues to operate its own transmission facilities.

### **Interconnections**

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

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

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

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

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

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

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

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

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

### **Transmission System**

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

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

## SUBSTATIONS

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

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

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

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

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

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

Note: The Eckles Road Switching Station is located within the 161-kV line from Substation A to Missouri Public Service's Sibley Station. The Eckles Road Switching Station ties into the 161-kV line owned by Associated Electric Cooperative running from Missouri City Station to Pittsville, Mo.

There is no transformer located at the Eckles Road Switching Station.

### **Distribution System**

The existing distribution system consists of approximately 553.0 circuit miles of 13-kV overhead lines, 18.4 circuit miles of 4 kV overhead lines, 172.7 circuit miles of 13-kV underground lines and 0.4 circuit miles of 4-kV underground lines.

## **Proposed Capital Improvements**

As of June 30, 2005, the Department had a total of \$23,059,560 of funded, but uncompleted major capital improvement projects. These uncompleted projects include \$9,810,945 for production plant capital improvements and \$13,248,615 for distribution plant capital improvements. For fiscal year ending June 30, 2006 the City Council has additionally appropriated from the Power & Light Fund \$7,650,000 for other capital improvement projects, of which \$4,900,000 are for production plant improvements and \$2,750,000 are for distribution plant improvements. For the six fiscal years ending June 30, 2011, the Department is currently estimating a total of \$48,650,000 in additional major project capital improvements. These additional capital expenditures include \$30,400,000 in production plant improvements and \$18,250,000 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 2006 through 2011 can be found in Part IV of this document.

## **Electric Rates**

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

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

In November 2004, the City Council approved overall base rate increases of 3.9% effective January 1, 2005 and an additional 3.9% base rate increase effective January 1, 2006. Based on Department financial projections, the Department expects no other base rate increases through fiscal year 2009; however increases/decreases may result from projected increased fuel and purchased energy costs which are passed along to customers from the FCA clause. For the year ending June 30, 2005, the average monthly billed FCA credit rate decreased from \$(2.51) per MWh to (\$1.05) per MWh when compared to the year ending June 30, 2004. Overall, the base rate increase and the change in the FCA rate resulted in approximately a 3.2 percent average billing rate increase for all retail customers for the 12 month period ending June 30, 2005 compared to the previous 12 month period.

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

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

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

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

In April 1990, the City began a rebate program to encourage use of energy efficient air conditioners, water heaters and heat pumps by residential customers. The rebate scale increases with increased efficiency of the unit purchased. Current rebates range from \$75 to \$897. Through December 2004, over 7,450 rebates have been paid for a total of \$1,775,000.

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

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

contact before service is discontinued. In 2005, out of approximately \$79 million in billed revenue, \$451,152 was charged off as uncollectible or 0.57% of total billed revenues.

### **Operating Statistics**

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

# Power & Light Fund, Peak Demand & Energy Requirements

## HISTORICAL ANNUAL PEAK DEMAND AND ENERGY REQUIREMENTS

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>Annual<br/>Peak Demand</b> |  | <b>Annual<br/>Energy Requirements<br/>For City Load</b> |  |
|--|-------------------------------|--|---|--|
|  | <b>(MW)</b>                   | <b>Percent<br/>Increase<br/>(Decrease)</b> | <b>(MWh)</b>  | <b>Percent<br/>Increase<br/>(Decrease)</b> |
| 2001                                     | 294.9                         | 1.1  | 1,092,098   | 6.9  |
| 2002                                     | 289.4                         | (1.9)                                      | 1,076,812   | (1.4)                                      |
| 2003                                     | 294.4                         | 1.7  | 1,105,871   | 2.7  |
| 2004                                     | 314.9                         | 7.0  | 1,128,378   | 2.0  |
| 2005                                     | 289.7                         | (8.0)                                      | 1,105,068   | (2.1)                                      |

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>Annual<br/>Load<br/>Factor(%)</b> | <b>Average<br/>Number of<br/>Monthly<br/>Meters</b> | <b>Annual<br/>Requirements<br/>Per Meter<br/>(kWh/Meter)</b> | <b>Summer<br/>Season<br/>Cooling<br/>Degree<br/>Days *</b> |
|--|--------------------------------------|---|--|--|
|  |                                      |   |  | <b>(65°F Base)</b>   |
| 2001                                     | 42.3                                 | 53,658  | 20,253   | 1,619  |
| 2002                                     | 42.5                                 | 53,982  | 19,948   | 1,522  |
| 2003                                     | 42.9                                 | 54,356  | 20,345   | 1,485  |
| 2004                                     | 40.8                                 | 55,195  | 20,443   | 1,410  |
| 2005                                     | 43.5                                 | 55,921  | 19,761   | 1,184  |

\* 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>2001</u>      | <u>2002</u>      | <u>2003</u>      | <u>2004</u>      | <u>2005</u>      |
|--|------------------|------------------|------------------|------------------|------------------|
| Energy Supplied (MWh):                               |                  |                  |                  |                  |                  |
| Net Generation, City Power Plants                    | 346,346          | 196,967          | 268,915          | 349,737          | 366,647          |
| Purchased Power Energy from                          |                  |                  |                  |                  |                  |
| Other Utilities                                      | 770,405          | 881,145          | 855,827          | 796,046          | 758,541          |
| Unintentional Interchange                            | 301              | 37               | -75              | 12               | 48               |
| Gross Energy Supplied                                | <u>1,117,052</u> | <u>1,078,149</u> | <u>1,124,667</u> | <u>1,145,795</u> | <u>1,125,236</u> |
| Energy Sold to Other Utilities                       | <u>-24,954</u>   | <u>-1,337</u>    | <u>-18,796</u>   | <u>-17,417</u>   | <u>-20,168</u>   |
| Total energy, City Load                              | 1,092,098        | 1,076,812        | 1,105,871        | 1,128,378        | 1,105,068        |
| Border Customer Purchases                            | <u>1,400</u>     | <u>1,232</u>     | <u>1,357</u>     | <u>1,361</u>     | <u>1,292</u>     |
| Total Energy, City Load and<br>City Border Customers | 1,093,498        | 1,078,044        | 1,107,228        | 1,129,739        | 1,106,360        |
| Border Customer Sales                                | <u>-5,321</u>    | <u>-4,828</u>    | <u>-4,941</u>    | <u>-5,266</u>    | <u>-5,896</u>    |
| Total Energy, City System                            | 1,088,177        | 1,073,216        | 1,102,287        | 1,124,473        | 1,100,464        |
| Consumption By Classes (MWh) *                       |                  |                  |                  |                  |                  |
| Residential  | 500,667          | 482,520          | 506,001          | 522,422          | 489,263          |
| Commercial   | 463,247          | 471,500          | 483,624          | 490,939          | 495,960          |
| Industrial   | 46,239           | 43,791           | 39,834           | 41,094           | 46,537           |
| Other  | 9,008            | 9,173            | 9,143            | 9,378            | 9,535            |
| Total Retail Sales                                   | <u>1,019,161</u> | <u>1,006,984</u> | <u>1,038,602</u> | <u>1,063,833</u> | <u>1,041,295</u> |
| Sold to Other Utilities<br>(inc. border customers)   | <u>30,275</u>    | <u>6,165</u>     | <u>23,737</u>    | <u>22,683</u>    | <u>26,064</u>    |
| Total MWh Sales                                      | 1,049,436        | 1,013,149        | 1,062,339        | 1,086,516        | 1,067,359        |
| Revenue by Classes (\$000) *                         |                  |                  |                  |                  |                  |
| Residential  | \$41,167         | \$37,562         | \$40,254         | \$42,431         | \$41,375         |
| Commercial   | 32,622           | 30,760           | 32,429           | 34,242           | 36,011           |
| Industrial   | 2,490            | 2,214            | 2,019            | 2,139            | 2,504            |
| Other  | 827              | 824              | 881              | 941              | 1,008            |
| Total Retail Sales                                   | <u>\$77,106</u>  | <u>\$71,360</u>  | <u>\$75,583</u>  | <u>\$79,753</u>  | <u>\$80,898</u>  |
| Sold to Other Utilities                              | <u>1,406</u>     | <u>131</u>       | <u>809</u>       | <u>689</u>       | <u>779</u>       |
| Total  | \$78,512         | \$71,491         | \$76,392         | \$80,442         | \$81,677         |
| Average Number of Meters (Total System)              | 53,658           | 53,982           | 54,356           | 55,195           | 55,921           |
| Average Number of Meters (Residential)               | 48,829           | 49,101           | 49,446           | 50,214           | 50,832           |

\* Includes change in unbilled MWh and Revenue.

The following table is a listing of the twelve largest commercial and industrial customer accounts served by the Department. The table shows the annual kilowatt hour energy usage and total billed revenues for the periods shown. As can be seen from the listing, sales to the Department's twelve largest customers have been relatively stable and in aggregate total, account for a relatively small portion of the Department's total sales and revenues. The largest single customer accounts for approximately 2.3% of retail sales of the system and 1.5% of retail billed revenues.

