

CITY OF INDEPENDENCE, MISSOURI

Continuing Disclosure Statement

(SEC) Rule 15c2-12

**Fiscal Year Ending
June 30, 2011**

Independence



2001

CITY OF INDEPENDENCE, MISSOURI

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

**For Fiscal Year Ending
June 30, 2011**

Prepared by the Department of Finance

James C. Harlow, Director of Finance & Administration

TABLE OF CONTENTS

| | Page |
|--|------|
| PART I - PURPOSE OF DOCUMENT | 1 |
| BOND ISSUES AND CUSIP NUMBERS | 1 |
| PART II - THE CITY | 19 |
| GENERAL INFORMATION..... | 19 |
| Insurance | 20 |
| Payment Record | 21 |
| Obligations of the City | 21 |
| General Obligation Debt..... | 21 |
| Revenue Debt..... | 21 |
| Neighborhood Improvement District..... | 23 |
| Discretely-Presented Component Unit Tax Increment Revenue Bonds..... | 23 |
| Capital Leases | 25 |
| ECONOMIC INFORMATION CONCERNING THE CITY..... | 25 |
| Commerce and Industry | 25 |
| General and Demographic Information..... | 26 |
| Population | 26 |
| Population Distribution by Age | 26 |
| Unemployment..... | 27 |
| Income Statistics | 27 |
| Housing Structures | 28 |
| Building Construction | 28 |
| FINANCIAL INFORMATION CONCERNING THE CITY | 29 |
| Accounting, Budgeting and Auditing Procedures..... | 29 |
| Property Valuations..... | 29 |
| Assessment Procedures..... | 29 |
| Current Assessed Valuation..... | 30 |
| History of Property Valuation..... | 31 |
| Major Property Taxpayers | 31 |
| PART III - DEPARTMENTS..... | 32 |
| UTILITIES | 32 |
| Public Utilities Advisory Board..... | 32 |
| City Charter Provisions | 33 |
| Power & Light Department | 33 |
| General Background | 33 |
| Organization..... | 34 |
| Management..... | 35 |
| Power Supply | 36 |
| Environmental Regulations..... | 38 |
| Fuel Supply | 41 |
| Current Purchases/Sales of Capacity and Energy..... | 41 |
| Regional Reliability Organization | 42 |
| Interconnections..... | 43 |

| | |
|--|----|
| Transmission System | 44 |
| Distribution System | 45 |
| Proposed Capital Improvements | 45 |
| Electric Rates | 46 |
| Operating Statistics | 48 |
| Condensed Statement of Operations | 53 |
| Debt Service Coverage | 53 |
| Condensed Balance Sheet | 54 |
| Employee Relations | 54 |
| Water Department | 54 |
| Description of the Water System | 54 |
| Organization..... | 55 |
| Management..... | 55 |
| History | 56 |
| Water Supply | 57 |
| Water Treatment | 57 |
| Distribution System | 57 |
| Piping..... | 57 |
| Pumping Stations..... | 57 |
| Storage | 58 |
| Emergency Interconnections | 59 |
| Support Facilities | 59 |
| Maintenance..... | 59 |
| Financial Data | 60 |
| Customers Served..... | 60 |
| Water Sales Volume | 62 |
| Water Sales Revenues | 62 |
| Operation and Maintenance Expenses..... | 63 |
| Debt Service Coverage | 65 |
| Proposed Capital Improvement Program | 65 |
| Employee Relations | 66 |
| Water Pollution Control Department | 66 |
| Description of the Sanitary Sewer System | 66 |
| Organization..... | 67 |
| Management..... | 67 |
| Collection System | 68 |
| Wastewater Treatment | 69 |
| Environmental Compliance Testing Division..... | 69 |
| Financial Data | 69 |
| Customers Served..... | 69 |
| Usage Volume | 70 |
| Revenues..... | 71 |
| Operations and Maintenance Expenses | 71 |
| Proposed Capital Improvement Program | 71 |

| | |
|--|----|
| Employee Relations | 71 |
| PART IV - OPERATING BUDGET - SUMMARY | 72 |
| PART V - CAPITAL IMPROVEMENTS PLAN - SUMMARY | 74 |
| PART VI - GLOSSARY OF PUBLIC FINANCE TERMS..... | 79 |

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, 2011 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; Electric Utility Refunding Revenue Bonds Series 1998, dated 9/1/98:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4.7 | 6/1/2012 | 453650LN1 |
| 2 | 4.75 | 6/1/2013 | 453650LP6 |
| 3 | 4.8 | 6/1/2014 | 453650LQ4 |

Independence, Missouri; Electric Utility Refunding Revenue Bonds Series 2003, dated 3/1/03:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 3.45 | 6/1/2012 | 453650LZ4 |
| 2 | 3.55 | 6/1/2013 | 453650MA8 |
| 3 | 3.65 | 6/1/2014 | 453650MB6 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Hartman Heritage Centre Project) Series 2003, date 9/1/03:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 5 | 4/1/2012 | 60636CKN8 |
| 2 | 5 | 4/1/2013 | 60636CKP3 |
| 3 | 5 | 4/1/2014 | 60636CKQ1 |
| 4 | 5 | 4/1/2015 | 60636CKR9 |
| 5 | 5 | 4/1/2016 | 60636CKS7 |
| 6 | 5 | 4/1/2017 | 60636CKT5 |
| 7 | 5 | 4/1/2018 | 60636CKU2 |
| 8 | 5 | 4/1/2019 | 60636CKV0 |
| 9 | 5 | 4/1/2020 | 60636CKW8 |
| 10 | 5 | 4/1/2021 | 60636CKX6 |

Independence, Missouri; Neighborhood Improvement District Bonds (Noland Road and Englewood Projects) Series 2004, dated 5/15/04:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4.5 | 3/1/2012 | 453632GX3 |
| 2 | 5 | 3/1/2013 | 453632GY1 |
| 3 | 5 | 3/1/2014 | 453632GZ8 |
| 4 | 5 | 3/1/2015 | 453632HA2 |
| 5 | 5.25 | 3/1/2016 | 453632HB0 |
| 6 | 5.25 | 3/1/2017 | 453632HC8 |
| 7 | 5.25 | 3/1/2018 | 453632HD6 |
| 8 | 5.25 | 3/1/2019 | 453632HE4 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds, (Water System Improvements) Series 2004, dated 6/1/04:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4.7 | 6/1/2012 | 453650LN1 |
| 2 | 4.75 | 6/1/2013 | 453650LP6 |
| 3 | 4.8 | 6/1/2014 | 453650LQ4 |
| 4 | 5 | 11/1/2014 | 60636CNN5 |
| 5 | 5 | 11/1/2015 | 60636CNP0 |
| 6 | 5 | 11/1/2017 | 60636CNQ8 |
| 7 | 4.5 | 11/1/2018 | 60636CNR6 |
| 8 | 4.6 | 11/1/2019 | 60636CNK1 |
| 9 | 5 | 11/1/2024 | 60636CNL9 |

Independence, Missouri; Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Improvement Project) Series 2004B, dated 8/15/04:

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

Missouri Development Finance Board Infrastructure; Facilities Revenue Bonds (Aquatics Facility Project) Series 2004, 12/1/04:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 3.625 | 8/1/2011 | 60636CPT0 |
| 2 | 3.75 | 2/1/2012 | 60636CPU7 |
| 3 | 3.75 | 8/1/2012 | 60636CPV5 |
| 4 | 3.875 | 2/1/2013 | 60636CPW3 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Public Safety Project) Series 2005A, dated 3/1/05:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 5 | 3/1/2012 | 60636CRT8 |
| 2 | 5 | 3/1/2013 | 60636CRU5 |
| 3 | 5 | 3/1/2014 | 60636CRV3 |
| 4 | 5.25 | 3/1/2015 | 60636CRW1 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2005B, dates 3/1/05:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4.5 | 3/1/2015 | 60636CSC4 |
| 2 | 4.625 | 3/1/2020 | 60636CSD2 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2005C, dated 3/1/05:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4 | 3/1/2012 | 60636CSH3 |
| 2 | 4 | 3/1/2013 | 60636CSJ9 |
| 3 | 4.125 | 3/1/2014 | 60636CSK6 |
| 4 | 4.25 | 3/1/2015 | 60636CSL4 |
| 5 | 4.375 | 3/1/2016 | 60636CSM2 |
| 6 | 5.25 | 3/1/2019 | 60636CSN0 |
| 7 | 5 | 3/1/2023 | 60636CSP5 |
| 8 | 5 | 3/1/2026 | 60636CSQ3 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006A, dated 3/15/06:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 5.75 | 3/1/2016 | 60636CTL3 |
| 2 | 6 | 3/1/2021 | 60636CTM1 |
| 3 | 6 | 3/1/2026 | 60636CTN9 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006B, dated 3/15/06:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 5.79 | 3/1/2016 | 60636CTQ2 |
| 2 | 5.79 | 3/1/2021 | 60636CTR0 |
| 3 | 5.79 | 3/1/2026 | 60636CTS8 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2006C, dated 3/15/06:

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

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2006, dated 5/15/06:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4.125 | 3/1/2012 | 60636CUA5 |
| 2 | 4.375 | 3/1/2013 | 60636CUB3 |
| 3 | 4.5 | 3/1/2014 | 60636CUC1 |
| 4 | 4.5 | 3/1/2015 | 60636CTX7 |
| 5 | 4.5 | 3/1/2016 | 60636CUD9 |
| 6 | 4.625 | 3/1/2020 | 60636CTY5 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Parks Facilities Projects), Series 2006D, dated 12/12/06:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4.25 | 3/1/2012 | 60636CUZ0 |
| 2 | 4.25 | 3/1/2013 | 60636CVA4 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2006F, dated 12/1/06:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4.25 | 3/1/2012 | 60636CVF3 |
| 2 | 4.25 | 3/1/2013 | 60636CVG1 |
| 3 | 4.25 | 3/1/2014 | 60636CVH9 |
| 4 | 4.25 | 3/1/2015 | 60636CVJ5 |
| 5 | 4.25 | 3/1/2016 | 60636CVK2 |
| 6 | 4 | 3/1/2021 | 60636CVL0 |
| 7 | 4.125 | 3/1/2028 | 60636CVM8 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2007A, dated 5/1/07:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 5 | 4/1/2012 | 60636CVS5 |
| 2 | 4 | 4/1/2013 | 60636CVT3 |
| 3 | 4.125 | 4/1/2014 | 60636CVU0 |
| 4 | 4.25 | 4/1/2015 | 60636CVV8 |
| 5 | 5 | 4/1/2016 | 60636CVW6 |
| 6 | 5 | 4/1/2017 | 60636CVX4 |
| 7 | 5 | 4/1/2018 | 60636CVY2 |
| 8 | 5 | 4/1/2019 | 60636CVZ9 |
| 9 | 5 | 4/1/2020 | 60636CWA3 |
| 10 | 5 | 4/1/2021 | 60636CWB1 |
| 11 | 4.5 | 4/1/2022 | 60636CWC9 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Hartman Heritage Centre Project) Series 2007B, dated 5/1/07:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4 | 4/1/2012 | 60636CWH8 |
| 2 | 4 | 4/1/2013 | 60636CWI4 |
| 3 | 4.125 | 4/1/2014 | 60636CWK1 |
| 4 | 4.125 | 4/1/2015 | 60636CWL9 |
| 5 | 4.25 | 4/1/2016 | 60636CWM7 |
| 6 | 4.25 | 4/1/2017 | 60636CWN5 |
| 7 | 5 | 4/1/2018 | 60636CWP0 |
| 8 | 5 | 4/1/2019 | 60636CWQ8 |
| 9 | 5 | 4/1/2020 | 60636CWR6 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Santa Fe Redevelopment Project) Series 2007C, dated 5/1/07:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 5.465 | 4/1/2012 | 60636CWW5 |
| 2 | 5.515 | 4/1/2013 | 60636CWX3 |
| 3 | 5.646 | 4/1/2014 | 60636CWY1 |
| 4 | 5.696 | 4/1/2015 | 60636CWZ8 |
| 5 | 5.746 | 4/1/2016 | 60636CXA2 |
| 6 | 5.796 | 4/1/2017 | 60636CXB0 |
| 7 | 6.096 | 4/1/2018 | 60636CXC8 |
| 8 | 6.096 | 4/1/2019 | 60636CXD6 |
| 9 | 6.096 | 4/1/2020 | 60636CXE4 |
| 10 | 6.096 | 4/1/2021 | 60636CXF1 |
| 11 | 6.096 | 4/1/2022 | 60636CXG9 |
| 12 | 6.096 | 4/1/2023 | 60636CXH7 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2007D, dated 5/1/07:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4 | 4/1/2012 | 60636CXN4 |
| 2 | 4 | 4/1/2013 | 60636CXP9 |
| 3 | 4.25 | 4/1/2014 | 60636CXQ7 |
| 4 | 4.25 | 4/1/2015 | 60636CXR5 |
| 5 | 4.25 | 4/1/2016 | 60636CXS3 |
| 6 | 4.25 | 4/1/2017 | 60636CXT1 |
| 7 | 4.5 | 4/1/2018 | 60636CXU8 |
| 8 | 4.5 | 4/1/2019 | 60636CXV6 |
| 9 | 4.5 | 4/1/2020 | 60636CXW4 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2007E, dated 6/1/07:

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

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2008A, dated 2/1/08:

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

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2008B, dated 2/1/08:

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

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2008C, dated 2/1/08:

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

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2008D, dated 4/1/08:

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

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Drumm Farm Project) Series 2008E, dated 4/1/08:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 3.25 | 3/1/2012 | 60636CF46 |
| 2 | 4.25 | 3/1/2013 | 60636CF53 |
| 3 | 4.25 | 3/1/2014 | 60636CF61 |
| 4 | 4.25 | 3/1/2015 | 60636CF79 |
| 5 | 4.25 | 3/1/2016 | 60636CF87 |
| 6 | 4.25 | 3/1/2017 | 60636CF95 |
| 7 | 4.75 | 3/1/2018 | 60636CG29 |
| 8 | 4.75 | 3/1/2019 | 60636CG37 |
| 9 | 4.75 | 3/1/2020 | 60636CG45 |
| 10 | 4.75 | 3/1/2021 | 60636CG52 |
| 11 | 5 | 3/1/2022 | 60636CG60 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2008F, dated 7/1/08:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4 | 4/1/2012 | 60636CH28 |
| 2 | 4.25 | 4/1/2013 | 60636CH36 |
| 3 | 4.096 | 4/1/2014 | 60636CH44 |
| 4 | 4.125 | 4/1/2015 | 60636CH51 |
| 5 | 4.5 | 4/1/2016 | 60636CH69 |
| 6 | 4.417 | 4/1/2017 | 60636CH77 |
| 7 | 4.75 | 4/1/2018 | 60636CH85 |
| 8 | 5.125 | 4/1/2014 | 60636CH93 |
| 9 | 5.125 | 4/1/2017 | 60636CJ26 |
| 10 | 5.125 | 4/1/2021 | 60636CJ34 |
| 11 | 5.375 | 4/1/2024 | 60636CJ67 |
| 12 | 6 | 4/1/2027 | 60636CJ91 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2008G, dated 7/1/08:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4 | 4/1/2012 | 60636CK57 |
| 2 | 4.25 | 4/1/2013 | 60636CK65 |
| 3 | 4 | 4/1/2014 | 60636CK73 |
| 4 | 4.125 | 4/1/2015 | 60636CK81 |
| 5 | 4.25 | 4/1/2016 | 60636CK99 |
| 6 | 4.375 | 4/1/2017 | 60636CL23 |
| 7 | 4.5 | 4/1/2018 | 60636CL31 |
| 8 | 5.25 | 4/1/2019 | 60636CL49 |
| 9 | 5.25 | 4/1/2020 | 60636CL56 |
| 10 | 5.25 | 4/1/2021 | 60636CL64 |
| 11 | 5.25 | 4/1/2022 | 60636CL72 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2008H, dated 11/1/08:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 6.75 | 4/1/2029 | 60636CM71 |
| 2 | 7 | 4/1/2033 | 60636CN39 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2009A, dated 2/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 6.125 | 10/1/2028 | 60636CP29 |
| 2 | 6.625 | 4/1/2033 | 60636CP37 |
| 3 | 6.75 | 4/1/2038 | 60636CP45 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2009B, dated 3/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4 | 4/1/2012 | 60636CP78 |
| 2 | 4 | 4/1/2013 | 60636CP86 |
| 3 | 4 | 4/1/2014 | 60636CP94 |
| 4 | 4 | 4/1/2015 | 60636CQ28 |
| 5 | 4.125 | 4/1/2016 | 60636CQ36 |
| 6 | 4.25 | 4/1/2017 | 60636CQ44 |
| 7 | 4.5 | 4/1/2018 | 60636CQ51 |
| 8 | 4.75 | 4/1/2019 | 60636CQ69 |
| 9 | 5.5 | 4/1/2022 | 60636CQ77 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Water System Improvements) Series 2009C, dated 3/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4 | 11/1/2017 | 60636CQ85 |
| 2 | 4.25 | 11/1/2018 | 60636CQ93 |
| 3 | 4.5 | 11/1/2019 | 60636CR27 |
| 4 | 4.75 | 11/1/2020 | 60636CR35 |
| 5 | 4.875 | 11/1/2021 | 60636CR43 |
| 6 | 5.125 | 11/1/2022 | 60636CR50 |
| 7 | 5.25 | 11/1/2023 | 60636CR68 |
| 8 | 5.375 | 11/1/2024 | 60636CR76 |
| 9 | 5.5 | 11/1/2025 | 60636CR84 |
| 10 | 5.625 | 11/1/2026 | 60636CR92 |
| 11 | 5.625 | 11/1/2027 | 60636CS26 |
| 12 | 5.75 | 11/1/2028 | 60636CS34 |
| 13 | 5.75 | 11/1/2029 | 60636CS42 |

Missouri Development Finance Board; Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2009F, dated 4/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 5 | 4/1/2018 | 60636CS59 |
| 2 | 5 | 4/1/2019 | 60636CS67 |
| 3 | 5.125 | 4/1/2020 | 60636CS75 |
| 4 | 5.25 | 4/1/2021 | 60636CS83 |
| 5 | 5.75 | 4/1/2022 | 60636CS91 |
| 6 | 5.75 | 4/1/2023 | 60636CT25 |
| 7 | 5.75 | 4/1/2024 | 60636CT33 |
| 8 | 5.75 | 4/1/2025 | 60636CT41 |
| 9 | 5.75 | 4/1/2026 | 60636CT58 |
| 10 | 6 | 4/1/2027 | 60636CT66 |
| 11 | 6 | 4/1/2028 | 60636CT74 |
| 12 | 6.125 | 4/1/2029 | 60636CT82 |
| 13 | 6.25 | 4/1/2034 | 60636CT90 |
| 14 | 6.25 | 4/1/2038 | 60636CU23 |

Missouri Development Finance Board; Infrastructure Facilities Leasehold Revenue Bonds (Electric System Projects) Series 2009D, dated 3/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 3.75 | 6/1/2015 | 606042AA7 |
| 2 | 4 | 6/1/2016 | 606042AB5 |
| 3 | 4.125 | 6/1/2017 | 606042AC3 |
| 4 | 4.25 | 6/1/2018 | 606042AD1 |
| 5 | 4.5 | 6/1/2019 | 606042AE9 |
| 6 | 4.75 | 6/1/2020 | 606042AF6 |
| 7 | 5 | 6/1/2021 | 606042AG4 |
| 8 | 5.125 | 6/1/2022 | 606042AH2 |
| 9 | 5.25 | 6/1/2023 | 606042AJ8 |
| 10 | 5.5 | 6/1/2024 | 606042AK5 |
| 11 | 5.625 | 6/1/2029 | 606042AL3 |
| 12 | 5.75 | 6/1/2034 | 606042AM1 |

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Street Improvement Projects) Series 2009G, dated 8/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 3.5 | 7/1/2011 | 60636CU49 |
| 2 | 3.5 | 7/1/2012 | 60636CU56 |
| 3 | 3.5 | 7/1/2013 | 60636CU64 |
| 4 | 4 | 7/1/2014 | 60636CU72 |
| 5 | 3.625 | 7/1/2015 | 60636CU80 |
| 6 | 3.875 | 7/1/2016 | 60636CU98 |
| 7 | 4.125 | 7/1/2017 | 60636CV22 |
| 8 | 4.375 | 7/1/2018 | 60636CV30 |

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Crackerneck Creek Project) Series 2009H, dated 8/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 7.25 | 3/1/2026 | 60636CV48 |

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Water Utility Improvements) Series 2009E, dated 10/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4 | 11/1/2011 | 60636CV63 |
| 2 | 3 | 11/1/2012 | 60636CV71 |
| 3 | 4 | 11/1/2013 | 60636CV89 |
| 4 | 4 | 11/1/2014 | 60636CV97 |
| 5 | 4 | 11/1/2015 | 60636CW21 |
| 6 | 4 | 11/1/2016 | 60636CW39 |