### Twelve (12) Largest Commercial and Industrial Customer Accounts

#### July 2004 - June 2005

|  | <u>kWh</u>         | <u>Revenue</u>     |
|--|--------------------|--------------------|
| 1 Unilever                               | 23,260,800         | \$1,157,539        |
| 2 Commercial Distribution Center Inc.    | 15,599,400         | 889,651            |
| 3 Simon Property Group LP                | 14,820,552         | 888,323            |
| 4 Burd & Fletcher (5151 Geospace)        | 12,304,500         | 609,534            |
| 5 Independence Regional Health Center    | 6,648,900          | 407,982            |
| 6 Price Chopper (Noland Road)            | 6,633,840          | 385,970            |
| 7 City's Rock Creek Sanitary Sewer Plant | 5,419,200          | 371,756            |
| 8 Price Chopper (23rd Street)            | 6,279,900          | 364,706            |
| 9 Burd & Fletcher (3000 Geospace)        | 7,290,720          | 352,354            |
| 10 Medical Center of Independence        | 5,500,150          | 309,518            |
| 11 Costco Wholesale Inc.                 | 4,741,500          | 306,052            |
| 12 Hy-Vee (Noland Rd.)                   | 4,321,440          | 282,784            |
| Total                                    | <u>112,820,902</u> | <u>\$6,326,169</u> |
| Percent of Total Retail Billed Sales     | 11.0%              | 8.0%               |

#### July 2003 - June 2004

|  | <u>kWh</u>         | <u>Revenue</u>     |
|--|--------------------|--------------------|
| 1 Unilever                               | 22,372,800         | \$1,056,334        |
| 2 Simon Property Group LP                | 16,043,904         | 933,061            |
| 3 Commercial Distribution Center Inc.    | 15,285,600         | 836,763            |
| 4 Burd & Fletcher (5151 Geospace)        | 10,675,500         | 565,161            |
| 5 City's Rock Creek Sanitary Sewer Plant | 5,577,600          | 414,996            |
| 6 Independence Regional Health Center    | 6,588,900          | 389,634            |
| 7 Price Chopper (Noland Road)            | 6,722,160          | 376,199            |
| 8 Price Chopper (23rd Street)            | 6,639,600          | 367,392            |
| 9 Medical Center of Independence         | 5,307,040          | 284,649            |
| 10 Costco Wholesale Inc.                 | 4,491,000          | 279,145            |
| 11 Wal-Mart Stores, Inc.                 | 4,356,600          | 263,869            |
| 12 Burd & Fletcher (3000 Geospace)       | 4,625,280          | 245,921            |
| Total                                    | <u>108,685,984</u> | <u>\$6,013,124</u> |
| Percent of Total Retail Billed Sales     | 10.2%              | 7.6%               |

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

**24 Months Totals (July 2003-June 2005)**

|  | Total kWh<br>Over<br>24 Months | Total Revenue<br>Over<br>24 Months |
|--|--------------------------------|------------------------------------|
|  | <u>24 Months</u>               | <u>24 Months</u>                   |
| 1 Unilever                               | 45,633,600                     | \$2,213,873                        |
| 2 Simon Property Group LP                | 30,864,456                     | 1,821,384                          |
| 3 Commercial Distribution Center Inc.    | 30,885,000                     | 1,726,414                          |
| 4 Burd & Fletcher (5151 Geospace)        | 22,980,000                     | 1,174,695                          |
| 5 Independence Regional Health Center    | 13,237,800                     | 797,616                            |
| 6 City's Rock Creek Sanitary Sewer Plant | 10,996,800                     | 786,752                            |
| 7 Price Chopper (Noland Rd.)             | 13,356,000                     | 762,169                            |
| 8 Price Chopper (23rd Street)            | 12,919,500                     | 732,098                            |
| 9 Burd & Fletcher (3000 Geospace)        | 11,916,000                     | 598,275                            |
| 10 Medical Center of Independence        | 10,807,190                     | 594,167                            |
| 11 Costco Wholesale Inc.                 | 9,232,500                      | 585,197                            |
| 12 Wal-Mart Stores, Inc.                 | 8,715,300                      | 535,810                            |
| Total                                    | <u>221,544,146</u>             | <u>\$12,328,450</u>                |
| Percent of Total Retail Billed Sales     | 10.6%                          | 7.8%                               |

**Debt Service Coverage**

| <b>Year<br/>Ended<br/>June 30</b> | <b>Gross<br/>Revenues (1)</b> | <b>Operating<br/>Expenses (2)</b> | <b>Revenue<br/>Available for<br/>Debt Service</b> | <b>Debt<br/>Service<br/>Requirements</b> | <b>Debt<br/>Service<br/>Coverage</b> |
|-----------------------------------|-------------------------------|-----------------------------------|---|--|--------------------------------------|
| 2001                              | 81,965,004                    | 57,618,481                        | 24,346,523  | 2,903,835                                | 8.38                                 |
| 2002                              | 73,930,488                    | 52,142,313                        | 21,788,175  | 2,918,860                                | 7.46                                 |
| 2003                              | 77,932,974                    | 56,701,449                        | 21,231,525  | 2,914,570                                | 7.28                                 |
| 2004                              | 82,265,717                    | 61,851,943                        | 20,413,774  | 2,723,200                                | 7.50                                 |
| 2005                              | 84,020,908                    | 64,452,736                        | 19,568,172  | 2,770,557                                | 7.06                                 |

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

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

## **Employee Relations**

As of June 30, 2005 the Department had 220 budgeted full-time positions, of which 161 are hourly personnel and 59 are salaried personnel engaged in Production, Transmission, Distribution, Engineering, Administration, and Support Services.

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

The current agreement between the City and the IBEW provides for annual wage increases and working conditions effective November 1, 2004, and thereafter until October 31, 2009.

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

## **Water Department**

### **Description of the Water System**

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

The water system includes 38 supply wells (including one horizontal collector well), treatment facilities, and the water distribution system, all of which are owned, operated and maintained by the City Water Department (Department). The water distribution system includes approximately 722 miles of water main ranging in size from 2 inches to 36 inches, and five storage facilities with capacity totaling 10 million gallons. These facilities provide water service to approximately 47,892 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 is responsible for the construction, engineering, operation and maintenance of the transmission and distribution facilities of the Department.

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, and other administrative services. For fiscal year 2005, the Department was billed \$1,495,438 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 2005, the City's Power & Light and Water Pollution Control Departments were billed \$1,078,554 by the Water Department for customer service and billing services.

## **Management**

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

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

*Daniel D. Montgomery - Water Systems Director.* Mr. Montgomery was appointed Water Systems Director in April of 2003 and has been with the Department for 22 years. Mr. Montgomery holds a BSCE degree from the University of Missouri at Kansas City. He is a Registered Professional Engineer in the state of Missouri and holds a Class "A" Water Certification and Distribution System III Certification from the Missouri Department of Natural Resources.

*Thomas A. Heinkel - Customer Service Manager.* Mr. Heinkel has been with the City for 11 years and was appointed Customer Service Manager in November of 2003. Mr. Heinkel holds a BA in Biology from Texas Lutheran University.

*Karen L. Kelley - Water Production Manager.* Ms. Kelley was appointed Water Production Manager in October of 1991 and has been with the Department for 24 years. Ms. Kelly holds a BS in Biology degree from the University of Missouri at Kansas City. She holds a Class "A" Water Certification and Distribution System III Certification from the Missouri Department of Natural Resources.

*Denne L. Roe - Water Distribution/Engineering Manager.* Mr. Roe has been with the City for 31 years and was appointed Water Distribution/Engineering Manager in October 1989. Mr. Roe holds a BSCE degree from the University of Missouri at Rolla. He is a Registered Professional Engineer in the state of Missouri and holds a Distribution III Certification from the Missouri Department of Natural Resources.

## History

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

## Water Supply

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

## Water Treatment

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

|                       |                 |                   |            |
|-----------------------|-----------------|-------------------|------------|
| Solids Contact Basins |                 | Chemicals (cont.) |            |
| Number                | 8               | Chlorine          |            |
| Capacity, ea, mgd     | 6               | Average, ppd      | 695        |
| Settling Basins       |                 | Range, ppd        | 400 - 1085 |
| Number                | 6               | Ammonia           |            |
| Capacity, ea, mgd     | 8.4             | Average, ppd      | 57         |
| Filters               |                 | Range, ppd        | 35 - 110   |
| Number                | 14              | Phosphate         |            |
| Capacity, ea, mgd     | 4               | Average, ppd      | 110        |
| Chemicals             |                 | Range, ppd        | 95 - 121   |
| Lime                  |                 |                   |            |
| Average, ppd          | 52,000          |                   |            |
| Range, ppd            | 30,000 - 83,000 |                   |            |

## Distribution System

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

**Piping:** The Department had, at the end of fiscal year 2004, approximately 722 miles of piping ranging in size from 2 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 48 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 5 pumps with an operating head of 525 feet and capacity of 8,300 gpm.

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

The 35th Street Pumping Station contains two electrically driven 2,500 gpm pumps and one 1750 gpm pump. Each pump can be remotely controlled from the Courtney Bend WTP or manually controlled from within the pumping station.

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

The Chrysler Booster Pumping Station has two electric, 150 gpm, automatic pumps designed to maintain system pressure at 40 psi for service to approximately 100 consumers. This is an automated system and provisions for control of this system at the treatment plant are not provided. System operations are monitored at the plant, however, 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 five storage facilities located at various sites within the distribution system. Two of the facilities are elevated storage tanks. These include the North Main and Dodgion elevated tanks. The total storage capacity of the elevated tanks is 1 million gallons (MG). The three remaining facilities are ground storage

reservoirs. These include the Van Horn, 35th Street, and 39th Street reservoirs. They have a total capacity of 9 MG. The total capacity of storage for the system is 10 MG.

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

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

|                          |                        |                               |     |
|--------------------------|------------------------|-------------------------------|-----|
| North Main Elevated Tank |                        | Van Horn Storage Reservoir    |     |
| Capacity, MG             | 0.5                    | Capacity, MG                  | 2.0 |
| Diameter, ft             | 50                     | Diameter, ft                  | 135 |
| Height to HWL, ft        | 39.3                   | Height to HWL, ft             | 20  |
|                          | 121.3 ft. above ground |                               |     |
| Dodgion Elevated Tank    |                        | 35th Street Storage Reservoir |     |
| Capacity, MG             | 0.5                    | Capacity, MG                  | 2.0 |
| Diameter, ft             | 50                     | Diameter, ft                  | 80  |
| Height to HWL, ft        | 39                     | Height to HWL, ft             | 53  |
|                          | 130 ft. above ground   |                               |     |
|                          |                        | 39th Street Storage Reservoir |     |
|                          |                        | Capacity, MG                  | 5.0 |
|                          |                        | Diameter, ft                  | 130 |
|                          |                        | Height, ft                    | 50  |

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

### Support Facilities

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

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

## **Maintenance**

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

## **Financial Data**

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

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

**Customers Served:** As shown in the following table, the number of customers served by the Water Department totaled 47,892 as of June 30, 2005. 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 2002 to 2005. The compound annual growth rate from 2002 to 2005 was 1.04 percent.

## Historical Customers, Water Sales, and Revenues

| Customer Classification | Year Ended June 30 |        |        |        |
|-------------------------|--------------------|--------|--------|--------|
|                         | 2002               | 2003   | 2004   | 2005   |
| Residential             | 43,194             | 43,606 | 43,985 | 44,490 |
| Commercial              | 2,831              | 2,883  | 2,933  | 2,971  |
| Industrial **           | 7                  | 7      | 7      | 8      |
| Public Authority        | 57                 | 57     | 59     | 64     |
| Resale *                | 13                 | 13     | 13     | 13     |
| Private Fire Protection | 292                | 307    | 327    | 346    |
| Total                   | 46,394             | 46,873 | 47,324 | 47,892 |

### Water Sales - 1,000 Gallons

|                         |           |           |           |           |
|-------------------------|-----------|-----------|-----------|-----------|
| Residential             | 3,184,556 | 3,423,739 | 3,438,332 | 3,126,596 |
| Commercial              | 934,386   | 1,012,654 | 985,307   | 903,446   |
| Industrial              | 234,901   | 293,440   | 299,619   | 290,786   |
| Public Authority        | 66,757    | 87,533    | 86,201    | 83,053    |
| Resale                  | 4,662,076 | 4,259,744 | 4,831,296 | 4,862,549 |
| Private Fire Protection | NA        | NA        | NA        | NA        |
| Total                   | 9,082,676 | 9,077,110 | 9,640,755 | 9,266,430 |

### Water Sales - \$

|                         |            |            |            |            |
|-------------------------|------------|------------|------------|------------|
| Residential             | 7,543,113  | 8,046,353  | 8,141,479  | 7,789,773  |
| Commercial              | 2,025,449  | 2,185,099  | 2,152,295  | 2,053,011  |
| Industrial              | 256,478    | 324,228    | 336,707    | 331,251    |
| Public Authority        | 131,219    | 169,383    | 174,092    | 189,489    |
| Resale                  | 4,378,138  | 4,302,002  | 4,950,287  | 5,670,010  |
| Private Fire Protection | 45,153     | 46,624     | 50,609     | 55,966     |
| Public Fire Protection  | 583,390    | 588,636    | 598,218    | 617,130    |
| Other Sales             | 228,375    | 221,551    | 285,499    | 287,467    |
| Total                   | 15,191,315 | 15,883,876 | 16,689,186 | 16,994,097 |

\* 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**

| <b>Customer Name</b>          | <b>Water Sales<br/>(1,000 Gallons)</b> | <b>Water Sales<br/>(Dollars)</b> |
|-------------------------------|--|----------------------------------|
| Lee's Summit                  | 2,453,847                              | \$2,841,988                      |
| Blue Springs                  | 979,329                                | 1,179,131                        |
| District #2, Jackson County   | 329,634                                | 379,696                          |
| District #1, Lafayette County | 243,098                                | 279,612                          |
| Oak Grove                     | 243,449                                | 280,176                          |
| Grain Valley                  | 210,329                                | 242,290                          |
| District #15, Jackson County  | 127,527                                | 147,375                          |
| Buckner                       | 130,218                                | 150,277                          |
| Sugar Creek                   | 60,915                                 | 72,158                           |
| District #17, Jackson County  | 59,208                                 | 68,267                           |
| Lake Tapawingo                | 24,995                                 | 29,040                           |
|                               | <u>4,862,549</u>                       | <u>\$5,670,010</u>               |

**Large Consumption Water Customers**

| <b>Customer Name</b>         | <b>Water Sales<br/>(1,000 Gallons)</b> | <b>Water Sales<br/>(Dollars)</b> |
|------------------------------|--|----------------------------------|
| Lipton Tea                   | 126,310                                | \$129,022                        |
| Lafarge Corporation          | 107,348                                | 137,811                          |
| Independence Regional Health | 22,588                                 | 24,451                           |
| Commercial Distribution      | 14,238                                 | 15,337                           |
| Tandum/QCA                   | 12,676                                 | 15,118                           |
| Independence Center          | 7,626                                  | 9,512                            |
|                              | <u>290,786</u>                         | <u>\$331,251</u>                 |

\* Lipton Tea has two (2) meter connections.

**Water Sales Volume:** Total water sales volumes increased at an annual growth rate of 1.01 percent from 2002 to 2005. During the 4 year period, wholesale customers purchased approximately 50.22 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 1.04 percent from 2002 to 2005. Because wholesale customers pay a lower rate than retail customers, water sales revenues do not increase proportionate to water sales volumes.

Reported water sales revenues include a gross receipts tax of 9.08 percent on all water sales. The gross receipts tax is collected by the Water Department and transferred to the General Fund as a Payment In Lieu of Taxes (PILOT). As of July 1, 2004 the PILOT was charged on all water sales.

**Operation and Maintenance Expenses:** Operation and maintenance expenses for the period 2002 to 2005 are shown in the following table.

### Historical Operation and Maintenance Expense

| Description                           | Year Ended June 30 |            |            |            |
|---------------------------------------|--------------------|------------|------------|------------|
|                                       | 2002               | 2003       | 2004       | 2005       |
|                                       | \$                 | \$         | \$         | \$         |
| Source of Supply                      |                    |            |            |            |
| Operations                            | 235,168            | 290,221    | 281,550    | 229,106    |
| Maintenance                           | 313,354            | 348,617    | 410,725    | 163,038    |
| Total Source of Supply                | 548,522            | 638,838    | 692,275    | 392,144    |
| Power and Pumping                     |                    |            |            |            |
| Operations                            |                    |            |            |            |
| Fuel/Power Purchased                  | 1,030,094          | 1,113,424  | 1,190,942  | 1,171,384  |
| Other                                 | 188,451            | 194,309    | 189,518    | 186,541    |
| Maintenance                           | 46,823             | 75,506     | 94,358     | 28,795     |
| Total Power and Pumping               | 1,265,368          | 1,383,239  | 1,474,818  | 1,386,720  |
| Water Treatment                       |                    |            |            |            |
| Operations                            |                    |            |            |            |
| Chemicals                             | 685,597            | 812,493    | 773,047    | 742,702    |
| Other                                 | 572,155            | 578,411    | 576,392    | 532,220    |
| Maintenance                           | 405,573            | 354,214    | 231,686    | 232,182    |
| Total Water Treatment                 | 1,663,325          | 1,745,118  | 1,581,125  | 1,507,104  |
| Transmission & Distribution           |                    |            |            |            |
| Operations                            | 1,052,805          | 1,133,405  | 1,160,818  | 1,274,543  |
| Maintenance                           | 1,416,183          | 1,495,752  | 1,130,522  | 1,102,864  |
| Total Transmission & Distribution     | 2,468,988          | 2,629,157  | 2,291,340  | 2,377,407  |
| Customer Accounting & Collection      |                    |            |            |            |
| Operations                            | 930,513            | 866,224    | 924,008    | 975,487    |
| Sales Promotion                       |                    |            |            |            |
| Operations                            | 81,262             | 106,435    | 96,807     | 47,414     |
| Administrative & General              |                    |            |            |            |
| Operations                            |                    |            |            |            |
| Outside Services Employed             | 867,455            | 833,662    | 940,705    | 935,156    |
| Employee Pensions & Benefits          | 1,050,834          | 1,146,109  | 1,208,638  | 1,273,214  |
| Other                                 | 1,022,114          | 1,126,414  | 1,209,668  | 1,886,528  |
| Maintenance                           | 20,105             | 14,181     | 13,437     | 35,328     |
| Total Administrative & General        | 2,960,508          | 3,120,366  | 3,372,448  | 4,130,226  |
| Subtotal Operations Expense           | 7,716,448          | 8,201,107  | 8,552,093  | 9,254,295  |
| Subtotal Maintenance Expense          | 2,202,038          | 2,288,270  | 1,880,728  | 1,562,207  |
| Total Operation & Maintenance Expense | 9,918,486          | 10,489,377 | 10,432,821 | 10,816,502 |