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Centerpoint Project) Series 2009I, dated 10/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 3 | 4/1/2012 | 60636CW62 |
| 2 | 3 | 4/1/2013 | 60636CW70 |
| 3 | 3 | 4/1/2014 | 60636CW88 |
| 4 | 4.125 | 4/1/2019 | 60636CW96 |
| 5 | 4.625 | 4/1/2024 | 60636CX20 |
| 6 | 5 | 4/1/2027 | 60636CX38 |

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Eastland Center Project) Series 2009J, dated 10/1/09:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 3 | 4/1/2012 | 60636CX61 |
| 2 | 3 | 4/1/2013 | 60636CX79 |
| 3 | 3.5 | 4/1/2014 | 60636CX87 |
| 4 | 4 | 4/1/2015 | 60636CX95 |
| 5 | 4 | 4/1/2016 | 60636CY29 |
| 6 | 4 | 4/1/2017 | 60636CY37 |
| 7 | 4 | 4/1/2018 | 60636CY45 |
| 8 | 4.125 | 4/1/2019 | 60636CY52 |
| 9 | 4.375 | 4/1/2020 | 60636CY60 |
| 10 | 4.375 | 4/1/2021 | 60636CY78 |
| 11 | 4.5 | 4/1/2022 | 60636CY86 |

Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (Events Center Project) Series 2010A, dated 3/1/10:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 4.5 | 4/1/2017 | 60636CY94 |
| 2 | 4.5 | 4/1/2018 | 60636CZ28 |
| 3 | 4.5 | 4/1/2019 | 60636CZ36 |
| 4 | 4.5 | 4/1/2020 | 60636CZ44 |
| 5 | 5 | 4/1/2021 | 60636CZ51 |
| 6 | 5 | 4/1/2022 | 60636CZ69 |
| 7 | 5 | 4/1/2023 | 60636CZ77 |
| 8 | 5 | 4/1/2024 | 60636CZ85 |
| 9 | 5 | 4/1/2025 | 60636CZ93 |
| 10 | 5.5 | 4/1/2026 | 60636C2A6 |
| 11 | 5.5 | 4/1/2027 | 60636C2B4 |
| 12 | 5.5 | 4/1/2028 | 60636C2C2 |
| 13 | 5.5 | 4/1/2029 | 60636C2D0 |
| 14 | 5.5 | 4/1/2030 | 60636C2E8 |
| 15 | 5.75 | 4/1/2031 | 60636C2F5 |
| 16 | 5.75 | 4/1/2032 | 60636C2G3 |
| 17 | 5.75 | 4/1/2033 | 60636C2H1 |
| 18 | 5.75 | 4/1/2034 | 60636C2J7 |
| 19 | 5.75 | 4/1/2035 | 60636C2K4 |
| 20 | 5.75 | 4/1/2036 | 60636C2L2 |
| 21 | 5.75 | 4/1/2037 | 60636C2M0 |
| 22 | 5.75 | 4/1/2038 | 60636C2N8 |

Missouri Development Finance Board; Infrastructure Facilities Leasehold Revenue Bonds
 (Electric System Projects) Series 2010B, dated 11/15/10:

| Line | Coupon | Matures | CUSIP |
|-------------|---------------|----------------|--------------|
| 1 | 3 | 6/1/2012 | 606042AP4 |
| 2 | 3 | 6/1/2013 | 606042AQ2 |
| 3 | 4 | 6/1/2014 | 606042AR0 |
| 4 | 4 | 6/1/2015 | 606042AS8 |
| 5 | 4 | 6/1/2016 | 606042AT6 |
| 6 | 5 | 6/1/2017 | 606042AU3 |
| 7 | 5 | 6/1/2018 | 606042AV1 |
| 8 | 5 | 6/1/2019 | 606042AW9 |
| 9 | 4 | 6/1/2020 | 606042AX7 |
| 10 | 5 | 6/1/2021 | 606042AY5 |
| 11 | 5 | 6/1/2022 | 606042AZ2 |
| 12 | 5 | 6/1/2023 | 606042BA6 |
| 13 | 5 | 6/1/2024 | 606042BB4 |
| 14 | 4.75 | 6/1/2025 | 606042BC2 |
| 15 | 4.75 | 6/1/2026 | 606042BD0 |
| 16 | 4.75 | 6/1/2027 | 606042BE8 |
| 17 | 4.75 | 6/1/2028 | 606042BF5 |
| 18 | 5.25 | 6/1/2029 | 606042BG3 |
| 19 | 5.25 | 6/1/2030 | 606042BH1 |
| 20 | 5.25 | 6/1/2031 | 606042BJ7 |
| 21 | 5.25 | 6/1/2032 | 606042BK4 |
| 22 | 5.25 | 6/1/2033 | 606042BL2 |
| 23 | 5.25 | 6/1/2034 | 606042BM0 |
| 24 | 5.25 | 6/1/2035 | 606042BN8 |

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> |
|------------------------|--------------------------|-------------|
| Don B. Reimal, Mayor | Retired | 2014 |
| Marcie Gragg | Church Leader | 2012 |
| Jim Engelman | Retired | 2012 |
| Myron Paris | Retired | 2012 |
| Jim Page | Retired | 2012 |
| Lucy Young | Administrative Assistant | 2014 |
| Jim Schultz | Insurance Agent | 2014 |

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Robert Heacock was appointed as City Manager in September 2004, after serving as Acting City Manager since March 2004. The Director of Finance, who is appointed by the City Manager, acts as the chief financial officer of the City. This position is held by James C. Harlow, appointed in February 1984. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City. Dayla Bishop Schwartz was appointed to this position in July 2011.

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 (30.29%); managerial and professional (25.45%); production, transportation, and material moving (16.69%); service, craft, and repair occupations (27.37%); and farming (0.19%).

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. Effective November 1, 2009, the City's LAGERS benefit program changed from LT-8(65) to L-6 with employees contributing 4% of gross salaries and wages. The total pension expense for the years ended June 30, 2010 and 2011 was \$5,502,058 and \$10,047,652 respectively. As of June 30, 2011, the net pension obligation was \$3,295,630.

Insurance

The City self-insures for workers' compensation claims up to a \$1,000,000 per accident retention limit. The City also purchases excess worker's compensation insurance coverage from Midwest Employers Casualty Company to reimburse the City for any claims exceeding the \$1,000,000 per accident retention limit. This policy provides \$3,000,000 in additional coverage. The Missouri Division of Workers' Compensation requires the City to maintain \$2,520,000 in security to provide self-insured workers' compensation coverage. The City purchases a surety bond from Liberty Mutual Insurance Company for \$2,320,000 and \$200,000 in an escrow account to comply with requirement.

The City purchases all-risk property insurance from National Union Fire Insurance Company, Associated Electric and Gas Insurance Services (AEGIS), 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 \$300 million. Risks covered include property damage, flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The all-risk property insurance coverage is subject to a \$50,000 per occurrence deductible, except for a \$1,500,000 per occurrence deductible at the Blue Valley Power Plant, the Missouri City Power Plant and all electrical substations.

The City purchases replacement cost boiler and machinery insurance coverage from National Union Fire Insurance Company, AEGIS, and Zurich American Insurance Company 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, except for a \$1,500,000 per occurrence deductible at the Blue Valley Power Plant, the Missouri City Power Plant and all electrical substations.

The City purchases general liability, public officials' liability, and third party automobile liability insurance coverage from the Missouri Public Entity Risk Management Fund (MOPERM). The MOPERM policies provides the City with \$2,545,062 in coverage for all claims arising out of a single accident or occurrence and \$381,759 for any one person in a single accident or occurrence, subject to a \$25,000 general liability deductible, a \$25,000 public

officials deductible and a \$100,000 deductible for third party automobile liability. The City obtains collision and comprehensive coverage for Fire Trucks and leased vehicles through MOPERM. The City self-insures all other vehicles for collision and comprehensive coverage.

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

Payment Record

The City has never defaulted on any obligations.

Obligations of the City

General Obligation Debt

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

The City had no General Obligation debt outstanding as of June 30, 2011.

Revenue Debt

The following is a summary of the City's Revenue Bond debt and the balance payable at June 30, 2011:

Power and Light Fund:

| | |
|--|-------------------|
| \$5,975,000 Series 2003 annual installments of \$435,000 to \$660,000 through 2014; interest at 2.00% to 3.65% | \$ 1,865,000 |
| \$31,415,000 Series 2009 D annual installments of \$810,000 to \$4,125,000 through 2034; interest at 3.75% to 5.75% | 31,415,000 |
| \$33,645,000 Series 2010 B annual installments of \$600,000 to \$4,030,000 through 2035; interest at 2.00% to 5.250% | 31,250,000 |
| Less deferred amount on refunding | (798,286) |
| Total Power and Light fund | <u>63,731,714</u> |

Water Fund:

| | |
|---|-------------------|
| \$14,785,000 Series 2004 annual installments of \$490,000 to \$1,105,000 through 2025; interest at 3.054% to 5.00% | 11,590,000 |
| \$17,520,000 Series 2009 C annual installments of \$505,000 to \$4,205,000 through 2029; interest at 4.00% to 5.75% | 17,520,000 |
| \$19,310,000 Series 2009 E annual installments of \$2,210,000 to \$3,245,000 through 2016; interest at 3.00% to 4.00% | 17,100,000 |
| Less deferred amount on refunding | (346,863) |
| Total Water Fund | <u>45,863,137</u> |

Events Center Fund:

| | |
|--|-----------------------|
| \$12,325,000 Series 2008 D semi-annual installments of \$30,000 to \$410,000 through 2038; interest at 4.00% to 5.75% | 11,995,000 |
| \$10,725,000 Series 2008 H semi-annual installments of \$230,000 to \$1,220,000 through 2038; interest at 6.75% to 7.00% | 10,725,000 |
| \$15,190,000 Series 2009 A semi-annual installments of \$5,000 to \$2,035,000 through 2038; interest at 6.125% to 6.750% | 15,190,000 |
| \$44,045,000 Series 2009 F semi-annual installments of \$100,000 to \$9,365,000 through 2038; interest at 5.00% to 6.25% | 44,045,000 |
| \$2,950,000 Series 2010 A semi-annual installments of \$70,000 to \$485,000 through 2038; interest at 4.50% to 5.75% | 2,950,000 |
| Total Events Center Fund | <u>84,905,000</u> |
| Total revenue bonds | <u>\$ 194,499,851</u> |

Governmental Activities

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

| | | |
|---|----|-------------------|
| \$6,175,000 Series 2005 (Aquatics Facilities Project) annual installments of \$300,000 to \$450,000 through 2013; interest at 3.00% to 5.00%. | \$ | 1,750,000 |
| \$8,225,000 Series 2005 (Public Safety Facilities Projects) annual installments of \$670,000 to \$1,010,000 through 2015; interest at 4.00% to 5.25%. | | 3,760,000 |
| \$5,485,000 Series 2006 (Park Projects) annual installments of \$1,010,000 to \$1,190,000 through 2013; interest at 4.25%. | | 2,330,000 |
| \$4,020,000 Series 2009 (Streets Projects) annual installments of \$395,000 to \$515,000 through 2018; interest at 3.50% to 4.375%. | | 3,625,000 |
| Total Governmental Activities Loans Payable | \$ | <u>11,465,000</u> |

Neighborhood Improvement District

| | | |
|---|----|----------------|
| \$995,000 Series 2004 (Noland Road and Englewood Improvements) annual installments of \$55,000 to \$85,000 through 2019; interest at 4.50% to 5.75% | \$ | 585,000 |
| \$111,000 Series 2004 (Fall Drive Sanitary Sewer Project) annual installments of \$5,000 to \$6,000 through 2024; interest at 5.375% to 5.50% | | 83,000 |
| Total Neighborhood Improvement District | \$ | <u>668,000</u> |

Discretely-Presented Component Unit (Tax Increment Revenue Bonds)

| | | |
|---|----|------------|
| \$8,715,000 Series 2003 (Hartman Heritage TIF) annual installments of \$135,000 to \$2,675,000 through 2021; interest at 2.00% to 5.00% | \$ | 7,120,000 |
| \$1,030,000 Series 2005 B (Drumm Farm TIF) annual installments of \$50,000 to \$85,000 through 2020; interest at 3.00% to 4.50% | | 690,000 |
| \$11,325,000 Series 2005 C (Crackerneck Creek TIF) annual installments of \$185,000 to \$1,270,000 through 2026; interest at 4.00% to 5.00% | | 10,525,000 |
| \$48,370,000 Series 2006 A&B (Crackerneck Creek TIF) annual installments of \$340,000 to \$8,225,000 through 2026; interest at 5.30% to 6.00% | | 46,255,000 |
| \$12,790,000 Series 2006 C (Crackerneck Creek TIF) annual installments of \$3,500,000 to \$5,385,000 through 2026; interest at 5.00% | | 12,790,000 |