## 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 |            |            |            |
|---|--------------------|------------|------------|------------|
|   | 2002               | 2003       | 2004       | 2005       |
|   | \$                 | \$         | \$         | \$         |
| <b>Revenues</b>                         |                    |            |            |            |
| Operating Revenues                      | 15,224,353         | 15,937,835 | 16,610,572 | 17,080,050 |
| Interest Income                         | 748,185            | 274,786    | 163,959    | 411,961    |
| Other Income                            | 96,406             | 135,744    | 132,880    | 436,607    |
| Total Revenues                          | 16,068,944         | 16,348,365 | 16,907,411 | 17,928,618 |
| <b>Expenses</b>                         |                    |            |            |            |
| Operations                              | 7,716,448          | 8,201,107  | 8,552,092  | 9,254,295  |
| Maintenance                             | 2,202,038          | 2,288,270  | 1,880,728  | 1,562,206  |
| Federal Retirement Taxes                | 281,138            | 298,957    | 286,033    | 280,125    |
| Total Operating Expenses                | 10,199,624         | 10,788,334 | 10,718,853 | 11,096,626 |
| Gross Receipts Tax (PILOT)              | 896,170            | 954,717    | 961,203    | 1,395,053  |
| Total Expenses                          | 11,095,794         | 11,743,051 | 11,680,056 | 12,491,679 |
| <b>Revenues Available for</b>           |                    |            |            |            |
| Debt Service Coverage                   | 5,869,320          | 5,560,031  | 5,227,355  | 5,436,939  |
| <b>Debt Service</b>                     |                    |            |            |            |
| Revenue Bond Interest                   | 1,527,809          | 1,489,510  | 1,449,060  | 2,014,517  |
| Revenue Bond Expenses                   | 73,285             | 73,087     | 74,305     | 89,876     |
| Revenue Bond Principal                  | 985,000            | 1,070,000  | 1,200,000  | 1,285,000  |
| Certificates of Participation Interest  | -                  | -          | -          | -          |
| Certificates of Participation Principal | -                  | -          | -          | -          |
| Total Debt Service to be Covered        | 2,586,094          | 2,632,597  | 2,723,365  | 3,389,393  |
| <b>Debt Service Coverage Ratio:</b>     |                    |            |            |            |
| Revenue Bonds                           | 227%               | 211%       | 192%       | 160%       |
| All Debt                                | 227%               | 211%       | 192%       | 160%       |

**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 2005 through 2010 can be found in Part V of this document.

The proposed capital improvement program for the next three years primarily reflects planned rehabilitation and replacement of water system components. The program includes annual reaccuring small main replacement (\$606,000), larger main replacement (\$200,000), and security upgrades (\$500,000).

## **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 Service Employees International is under negotiation. The current Memorandum of Agreement between the City and the Steelworkers Union provides for annual wage increases and working conditions effective July 1, 2004, and thereafter until July 1, 2007.

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

biological treatment facility that treats 10 million gallons per day and incinerates solids removed from the waste stream.

The Department also maintains the City's separate storm water sewers and catch basins, which convey runoff from yards, parking lots and streets to the natural waterways that flow throughout the City. There are over 300 miles of storm water sewers in the City. Though not as deep as sanitary sewers, storm sewers require constant 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 46 employees who clean, repair and plan for the replacement projects for the City's sanitary and storm water sewers.

## **Organization**

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

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

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

Collection System Maintenance Division - The Collection System Maintenance Division is responsible for maintenance and repair of the 584 miles of sanitary sewers and approximately 300 miles of storm water collection system.

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

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

The Department is also provided with support from other departments of the City. These services include customer service, purchasing, accounting, legal, and other administrative type services. For fiscal year 2005, the Department was billed \$916,101 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 35 years of experience in his field. Mr. Champion holds a B.S. in Political Science from Central Missouri State University, a Missouri Class 'A' Wastewater Operator's License, and a Class 'A' Collection System Operator's license.

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

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

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

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

## **Collection System**

The public collection system is maintained by the Sanitary Sewer Maintenance Division (SMD). The Division's 33 employees maintain over 3 million feet of sewer line from 8 inches to 60 inches in diameter. Additionally, there are over 12,000 manholes in the system that require maintenance.

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

The collection system is in considerably better condition today than 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 13 employees are dedicated to the cleaning and repairing of the over 300 miles of storm water sewers, catch basins, and culverts.

## **Wastewater Treatment**

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

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

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

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

## **Environmental Compliance Testing Division**

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

## **Financial Data**

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

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

**Customers Served:** As shown on the following table, the number of customers served by the Sanitary Sewer Department totaled 44,064 as of June 30, 2005. The number of customers served increased at a moderate rate over the 3 year period 2002 to 2005. The annual growth rate from 2002 to 2005 was .92 percent.

## Historical Customers, Usage, and Revenues

| <u>Customer Classification</u> | <u>Year Ended June 30</u> |                   |                   |                   |
|--------------------------------|---------------------------|-------------------|-------------------|-------------------|
|                                | <u>2002</u>               | <u>2003</u>       | <u>2004</u>       | <u>2005</u>       |
| <b>Number of Customers</b>     |                           |                   |                   |                   |
| Residential                    | 39,381                    | 39,751            | 40,070            | 40,520            |
| Commercial                     | 3,475                     | 3,493             | 3,534             | 3,529             |
| Contract Sales                 | 22                        | 20                | 14                | 15                |
| Total                          | <u>42,878</u>             | <u>43,264</u>     | <u>43,618</u>     | <u>44,064</u>     |
| <b>Usage - 100 Cubic Feet</b>  |                           |                   |                   |                   |
| Residential                    | 2,924,414                 | 2,962,129         | 3,090,102         | 2,978,466         |
| Commercial                     | 1,799,932                 | 1,747,531         | 1,695,425         | 1,866,364         |
| Total                          | <u>4,724,346</u>          | <u>4,709,660</u>  | <u>4,785,527</u>  | <u>4,844,830</u>  |
| <b>Revenue \$</b>              |                           |                   |                   |                   |
| Residential                    | 8,037,051                 | 8,144,267         | 8,570,232         | 8,834,127         |
| Commercial                     | 3,872,212                 | 3,941,123         | 3,964,736         | 4,322,804         |
| Contract Sales                 | 220,675                   | 144,178           | 201,825           | 273,245           |
| Intermunicipal Agreements      | 406,253                   | 398,121           | 403,904           | 408,950           |
| Other Revenues                 | 101,406                   | 101,388           | 102,026           | 115,596           |
| Total                          | <u>12,637,597</u>         | <u>12,729,077</u> | <u>13,242,723</u> | <u>13,954,722</u> |

### Large Volume Customers

| <u>Customer Name</u>          | <u>Sales<br/>(1,000 Gallons)</u> | <u>Sales<br/>(Dollars)</u> |
|-------------------------------|----------------------------------|----------------------------|
| Thomas J. Lipton, Co.         | 120,287                          | \$515,432                  |
| AMOCO                         | 106,378                          | 261,001                    |
| City of Indep, Power & Light  | 232,549                          | 376,599                    |
| Indep. Regional Health Center | 24,915                           | 41,473                     |
| Simon Properties Group        | 20,407                           | 34,632                     |
| Commercial Distribution       | 13,355                           | 21,619                     |
|                               | <u>517,891</u>                   | <u>\$1,250,756</u>         |

**Usage Volume:** Total usage volumes increased from 2004 to 2005 due to an increase in the number of customers. The increase was 1.2 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 3.5 percent annually from 2002 to 2005. The increase in customers and water consumption along with a rate increase contributed to the increase in 2004 and 2005.

**Operations and Maintenance Expenses:** Operations and maintenance expenses for the period 2002 to 2005 are shown on the following table.