| | |
|---|------------|
| \$1,590,000 Series 2006 (Drumm Farm TIF) annual installments of \$70,000 to \$170,000 through 2020; interest at 4.00% to 4.625% | 1,185,000 |
| \$4,980,000 Series 2006 F (HCA - Centerpoint TIF) annual installments of \$120,000 to \$445,000 through 2028; interest at 4.00% to 4.25% | 4,595,000 |
| \$19,390,000 Series 2007 A (Eastland Center TIF) annual installments of \$815,000 to \$2,570,000 through 2022; interest at 4.00% to 5.00% | 14,090,000 |
| \$10,330,000 Series 2007 B (Hartman Heritage TIF) annual installments of \$555,000 to \$1,060,000 through 2020; interest at 4.00% to 5.00% | 7,985,000 |
| \$10,060,000 Series 2007 C (Santa Fe TIF) annual installments of \$385,000 to \$1,795,000 through 2023; interest at 5.41% to 6.096% | 8,440,000 |
| \$995,000 Series 2007 D (Drumm Farm TIF) annual installments of \$70,000 to \$80,000 through 2020; interest at 4.00% to 4.50% | 700,000 |
| \$19,720,000 Series 2007 E (HCA - Centerpoint TIF) annual installments of \$425,000 to \$2,670,000 through 2028; interest at 4.75% to 5.125% | 18,265,000 |
| \$5,035,000 Series 2008 A (Crackerneck Creek TIF) annual installments of \$280,000 to \$925,000 through 2017; interest at 4.30% to 5.70% | 4,335,000 |
| \$7,920,000 Series 2008 B (Crackerneck Creek TIF) annual installments of \$615,000 to \$1,635,000 through 2025; interest at 4.00% to 5.125% | 7,920,000 |
| \$8,000,000 Series 2008 C (Eastland Center TIF) annual installments of \$370,000 to \$2,515,000 through 2022; interest at 4.00% to 5.125% | 8,000,000 |
| \$1,230,000 Series 2008 E (Drumm Farm TIF) annual installments of \$30,000 to \$420,000 through 2022; interest at 3.250% to 5.00% | 1,140,000 |
| \$13,315,000 Series 2008 F (HCA - Centerpoint TIF) annual installments of \$195,000 to \$1,940,000 through 2027; interest at 4.000% to 6.000% | 12,225,000 |
| \$4,600,000 Series 2008 G (Eastland Center TIF) annual installments of \$120,000 to \$885,000 through 2022; interest at 4.00% to 5.25% | 4,175,000 |
| \$3,220,000 Series 2009 B (Eastland Center TIF) annual installments of \$135,000 to \$480,000 through 2022; interest at 4.00% to 5.500% | 2,935,000 |
| \$3,630,000 Series 2009 J (Eastland Center TIF) annual installments of \$110,000 to \$835,000 through 2022; interest at 3.00% to 4.50% | 3,275,000 |
| \$4,130,000 Series 2009 H (Crackerneck Creek TIF) one installment of \$4,130,000 through 2026; interest at 7.250% | 4,130,000 |
| \$2,325,000 Series 2009 I (HCA - Centerpoint TIF) annual installments of \$65,000 to \$525,000; interest at 3.00% to 5.00% | 2,195,000 |

Total Discretely Presented Component Unit

\$ 182,970,000

Capital Leases

Capital leases payable at June 30, 2011, are comprised of the following:

| | |
|--|-------------------|
| Sun Trust Leasing (fire truck) annual installments of \$59,484 to \$64,437 through 2013; interest at 4.19% | \$ 257,802 |
| IBM Corporation (computer equipment) monthly installments of \$1,969 to \$2,232 through 2011; interest at 3.199% | 2,232 |
| Missouri Development Finance Board (phone system) monthly installments of \$2,708 to \$2,948 through 2012; interest at 3.00% | 32,029 |
| Total Capital Lease Obligations | <u>\$ 292,063</u> |

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

| Employer | Product/Service | Number of Employees |
|--|-----------------------------|---------------------|
| 1 Alliant Tech Systems | Small Arms Ammunition | 2,600 |
| 2 Independence School District | Public School District | 2,043 |
| 3 Centerpoint Medical Center | Health Care | 1,600 |
| 4 City of Independence | Local Government | 1,300 |
| 5 Government Employee Hospital (GEHA) | Medical Ins. Service Center | 650 |
| 6 Rosewood Health Center at the Groves | Retirement Community | 400 |
| 7 Burd & Fletcher | Paper Carton Manufacturing | 350 |
| 8 Jackson County Circuit Court | Judicial System | 274 |
| 9 Mid-Continent Public Library | Library | 248 |
| 10 Unilever | Food Manufacturing | 220 |

Source: Independence Council for Economic Development and MARC.

General and Demographic Information

Population: The following tables set forth certain population information:

| Year | City of Independence | Jackson County | State of Missouri |
|-------------|-----------------------------|-----------------------|--------------------------|
| 2006 | 115,953 | 661,695 | 5,810,759 |
| 2007 | 116,359 | 664,655 | 5,870,906 |
| 2008 | 109,159 | 665,821 | 5,911,870 |
| 2009 | 114,128 | 669,287 | 5,938,126 |
| 2010 | 121,212 | 671,057 | 5,965,573 |
| 2011* | 116,830 | 712,145 | 6,015,457 |

*Estimated

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

Population Distribution by Age:

| Age | City of Independence | Jackson County | State of Missouri |
|------------------|-----------------------------|-----------------------|--------------------------|
| Age 0 - 4 | 6.93% | 7.45% | 6.78% |
| Age 5 - 9 | 6.78% | 7.05% | 6.53% |
| Age 10 - 14 | 6.09% | 6.43% | 6.47% |
| Age 15 - 20 | 6.86% | 7.52% | 8.45% |
| Age 21 - 24 | 4.65% | 4.88% | 5.51% |
| Age 25 - 34 | 13.94% | 14.75% | 13.05% |
| Age 35 - 44 | 12.52% | 13.23% | 12.60% |
| Age 45 - 54 | 14.33% | 14.45% | 14.47% |
| Age 55 - 64 | 12.46% | 11.56% | 12.01% |
| Age 65 - 74 | 7.99% | 6.70% | 7.57% |
| Age 75 - 84 | 5.27% | 4.13% | 4.51% |
| Age 85 and older | 2.17% | 1.84% | 2.04% |
| Median Age | 38.79 | 36.44 | 37.55 |
| Average Age | 39.3 | 37.4 | 38.30 |

Source: Claritas, Inc.

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

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011* |
|--------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Kansas City MSA | | | | | | |
| Total Labor Force | 1,030,485 | 1,042,721 | 1,041,985 | 1,048,214 | 1,037,449 | 1,037,996 |
| Unemployed | 51,845 | 52,108 | 60,031 | 92,258 | 94,263 | 90,638 |
| Unemployment Rate | 5.0% | 5.0% | 5.80% | 8.8% | 9.1% | 8.8% |
| Jackson County | | | | | | |
| Total Labor Force | 335,809 | 338,320 | 335,816 | 344,121 | 340,863 | 340,187 |
| Unemployed | 19,119 | 19,680 | 23,086 | 35,034 | 37,400 | 34,902 |
| Unemployment Rate | 5.7% | 5.8% | 6.9% | 10.2% | 11.0% | 10.3% |
| State of Missouri | | | | | | |
| Total Labor Force | 3,034,406 | 3,050,422 | 3,046,891 | 3,051,123 | 3,014,310 | 3,030,794 |
| Unemployed | 146,633 | 154,691 | 185,636 | 282,979 | 288,783 | 277,570 |
| Unemployment Rate | 4.8% | 5.1% | 6.1% | 9.3% | 9.6% | 9.2% |

*Average estimated through July 2011

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

Income Statistics

The following table sets forth estimated income statistics for 2011:

| | Per Capita | Average Household |
|----------------------|-------------------|--------------------------|
| City of Independence | \$22,563 | \$52,397 |
| Jackson County | 24,325 | 58,211 |
| State of Missouri | 23,703 | 58,795 |

Source: Claritas, Inc.

Housing Structures

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

| Year Round Units | Number of Units | Percentage of Units |
|-------------------------|------------------------|----------------------------|
| Single Detached | 39,343 | 71.73% |
| Single Attached | 2,836 | 5.17% |
| Double | 1,802 | 3.29% |
| 3 to 19 Units | 6,940 | 12.65% |
| 20 to 49 units | 1,024 | 1.87% |
| 50 + Units | 1,375 | 2.51% |
| Mobile Home | 1,522 | 2.78% |
| All Other | 4 | 0.01% |
| Total Units | 54,846 | 100% |

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas was, estimated for 2011 as follows:

| | Owner Occupied Median Value |
|----------------------|------------------------------------|
| City of Independence | \$105,374 |
| Jackson County | 123,239 |
| State of Missouri | 129,779 |

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:

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Residential | | | | | |
| Number of Permits | 434 | 224 | 222 | 199 | 223 |
| Estimated Cost | 27,365,631 | 18,755,251 | 13,119,817 | 11,386,607 | 23,387,011 |
| Non-Residential | | | | | |
| Number of Permits | 180 | 119 | 103 | 172 | 209 |
| Estimated Cost | 74,867,315 | 36,840,594 | 99,875,472 | 49,569,537 | 57,576,453 |

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, 2011 was performed by Cochran Head Vick & Company, P.C. in Kansas City, Missouri. Copies of the audit reports for the past five years are on file in the City Clerk's Office and are available for review.

Property Valuations

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

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

The assessment ratio for personal property is generally 33 % of estimated market value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 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, 2011 (the last completed assessment):

| | Assessed Valuation | Assessment Rate | Estimated Market Value |
|---------------------------|-------------------------------|----------------------------|-----------------------------------|
| Real Estate: | | | |
| Residential | 781,239,728 | 19% | 4,111,788,042 |
| Commercial | 235,721,480 | 32% | 736,629,625 |
| Agricultural | 1,126,981 | 12% | 9,391,508 |
| RR & Utilities | 6,193,742 | 32% | 19,355,444 |
| Sub-Total | 1,024,281,931 | | 4,877,164,619 |
| Personal Property* | 262,875,610 | 33.30% | 789,416,246 |
| Total | \$1,287,157,541 | | \$5,666,580,865 |

Source: Jackson and Clay Counties Assessor's Offices.

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

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

| Year | Assessed Valuation | Percent Change |
|-------------|---------------------------|-----------------------|
| 2011 | \$1,287,157,541 | -0.9% |
| 2010 | \$1,298,840,974 | -0.4% |
| 2009 | \$1,303,875,996 | -7.7% |
| 2008 | \$1,411,932,554 | 0.8% |
| 2007 | \$1,400,611,015 | 6.1% |
| 2006 | \$1,319,902,510 | 2.0% |
| 2005 | \$1,294,345,907 | 8.1% |
| 2004 | \$1,197,742,533 | 2.3% |

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, 2011:

| Name of Taxpayer | Type | Local Assessed Valuation | Percentage of Total Local Assessed Valuation |
|--------------------------------|---------------------|---------------------------------|---|
| 1 Simon Property Group LP | Retail Center | 22,131,786 | 1.72% |
| 2 Sprint | Communications | 11,203,388 | 0.87% |
| 3 AT&T | Communications | 9,076,885 | 0.71% |
| 4 Cole EDD Mt Independence LLC | Retail Center | 8,963,343 | 0.70% |
| 5 Space Center of Kansas City | Underground Storage | 8,529,447 | 0.66% |
| 6 Comcast Cablevision | Utility | 6,767,792 | 0.53% |
| 7 Southern Union Company | Railroad | 5,335,323 | 0.41% |
| 8 Unilever Bestfoods NA | Food Manufacturer | 5,253,260 | 0.41% |
| 9 Centerpoint Medical Center | Healthcare | 4,215,065 | 0.33% |
| 10 Mansion Apartments | Residential Housing | 4,032,764 | 0.31% |

Source: Jackson County Collection Department

PART III - DEPARTMENTS

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

UTILITIES

Public Utilities Advisory Board

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

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

| <u>Board Member</u> | <u>Term Expires</u> |
|----------------------------|----------------------------|
| Blair L. Wildermuth | 7/1/2012 |
| Charles (Gene) McClellan | 7/1/2012 |
| Marvin Sturgeon | 7/1/2013 |
| Robert Joe Miller | 7/1/2014 |
| Edward Van Compernelle | 7/1/2014 |
| Randy Vest | 7/1/2015 |
| Jack Looney | 7/1/2013 |

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, 2011, electric retail sales totaled 1,090,549 megawatt-hours (MWh). The maximum system peak load for the fiscal year ending June 30, 2011 of 299.5 megawatts (MW) occurred on August 13, 2010. 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 225 budgeted full-time employees as of June 30, 2011.

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 2011, the Department was billed \$3,510,021 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 2011, the Power and Light Department billed \$720,547 for meter reading services to these other departments.

Management

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

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

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

Paul N. Mahlberg - Deputy Director. Mr. Mahlberg was appointed Deputy Director on August 31, 2009. He holds a BS degree in Electrical Engineering from Iowa State University in Ames, Iowa. He has worked at the Department since January 1996 serving in the Planning & Rates area of the Department. Prior to employment with the Department, he served for a number of years with a major international engineering consulting firm.

Martin D. Barker - Production Manager. Mr. Barker was appointed Power Production Manager in December of 2001. He holds a BSME degree from Kansas State University. He has over 30 years of electric power plant experience including 23 years in management at a power plant in Illinois and 3 years as a design engineer with a consulting engineering company.

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

Larry F. Starr - Transmission & Distribution Manager. Mr. Starr was appointed Transmission & Distribution Manager in March of 1999. He holds an Associate Degree in Business and has 35 years experience in the electric industry with over

20 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 21 years in various leadership positions with Aquila, Inc. and served for 7 years in the United States Air Force.

Power Supply

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

In addition to its own generating capacity, the Department purchases capacity from Kansas City Power and Light (KCPL). Under the purchase agreement, the Department purchases 90 MW of capacity and associated energy from KCPL's Montrose generating station. This purchase expired on May 31, 2011.

In January 2004, the Department entered into a participation power agreement with Omaha Public Power District (OPPD). Under this agreement, the Department purchases an 8.33% share (approximately 57 megawatts) of a new 682 megawatt coal-fired baseload generating unit built at OPPD's existing Nebraska City power station site (Nebraska City Unit 2). The agreement provides that OPPD will be the owner/operator of the unit and OPPD will sell the Department's share of the output on an actual cost-based approach. OPPD has issued tax-exempt bonds to pay for the construction of the unit and the Department is obligated to pay its appropriate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the unit. The unit began commercial operation on May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the Department for the life of the proposed unit.

In July 2005, the Department executed a certain purchase power agreement with the Missouri Joint Electric Utility Commission (MJMEUC). This agreement was further amended and restated in June 2006. Under the agreement, the Department purchases 50 MW of capacity and energy from MJMEUC's ownership interest in KCPL's new Iatan 2 generating unit. In June 2006, MJMEUC entered into an Ownership Agreement with KCPL for an 11.76 percent undivided ownership share (nominal 100 MW) in the nominal 850 MW Iatan 2 unit. Under the purchase power agreement with the Department, MJMEUC sells 50 percent (nominal 50 MW) of its Iatan 2 capacity and energy to the Department on a cost-based approach. The unit began producing test energy on July 20, 2010 and began full commercial operations on December 31,

2010. The term of this agreement is designed to be for the life of the Iatan 2 unit. Both the OPPD agreement and the MJMEUC agreement replace the 90 MW purchase from KCPL that expired on May 31, 2011.