**Historical Operation and Maintenance Expense**

| <u>Description</u>             | <u>Year Ended June 30</u> |                  |                  | <u>2005</u>       |
|--------------------------------|---------------------------|------------------|------------------|-------------------|
|                                | <u>2002</u>               | <u>2003</u>      | <u>2004</u>      |                   |
| Collection                     | 1,555,741                 | 1,714,172        | 1,741,176        | 1,980,406         |
| Laboratory Services            | 150,986                   | 177,856          | 182,942          | 142,473           |
| Treatment & Disposal           | 5,381,446                 | 5,418,170        | 5,356,121        | 5,815,092         |
| Administrative & General       | 1,811,836                 | 2,143,286        | 1,963,013        | 2,079,588         |
| Total Operations & Maintenance | <u>8,900,009</u>          | <u>9,453,484</u> | <u>9,243,252</u> | <u>10,017,559</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 2005 through 2010 can be found in Part V of this document.

**Employee Relations**

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

Hourly employees at the Department are represented by the Service Employees International Union (SEIU) Local 2000. There have been no work stoppages, slow downs, or strikes.

The current Memorandum of Agreement between the City and the SEIU provides for annual wage increases and working conditions effective May 1, 2004, and thereafter until April 30, 2006.

## 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 2005-2006 Operating Budget Summary of Sources and Uses by Fund and Fund Type

|  | Special Revenue Funds |             |              |                 |                          |                                |
|--|-----------------------|-------------|--------------|-----------------|--------------------------|--------------------------------|
|  | General Fund          | Grant Funds | Tourism Fund | CDBG/HOME Funds | Combined Sales Tax Funds | License Surcharge (Excise Tax) |
| <b>Sources:</b>  |                       |             |              |                 |                          |                                |
| Undesignated Fund Balance  |                       |             |              |                 |                          |                                |
| Designated Fund Balance  |                       |             |              |                 |                          |                                |
| Estimated Revenues   | 62,254,843            | 1,294,123   | 864,750      | 1,346,576       | 21,346,474               | 1,495,000                      |
| <b>Consolidation Adjustments-</b>                                    |                       |             |              |                 |                          |                                |
| Interfund Charges for Support Ser.                                   |                       |             | (35,000)     |                 |                          |                                |
| Internal Service Fund Charges  |                       |             |              |                 |                          |                                |
| <b>Transfers In-</b>   |                       |             |              |                 |                          |                                |
| From Other Funds   |                       |             |              |                 |                          |                                |
| <b>Total Sources</b>   | 62,254,843            | 1,294,123   | 829,750      | 1,346,576       | 21,346,474               | 1,495,000                      |
| <b>Uses:</b>   |                       |             |              |                 |                          |                                |
| <b>Operating Budgets-</b>  |                       |             |              |                 |                          |                                |
| City Council   | 354,366               |             |              |                 |                          |                                |
| City Clerk   | 417,900               |             |              |                 |                          |                                |
| City Manager   | 724,173               |             |              |                 |                          |                                |
| Tourism  |                       |             | 778,198      |                 |                          |                                |
| National Frontier Trails Center                                      | 337,625               |             |              |                 |                          |                                |
| Technology Services  | 1,544,424             |             |              |                 |                          |                                |
| Municipal Court  | 683,459               |             |              |                 |                          |                                |
| Law  | 621,377               | 59,640      |              |                 |                          |                                |
| Finance  | 1,638,272             |             |              |                 |                          |                                |
| Human Resources  | 484,431               |             |              |                 |                          |                                |
| Community Development  | 2,547,033             |             |              | 279,739         |                          |                                |
| Police   | 19,421,996            | 761,284     |              |                 | 2,332,049                |                                |
| Fire   | 13,478,138            | 44,780      |              |                 | 2,338,070                |                                |
| Health   | 2,135,105             | 428,419     |              |                 |                          |                                |
| Water  |                       |             |              |                 |                          |                                |
| Public Works   | 6,607,912             |             |              |                 |                          |                                |
| Water Pollution Control  | 296,739               |             |              |                 | 1,471,389                |                                |
| Parks and Recreation   | 2,052,914             |             |              |                 | 1,750,575                |                                |
| Power and Light  |                       |             |              |                 |                          |                                |
| Non-Departmental   | 7,633,910             |             |              |                 |                          |                                |
| Debt Service/Lease Purchase  | 91,262                |             |              |                 | 2,234,677                |                                |
| Capital Outlay/Budget  | 1,041,450             |             |              |                 | 11,513,376               |                                |
| <b>Consolidation Adjustments-</b>                                    |                       |             |              |                 |                          |                                |
| Interfund Charges for Support Ser.                                   |                       |             | (35,000)     |                 |                          |                                |
| Internal Service Fund Charges  |                       |             |              |                 |                          |                                |
| <b>Total Operating Budgets</b>                                       | 62,112,486            | 1,294,123   | 743,198      | 279,739         | 21,640,136               | -                              |
| <b>Transfers Out-</b>  |                       |             |              |                 |                          |                                |
| Desig. for Capital & Grant Projects                                  |                       |             | 97,000       | 1,066,837       |                          |                                |
| To Other Funds   | 142,357               |             |              |                 | 43,750                   |                                |
| To Capital Project Funds   |                       |             |              |                 |                          |                                |
| <b>Total Uses</b>  | 62,254,843            | 1,294,123   | 840,198      | 1,346,576       | 21,683,886               | -                              |
| <b>Transfer To(From) Undesignated Fund Balance/Retained Earnings</b> | -                     | -           | (10,448)     | -               | (337,412)                | 1,495,000                      |

**CITY OF INDEPENDENCE, MISSOURI**  
**2005-2006 Operating Budget**  
**Summary of Sources and Uses by Fund and Fund Type**

|  | Enterprise Funds      |                        |               | Internal<br>Service<br>Funds | Grand<br>Total<br>All Funds |
|--|-----------------------|------------------------|---------------|------------------------------|-----------------------------|
|  | Power &<br>Light Fund | Sanitary<br>Sewer Fund | Water<br>Fund |                              |                             |
| <b>Sources:</b>  |                       |                        |               |                              |                             |
| Undesignated Fund Balance  |                       |                        |               |                              | -                           |
| Designated Fund Balance  |                       |                        |               |                              | -                           |
| Estimated Revenues   | 96,066,800            | 14,787,000             | 19,302,000    | 12,872,935                   | 231,630,501                 |
| <b>Consolidation Adjustments -</b>                                       |                       |                        |               |                              |                             |
| Interfund Charges for Support Se   | (2,405,450)           | (852,600)              | (1,510,100)   |                              | (4,803,150)                 |
| Internal Service Fund Charges  |                       |                        |               | (12,872,935)                 | (12,872,935)                |
| <b>Transfers In-</b>   |                       |                        |               |                              |                             |
| From Other Funds   |                       | 105,357                |               |                              | 105,357                     |
| <b>Total Sources</b>   | 93,661,350            | 14,039,757             | 17,791,900    | -                            | 214,059,773                 |
| <b>Uses:</b>   |                       |                        |               |                              |                             |
| <b>Operating Budgets-</b>  |                       |                        |               |                              |                             |
| City Council   |                       |                        |               |                              | 354,366                     |
| City Clerk   |                       |                        |               |                              | 417,900                     |
| City Manager   |                       |                        |               |                              | 724,173                     |
| Tourism  |                       |                        |               |                              | 778,198                     |
| National Frontier Trails Center  |                       |                        |               |                              | 337,625                     |
| Technology Services  | 71,009                |                        |               |                              | 1,615,433                   |
| Municipal Court  |                       |                        |               |                              | 683,459                     |
| Law  |                       |                        |               |                              | 681,017                     |
| Finance  |                       |                        | 49,321        |                              | 1,687,593                   |
| Personnel  |                       |                        |               |                              | 484,431                     |
| Community Development  |                       |                        |               |                              | 2,826,772                   |
| Police   |                       |                        |               |                              | 22,515,329                  |
| Fire   |                       |                        |               |                              | 15,860,988                  |
| Health   |                       |                        |               |                              | 2,563,524                   |
| Water  |                       |                        | 11,892,292    |                              | 11,892,292                  |
| Public Works   |                       | 66,983                 |               | 1,416,435                    | 8,091,330                   |
| Water Pollution Control  |                       | 9,963,639              |               |                              | 11,731,767                  |
| Parks and Recreation   |                       |                        |               |                              | 3,803,489                   |
| Power and Light  | 71,233,288            |                        |               |                              | 71,233,288                  |
| Non-Departmental   | 15,148,913            | 2,942,006              | 4,616,268     | 11,456,500                   | 41,797,597                  |
| Debt Service/Lease Purchase  | 2,783,273             |                        | 3,928,119     |                              | 9,037,331                   |
| Capital Outlay/Budget  | 7,650,000             | 3,789,000              | 1,911,000     |                              | 25,904,826                  |
| <b>Consolidation Adjustments -</b>                                       |                       |                        |               |                              |                             |
| Interfund Charges for Support Se   | (2,405,450)           | (852,600)              | (1,510,100)   |                              | (4,803,150)                 |
| Internal Service Fund Charges  |                       |                        |               | (12,872,935)                 | (12,872,935)                |
| <b>Total Operating Budgets</b>   | 94,481,033            | 15,909,028             | 20,886,900    | -                            | 217,346,643                 |
| <b>Transfers Out-</b>  |                       |                        |               |                              |                             |
| Desig. for Capital & Grant Projects                                      |                       |                        |               |                              | 1,163,837                   |
| To Other Funds   |                       |                        |               |                              | 186,107                     |
| To Capital Project Funds   |                       |                        |               |                              | -                           |
| <b>Total Uses</b>  | 94,481,033            | 15,909,028             | 20,886,900    | -                            | 218,696,587                 |
| <b>Transfer To(From) Undesignated<br/>Fund Balance/Retained Earnings</b> | (819,683)             | (1,869,271)            | (3,095,000)   | -                            | (4,636,814)                 |

**PART V - CAPITAL IMPROVEMENTS PLAN - SUMMARY**

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

## Proposed Capital Improvement Program 2005-2006 through 2010-2011

|  | Funding Source | Project Cost     |                  |                  |                  |                  |                |
|--|----------------|------------------|------------------|------------------|------------------|------------------|----------------|
|  |                | 2005-2006        | 2006-2007        | 2007-2008        | 2008-2009        | 2009-2010        | 2010-2011      |
| <b>Community Improvements</b>                          |                |                  |                  |                  |                  |                  |                |
| Athletic/Sports Complex                                | PRST           | 300,000          | 500,000          | 500,000          | 500,000          | 1,800,000        |                |
| Critical Sidewalks                                     | GTIF           |                  | 100,000          | 100,000          | 100,000          | 100,000          | 100,000        |
| Family Aquatics Center & Water Playgrounds             | PRST           | 1,500,000        | 1,300,000        | 1,300,000        | 1,300,000        |                  |                |
| Park Maintenance, Security & Inspection-Mobile Equipmt | PRST           | 150,000          | 150,000          | 150,000          | 150,000          | 150,000          |                |
| Park Revitalization                                    | PRST           | 770,000          | 770,000          | 770,000          | 770,000          | 770,000          |                |
| Rock Creek Multi-Use Center                            | PRST           | 400,000          | 400,000          | 400,000          | 400,000          | 400,000          |                |
| Transit Center and Commuter Parking                    | CMAQ           | 800,000          |                  |                  |                  |                  |                |
| Transit Center and Commuter Parking                    | STP            | 400,000          |                  |                  |                  |                  |                |
| <b>Community Improvements Total</b>                    |                | <b>4,320,000</b> | <b>3,220,000</b> | <b>3,220,000</b> | <b>3,220,000</b> | <b>3,220,000</b> | <b>100,000</b> |
| <b>Street &amp; Bridges Improvements</b>               |                |                  |                  |                  |                  |                  |                |
| 23rd & Hy-Vee Dr. Intersection Improvements            | SST            | 20,000           | 485,000          |                  |                  |                  |                |
| 24 Hwy & Wilson Rd. Intersection Improvements          | SST            | 10,000           |                  | 125,000          |                  |                  |                |
| Bundschu Bridge  | SST            |                  | 1,830,000        |                  |                  |                  |                |
| Crackerneck Culvert                                    | SST            |                  | 800,000          |                  |                  |                  |                |
| Liberty and Jones Culvert                              | SST            | 370,000          |                  |                  |                  |                  |                |
| Main Street Bridge                                     | SST            |                  | 1,050,000        |                  |                  |                  |                |
| Northern Blvd Bridge (s. of 24th)                      | SST            |                  | 870,000          |                  |                  |                  |                |
| Sante Fe Rd/McCoy (23rd-31st)                          | SST            | 1,410,000        |                  |                  |                  |                  |                |
| Strode Rd Bridge                                       | SST            | 250,000          |                  |                  |                  |                  |                |
| Vermont Culvert  | SST            |                  | 740,000          |                  |                  |                  |                |
| <b>Street &amp; Bridges Improvements Totals</b>        |                | <b>2,060,000</b> | <b>5,775,000</b> | <b>125,000</b>   | <b>0</b>         | <b>0</b>         | <b>0</b>       |
| <b>Page Totals</b>                                     |                | <b>6,380,000</b> | <b>8,995,000</b> | <b>3,345,000</b> | <b>3,220,000</b> | <b>3,220,000</b> | <b>100,000</b> |

## Proposed Capital Improvement Program 2005-2006 through 2010-2011

|  | Funding Source | Project Cost      |                  |                  |                  |                  |                |
|--|----------------|-------------------|------------------|------------------|------------------|------------------|----------------|
|  |                | 2005-2006         | 2006-2007        | 2007-2008        | 2008-2009        | 2009-2010        | 2010-2011      |
| <b>Street Improvements</b>                               |                |                   |                  |                  |                  |                  |                |
| 23rd St & Crysler Intersection Improvements              | SST            |                   | 220,000          |                  |                  |                  |                |
| 23rd St & Noland Turn Lanes                              | SST            | 25,000            | 110,000          |                  |                  |                  |                |
| 23rd St & Noland Turn Lanes                              | STP            |                   | 440,000          |                  |                  |                  |                |
| 39th & Noland Median Improvements                        | SST            | 20,000            | 85,000           |                  |                  |                  |                |
| 39th St-Noland Rd to Crysler Ave                         | CURS           |                   | 100,000          | 800,000          |                  |                  |                |
| 39th St-Noland Rd to Crysler Ave                         | STP            |                   |                  | 2,000,000        |                  |                  |                |
| Blue Ridge Blvd & Blue Ridge Cut Off Inters. Improvement | SST            | 10,000            | 200,000          |                  |                  |                  |                |
| Bundschu Road  | Excise Tax     |                   |                  |                  |                  |                  | 300,000        |
| Bundschu Road-Phase I                                    | Excise Tax     |                   | 1,696,000        |                  |                  |                  |                |
| Crenshaw Road  | Excise Tax     |                   |                  |                  | 200,000          | 754,000          |                |
| Crenshaw Road & Strode Road Right-of-Way                 | Excise Tax     | 106,000           |                  |                  |                  |                  |                |
| Eureka & Crenshaw Intersection Improvements              | SST            | 235,000           |                  |                  |                  |                  |                |
| Hidden Valley Rd-M291 to RD Mize Rd                      | Excise Tax     | 440,000           |                  |                  |                  |                  |                |
| Hidden Valley Rd-M291 to RD Mize Rd                      | SST            | 1,040,000         |                  |                  |                  |                  |                |
| Holke & Necessary Rd Intersection Improvements           | SST            | 20,000            | 380,000          |                  |                  |                  |                |
| Holke Road   | Excise Tax     |                   |                  | 200,000          | 1,544,760        |                  |                |
| Jackson Drive  | NID            | 1,530,000         |                  |                  |                  |                  |                |
| Jones Rd & Truman Rd Intersection Improvements           | SST            | 150,000           |                  | 125,000          |                  |                  |                |
| Lexington St & Walnut Intersection Improvements          | SST            | 235,000           |                  |                  |                  |                  |                |
| Little Blue Parkway                                      | Excise Tax     |                   |                  |                  |                  | 1,800,000        |                |
| Pleasant and South Street                                | State Grant    | 150,000           |                  |                  |                  |                  |                |
| RD Mize Road   | STP            | 1,562,000         |                  |                  |                  |                  |                |
| RD Mize Road   | Excise Tax     | 400,000           |                  |                  |                  |                  |                |
| RD Mize Road   | STP            | 1,380,000         |                  |                  |                  |                  |                |
| RD Mize Road   | Excise Tax     | 1,000,000         |                  |                  |                  |                  |                |
| RD Mize Road   | CURS           | 400,000           |                  |                  |                  |                  |                |
| Ringo Road   | Excise Tax     |                   |                  | 300,000          |                  | 1,184,000        |                |
| Street Overlay Program 05-06                             | SST            | 3,700,000         |                  |                  |                  |                  |                |
| Street Overlay Program 06-07                             | SST            |                   | 3,700,000        |                  |                  |                  |                |
| Street Overlay Program 07-08                             | SST            |                   |                  | 3,700,000        |                  |                  |                |
| Strode Road and 7 Hwy                                    | Excise Tax     | 265,000           |                  |                  |                  |                  |                |
| <b>Street Improvements Totals</b>                        |                | <b>12,668,000</b> | <b>6,931,000</b> | <b>7,125,000</b> | <b>1,744,760</b> | <b>3,738,000</b> | <b>300,000</b> |

### General Infrastructure Improvements

## Proposed Capital Improvement Program 2005-2006 through 2010-2011

|  | Funding Source | Project Cost   |                |                |                |                |           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|-----------|
|  |                | 2005-2006      | 2006-2007      | 2007-2008      | 2008-2009      | 2009-2010      | 2010-2011 |
| <b>Facility Improvements</b>                               |                |                |                |                |                |                |           |
| Administration Building Parking Lot                        | WATER          | 100,000        |                |                |                |                |           |
| Contact Basin No.2-Drive Replacement                       | WATER          |                | 300,000        |                |                |                |           |
| Lime Slutty Lines  | WATER          | 25,000         | 25,000         |                |                |                |           |
| Little Blue Parkway-Phase IV, RD Mize Rd to 39th St        | WATER          |                |                |                |                |                |           |
| Plant Improvement-Clean North Sludge Lagoon                | WATER          | 90,000         |                |                |                |                |           |
| Plant Improvement-Replace Well Starters & Circuit Breakers | WATER          | 50,000         |                |                |                |                |           |
| Plant Improvement-Vertical Wells in North Well Field       | WATER          |                | 400,000        |                |                |                |           |
| Settling Basin No. 5 Drive Replacement                     | WATER          |                |                |                |                | 100,000        |           |
| Settling Basin No.'s 1& 2 Drive Replacement                | WATER          |                |                |                | 200,000        |                |           |
| Settling Basin No.'s 3 & 4 Drive Replacement               | WATER          |                |                | 200,000        |                |                |           |
| USGS Riverbank Filtration Study                            | WATER          | 55,000         | 50,000         |                |                |                |           |
| <b>Facility Improvements Total</b>                         |                | <b>320,000</b> | <b>775,000</b> | <b>200,000</b> | <b>200,000</b> | <b>100,000</b> | <b>-</b>  |
| <b>Water Improvements</b>                                  |                |                |                |                |                |                |           |
| CB-6 Drive Replacement                                     | WATER          |                |                |                |                |                | 300,000   |
| Clean Center Lagoon  | WATER          |                |                |                |                | 90,000         |           |
| Clean South Lagoon   | WATER          |                |                | 90,000         |                |                |           |
| Construct Raods in North Well Field                        | WATER          |                | 100,000        |                |                |                |           |
| Little Blue Parkway - Phase II                             | WATER          |                |                | 3,157,000      |                |                |           |
| Main Replacement - City Streets                            | WATER          | 200,000        | 200,000        | 200,000        | 200,000        | 200,000        | 200,000   |

## Proposed Capital Improvement Program 2005-2006 through 2010-2011

|  | Funding Source | Project Cost     |                  |                  |                  |                  |                  |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  |                | 2005-2006        | 2006-2007        | 2007-2008        | 2008-2009        | 2009-2010        | 2010-2011        |
| <b>Storm Water</b>                                   |                |                  |                  |                  |                  |                  |                  |
| 10th sTreet Neighborhood Storm Drainage              | SWST           | 350,000          |                  |                  |                  |                  |                  |
| 14th & Arlington Storm Drainage Improvements         | SWST           |                  |                  |                  |                  | 50,000           | 250,000          |
| 32nd & Crysler                                       | SWST           | 150,000          |                  |                  |                  |                  |                  |
| 35th Terrace to Home Drainage Improvements           | SWST           | 340,000          |                  |                  |                  |                  |                  |
| 3918 S Forest Drainage & Channel Improvements        | SWST           |                  |                  | 150,000          |                  |                  |                  |
| 39th & Main Drainage                                 | SWST           |                  |                  |                  | 42,000           | 252,000          |                  |
| Bellevista Neighborhood Drainage                     | SWST           |                  |                  |                  |                  | 98,000           | 594,000          |
| Bundschu Project I                                   | SWST           |                  |                  | 60,000           | 200,000          |                  |                  |
| Burr Oak Regional Stormwater Detention               | SWST           |                  |                  |                  | 60,000           | 300,000          |                  |
| Coopers Addition-South & Mill Drainage               | SWST           | 52,000           |                  | 311,000          |                  |                  |                  |
| Delaware to Pleasant Neighborhood                    | SWST           | 310,000          |                  |                  |                  |                  |                  |
| Denton & Arlington Drainage                          | SWST           |                  |                  | 40,000           | 150,000          |                  |                  |
| Detention Basin Re-Vegetation                        | SWST           | 100,000          | 100,000          | 100,000          | 100,000          | 100,000          | 100,000          |
| Eden Park-Crane St Drainage                          | SWST           |                  |                  |                  |                  | 40,000           | 170,000          |
| Ellison Place  | SWST           | 200,000          |                  |                  |                  |                  |                  |
| Fort Osage Watershed Study                           | SWST           |                  |                  |                  | 70,000           |                  |                  |
| Future Project Design & Construction                 | SWST           |                  |                  | 250,000          |                  |                  |                  |
| Glendridge Subdivision-W 26th St Drainage            | SWST           |                  |                  |                  | 60,000           |                  |                  |
| Mill Creek Project 1                                 | SWST           |                  | 60,000           | 200,000          |                  |                  |                  |
| Mill Creek Project 2                                 | SWST           |                  |                  | 65,000           | 250,000          |                  |                  |
| Neighborhood Construction Projects                   | SWST           | 150,000          |                  | 100,000          | 150,000          | 200,000          | 150,000          |
| Northern @ Westport Storm Drainage                   | SWST           |                  |                  |                  |                  | 78,000           | 468,000          |
| Pearl to Crane & Hereford Storm Drainage Improvement | SWST           |                  |                  | 100,000          | 600,000          |                  |                  |
| Queen Ridge  | SWST           | 80,000           | 470,000          |                  |                  |                  |                  |
| S Maywood 19th & Cedar Drainage                      | SWST           | 126,000          | 760,000          |                  |                  |                  |                  |
| Sheley Road West of Crysler Drainage                 | SWST           |                  |                  |                  | 178,000          | 1,072,000        |                  |
| Spring Branch East Industrial Park                   | SWST           |                  |                  | 300,000          |                  |                  |                  |
| Sunset Neighborhood Drainage                         | SWST           | 71,000           | 425,000          |                  |                  |                  |                  |
| Trenchless Technology                                | SWST           | 100,000          | 100,000          | 100,000          | 100,000          | 100,000          | 100,000          |
| Watershed Systems Evaluation Survey                  | SWST           | 250,000          | 50,000           | 50,000           | 50,000           | 50,000           | 50,000           |
| West Fire Creek Watershed Study                      | SWST           |                  |                  | 70,000           |                  |                  |                  |
| <b>Storm Water Totals</b>                            |                | <b>2,279,000</b> | <b>1,965,000</b> | <b>1,896,000</b> | <b>2,010,000</b> | <b>2,340,000</b> | <b>1,882,000</b> |
| <b>Buildings/Other</b>                               |                |                  |                  |                  |                  |                  |                  |
| Building Waterproofing                               | Gen Fund       | -                | 150,000          |                  |                  |                  |                  |

## Proposed Capital Improvement Program 2005-2006 through 2010-2011

|   | Funding Source | Project Cost     |                  |                  |                  |                  |                  |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   |                | 2005-2006        | 2006-2007        | 2007-2008        | 2008-2009        | 2009-2010        | 2010-2011        |
| <b>Power &amp; Light Fund:</b>                |                |                  |                  |                  |                  |                  |                  |
| Blue Valley Flyash Upgrade                    | P&L Fund       | 900,000          |                  |                  |                  |                  |                  |
| Blue Valley Turbine Operation Safety Upgrades | P&L Fund       | 500,000          |                  |                  |                  |                  |                  |
| Boiler Water Sampling System                  | P&L Fund       | 450,000          |                  |                  |                  |                  |                  |
| I-3 Combustion Turbine Overhaul               | P&L Fund       |                  | 1,000,000        |                  |                  |                  |                  |
| Missouri City Baghouse Refurbishment          | P&L Fund       | 475,000          |                  |                  |                  |                  |                  |
| Plant Fire Protection Upgrades                | P&L Fund       | 250,000          |                  |                  |                  |                  |                  |
| Power Production Future Improvements          | P&L Fund       |                  | 4,500,000        | 5,000,000        | 5,000,000        | 5,000,000        | 5,000,000        |
| Production Coal Handling Upgrades             | P&L Fund       | 325,000          |                  |                  |                  |                  |                  |
| Production Plant Boiler Tube Replacement      | P&L Fund       | 1,100,000        |                  |                  |                  |                  |                  |
| Production Plant Upgrades & Improvements      | P&L Fund       | 900,000          |                  |                  |                  |                  |                  |
| T&D Overhead Improvements and Additions       | P&L Fund       | 750,000          | 1,500,000        | 1,000,000        | 1,000,000        | 1,000,000        | 1,000,000        |
| T&D Substations Improvements and Additions    | P&L Fund       |                  | 500,000          | 500,000          | 500,000          | 500,000          | 500,000          |
| T&D Underground Improvements and Additions    | P&L Fund       | 2,000,000        | 1,500,000        | 1,500,000        | 1,500,000        | 1,500,000        | 1,500,000        |
| <b>Power &amp; Light Totals</b>               |                | <b>7,650,000</b> | <b>9,000,000</b> | <b>8,000,000</b> | <b>8,000,000</b> | <b>8,000,000</b> | <b>8,000,000</b> |
| <b>Public Safety Improvements</b>             |                |                  |                  |                  |                  |                  |                  |
| City Wide Radio System                        | PST            |                  | 2,000,000        |                  |                  |                  |                  |

**Proposed Capital Improvement Program  
2005-2006 through 2010-2011**

|   | Funding Source | Project Cost     |                  |                  |                  |                  |                  |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   |                | 2005-2006        | 2006-2007        | 2007-2008        | 2008-2009        | 2009-2010        | 2010-2011        |
| <b>Sanitary Sewer</b>                     |                |                  |                  |                  |                  |                  |                  |
| 11600 East 6th Terrace                    | Sewer Fund     | 160,000          |                  |                  |                  |                  |                  |
| 2000 South Ash Street                     | Sewer Fund     | 44,000           | 120,000          |                  |                  |                  |                  |
| 23rd Street & Hall Road                   | Sewer Fund     |                  |                  | 40,000           | 100,000          |                  |                  |
| 44th Street, Noland Road to Dover Drive   | Sewer Fund     |                  |                  |                  | 85,000           |                  | 445,000          |
| 711 Northern Boulevard                    | Sewer Fund     |                  | 33,000           | 110,000          |                  |                  |                  |
| Fairland Street & Brookside Avenue Design | Sewer Fund     | 195,000          |                  |                  |                  |                  |                  |
| Sanitary Sewer Evaluation Survey          | Sewer Fund     | 190,000          | 90,000           | 90,000           | 90,000           | 90,000           | 90,000           |
| Sinnott Circle                            | Sewer Fund     |                  | 55,000           | 190,000          |                  |                  |                  |
| Trenchless Technology                     | Sewer Fund     | 2,000,000        | 2,000,000        | 2,000,000        | 2,000,000        | 2,000,000        | 2,000,000        |
| Truman, Crescent to Brookside             | Sewer Fund     |                  |                  |                  |                  | 100,000          |                  |
| White Oak, Chrysler & Willis              | Sewer Fund     |                  |                  |                  |                  | 90,000           |                  |
| <b>Sanitary Sewer Totals</b>              |                | <b>2,589,000</b> | <b>2,298,000</b> | <b>2,430,000</b> | <b>2,275,000</b> | <b>2,280,000</b> | <b>2,535,000</b> |

**Proposed Capital Improvement Program  
2005-2006 through 2010-2011**

|  | Funding Source | Project Cost      |                   |                   |                   |                   |                   |
|--|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  |                | 2005-2006         | 2006-2007         | 2007-2008         | 2008-2009         | 2009-2010         | 2010-2011         |
| <b>Water Pollution Control Improvements</b>      |                |                   |                   |                   |                   |                   |                   |
| Ash Pumps  | Sewer Fund     |                   |                   | 77,000            |                   |                   |                   |
| Automatic Bar Screen Remover                     | Sewer Fund     | 375,000           |                   |                   |                   |                   |                   |
| Building Air Compressors                         | Sewer Fund     |                   | 51,000            |                   |                   |                   |                   |
| Building Boiler Replacement                      | Sewer Fund     |                   |                   |                   |                   | 125,000           |                   |
| Clarifier Rehabilitation                         | Sewer Fund     |                   | 235,000           |                   |                   |                   |                   |
| Continuous Emissions Monitoring System           | Sewer Fund     |                   |                   |                   | 200,000           |                   |                   |
| Degritting System Replacement                    | Sewer Fund     |                   |                   | 268,000           |                   |                   |                   |
| Flow Monitoring Structures                       | Sewer Fund     |                   |                   | 180,000           | 180,000           |                   |                   |
| HVAC Design & Improvements                       | Sewer Fund     | 55,000            |                   |                   |                   |                   |                   |
| Incinerator Rehabilitation                       | Sewer Fund     | 258,000           |                   |                   |                   |                   |                   |
| Incinerator Screw Feeders/Drives                 | Sewer Fund     |                   |                   |                   |                   | 175,000           |                   |
| Plant & Pump Station Improvements                | Sewer Fund     | 150,000           |                   |                   |                   |                   |                   |
| Primary Thickener Basin Rehabilitation           | Sewer Fund     |                   |                   |                   | 110,000           |                   |                   |
| Rock Creek Pump Station - Pumps and Motors       | Sewer Fund     |                   | 283,000           |                   |                   |                   |                   |
| RTO Replacement                                  | Sewer Fund     |                   |                   |                   |                   | 220,000           |                   |
| Steam Generator Replacement                      | Sewer Fund     |                   |                   |                   | 100,000           |                   |                   |
| Sub-Station Transformers/Switch Gear Replacement | Sewer Fund     |                   |                   |                   |                   | 412,000           |                   |
| Treatment Processes Floor Resurfacing            | Sewer Fund     |                   |                   |                   |                   | 50,000            |                   |
| Wet Air Oxidation Grinders Replacement           | Sewer Fund     |                   |                   |                   |                   | 50,000            |                   |
| Wet Air Oxidation, Reactor/Heat Exchanger        | Sewer Fund     |                   |                   | 150,000           |                   |                   |                   |
| Wet Air Oxidation Process Rehabilitation         | Sewer Fund     |                   |                   |                   | 265,000           |                   |                   |
| <b>Water Pollution Control Totals</b>            |                | <b>838,000</b>    | <b>569,000</b>    | <b>675,000</b>    | <b>855,000</b>    | <b>687,000</b>    | <b>345,000</b>    |
| <b>Fiscal Year Totals:</b>                       |                | <b>39,106,650</b> | <b>39,639,000</b> | <b>31,374,000</b> | <b>19,760,760</b> | <b>22,161,000</b> | <b>14,268,000</b> |

## PART VI - GLOSSARY OF PUBLIC FINANCE TERMS

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

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

## **Capital Improvements**

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

## **Capitalized**

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

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

## **Certificate of Participation**

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

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

## **Competitive**

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

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

## **Continuing**

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

**Covenants -** Contractual agreements securing a bond issue typically including revenue coverage, insurance, maintenance, financial reporting, etc.

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| <b>Coverage -</b>               | 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.   |
| <b>CUSIP Number -</b>           | 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. |
| <b>Dated Date -</b>             | 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.  |
| <b>Dealer -</b>                 | 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.   |
| <b>Debt Limit -</b>             | The statutory or constitutional maximum debt that an issuer can legally incur.  |
| <b>Debt Service -</b>           | 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.  |
| <b>Default -</b>                | 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.  |
| <b>Department -</b>             | A major administrative division of the City that has management responsibility for an operation or a group of related operations within a functional area.  |
| <b>Designated Fund Balance-</b> | 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.   |
| <b>Discount -</b>               | The amount by which the purchase price of a security is less than the principal amount or par value.  |
| <b>Due Diligence -</b>          | 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.

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| <b>General Obligation Bonds -</b> | A bond secured by the pledge of the issuer's full faith, credit and taxing power.  |
| <b>Gross Debt -</b>               | The sum total of an issuer's debt obligations.   |
| <b>Gross Spread -</b>             | 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.   |
| <b>Indenture -</b>                | The formal agreement between a group of bondholders, acting through a trustee, and the issuer, specifying the terms and conditions of a bond offering.   |
| <b>Interest Rate -</b>            | The percentage rate at which the bond bears interest. Interest is generally payable semiannually.  |
| <b>Internal Service Funds -</b>   | 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.   |
| <b>Issuer -</b>                   | A state, political subdivision, agency, or authority that borrows money through the sale of bonds or notes.  |
| <b>Lease Revenue Bond -</b>       | 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. |
| <b>Legal Opinion -</b>            | 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."  |
| <b>Maturity -</b>                 | The date when the principal amount of a security becomes due and payable.  |
| <b>Millage -</b>                  | A rate (as of taxation) expressed in mils per dollar (0.01%).  |

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

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

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

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

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

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

**Net Revenue -** Gross revenues less operating and maintenance expenses.

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

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

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

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| <b>Object of Expenditure -</b>   | Expenditure classifications based upon the types or categories of goods and services purchased. Objects of expenditures are:<br>* 100 - Personal Services (salaries and wages);<br>* 200 - Services (utilities, maintenance contracts, travel)<br>* 300 - Supplies;<br>* 400 - Capital (automobiles, trucks, computers)  |
| <b>Objective -</b>               | 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.”  |
| <b>Official Statement -</b>      | 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. |
| <b>Original Issue Discount -</b> | 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.  |
| <b>Parity Debt -</b>             | 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.   |
| <b>Paying Agent -</b>            | 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.  |
| <b>Per Capital Debt -</b>        | 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.  |
| <b>Premium -</b>                 | The amount by which the price exceeds the principal amount of a bond.  |
| <b>Pricing -</b>                 | 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.

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| <b>Serial Bonds -</b>                  | Bonds that have scheduled annual or semiannual maturities over a period of years.   |
| <b>Sinking Fund -</b>                  | 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.   |
| <b>Sources -</b>                       | That portion of Revenues and Fund Balance (Resources) that are identified to balance the budget.  |
| <b>Special Revenue Fund -</b>          | 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.                                     |
| <b>Tax Anticipation Notes (TANs) -</b> | 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.”)      |
| <b>Tax Base -</b>                      | The total property and resources subject to taxation.   |
| <b>Tax-Exempt Bonds-</b>               | Municipal bonds where the interest is exempt from federal income, state income, or state and local personal property taxes.   |
| <b>Tax Increment Financing (TIF) -</b> | 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.                      |
| <b>Term Bond -</b>                     | A bond that has a single maturity (the entire principal matures on one date) and is subject to a sinking fund.  |
| <b>Trust Indenture -</b>               | The document that contains the rights and liabilities of the issuer and the trustee.  |
| <b>True Interest Cost (TIC) -</b>      | 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. |
| <b>Trustee -</b>                       | 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.