In August 2008, the Department executed a certain renewable energy purchase agreement with Smoky Hills Wind Project II, LLC. The Smoky Hills agreement is for a 15 MW purchase from a new wind generation project located in central Kansas - the Smoky Hills Wind Farm. The City's purchase is from Phase II which added 148 MW of wind generation to the existing 100 MW Phase I. Energy deliveries from the wind farm began on December 8, 2008 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties.

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

The Department believes that its total accredited generating capacity resources, including the capacity purchases, is sufficient to meet its projected annual system peak load, including 13.7 percent reserves (SPP reserve requirement), through May 31, 2013.

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

Electric Generating Units

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

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

** Regenerative (heat exchange) combustion turbine.

(1) On July 20, 2005, the RCT-1 generating unit experienced compressor blade damage. On June 7, 2006, during the initial start-up after the repair/overhaul, significant damage to the turbine occurred. It is expected that the City's insurance will cover the repair costs of the damage (above the \$1 million deductible) incurred on July 20, 2005 and that the contractor performing the overhaul at the time of the second failure will be responsible for the damage cost incurred on June 7, 2006.

The Department is currently evaluating whether this unit should be repaired and placed back in service or to be replaced with a newly constructed unit.

Environmental Regulations

The Department operates its generation in accordance with the applicable federal and state emission rules and regulations. Blue Valley Unit No. 3 is subject to the Phase II requirements of the federal Acid Rain Program (ARP). Blue Valley Units No. 1 and No. 2 and the Missouri City units are exempt from the ARP requirements. Currently Blue Valley Unit No. 3 is allocated 4,670 tons of sulfur dioxide (SO₂) stack emission allowances annually. The Department has

utilized this unit in a least cost manner while considering the cost of the SO₂ emissions. As of January 1, 2011, the accumulated available SO₂ emission allowances carried forward into calendar year 2011 was 15,284 tons.

In addition to the ARP requirements for Blue Valley Unit No. 3, the Department is restricted to SO₂ emissions (three hour average basis) of 6.3 pounds per million Btu for all three units at Blue Valley station 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, 2011, the Department was in compliance with such SO₂ regulations.

Blue Valley Unit No. 3 is also regulated for nitrogen oxide (NO_x) emissions. The unit is limited to 0.35 pounds per million Btu during the defined ozone season (May 1 through September 30) and 0.40 pounds per million Btu during the rest of the year. Low NO_x burners were installed on this unit to comply with this regulation. The average NO_x emission rate was 0.166 pounds per million Btu during the 2010 ozone season and 0.166 pounds per million Btu for the entire calendar year 2010.

Blue Valley RCT-1 unit is also subject to NO_x regulations: however, the unit experienced a significant failure of the compressor on June 7, 2006 and has not operated since then.

Blue Valley Unit No. 3 and Blue Valley RCT-1 were also subject to the federal/state regulations in conjunction with the Clean Air Interstate Rule (“CAIR”) which was to further regulate SO₂ and NO_x emissions. Blue Valley Unit No. 3 was also subject to the Clean Air Mercury Rule (“CAMR”) which was to regulate mercury emissions. Both the CAIR and CAMR rules were vacated by the United States Court of Appeals for the District of Columbia. The proposed CAIR replacement rule was published in the federal register on July 6, 2010 and finalized as the Cross-State Air Pollution Rule (“CSAPR”) on August 8, 2011. Effective January 1, 2012, CSAPR will limit the Blue Valley Unit No. 3 and the Blue Valley RCT-1 to a combined annual total of 594 tons of SO₂ emissions and 147 tons of NO_x emissions. In addition, emissions of NO_x during the ozone season will be limited to a combined total of 77 tons. CSAPR compliance options for these units include the addition of pollution control equipment, fuel switch to natural gas, or early retirement. The installation of pollution control equipment is not cost effective and the units are still an essential part of our power portfolio; consequently, the compliance plan for the next few years will be to run on natural gas.

The proposed CAMR replacement rule (i.e., Utility Boiler MACT) was proposed on May 3, 2011. The EPA has announced that the final rule will be issued by November 2011. Compliance will be required three years after publication of the rule in the Federal Register, making the implementation date approximately the beginning of the year 2015. The Department is monitoring the activities of the EPA and the Missouri Department of Natural Resources and will take the necessary action to comply with any future compliance rules regarding SO₂, NO_x and mercury emissions and how it will impact Blue Valley and Missouri City units.

The Blue Valley Units No. 1 and No. 2 and the Missouri City units were to be subject to the

National Emission Standards for Hazardous Air Pollutants for Industrial, Commercial, and Institutional Boilers and Process Heaters (“Industrial Boiler MACT”) which was to regulate the emitted amount of mercury, hydrogen chloride, particulates, and carbon monoxide. On June 8, 2007, the Industrial Boiler MACT rule was vacated by the United States Court of Appeals for the District of Columbia. On July 30, 2007 the vacature was mandated making the rule void. The EPA published the proposed revised Industrial Boiler MACT (“IB-MACT”) rule in the federal register on June 4, 2010 and the rule was finalized on February 21, 2011. On May 18, 2011, the EPA published a notice delaying the effective date of the rule pending the completion of reconsideration or judicial review, whichever is earlier. In its current form, IB-MACT would require compliance with emissions limits on the aforementioned constituents in the fall of 2014. The Department is monitoring the activities of the EPA and the Missouri Department of Natural Resources and will take the necessary action to comply with any future compliance rules regarding industrial boilers and how it will impact Blue Valley Units No. 1 and No. 2 and Missouri City Units No. 1 and No. 2.

The Blue Valley and Missouri City Units are subject to the Missouri Department of Natural Resources’ Kansas City Ozone Maintenance Plan. The goal of the Maintenance Plan is to ensure the ozone levels do not increase to the point of causing a violation of the ozone air quality standard. Under Section 110(a)(1) of the CAA, one required element of the Maintenance Plan is a set of contingency measures with trigger levels based on measured regional ozone levels. The MDNR’s contingency control measures for the Missouri portion of the maintenance area have been designed as a two-phased approach with implementation occurring when the trigger of a specific phase occurs. The Phase I contingency measures have been triggered based on ozone levels in the years 2005 through 2007. Phase I includes early implementation of control devices (e.g., Low NO_x Burners) on CAIR affected coal-fired EGUs as a means to reduce NO_x at several major NO_x point sources. Blue Valley Unit 3 is a CAIR-affected EGU. MDNR Air Pollution Control Program is currently working with IPL in developing the most appropriate set of NO_x emission reductions for the Maintenance Plan contingency measures.

The USEPA published the final Greenhouse Gas (GHG) Tailoring Rule on June 3, 2010. The GHG Tailoring rule regulates GHG emissions (i.e., CO₂, methane, etc.) under PSD and Title V permitting programs and will be implemented in phases. Beginning January 2, 2011, the Blue Valley and Missouri City units must comply with the PSD provisions of the rule. Under these provisions, any construction project on the units must be evaluated for potential significant GHG emission increases. If any construction project produces a significant increase in GHG emissions then best available control technology (BACT) must be installed. As part of the Tailoring Rule, the USEPA released technical guidelines on what constitutes BACT for GHGs in October 2010. As of July 1, 2011 (Phase II), a new source with potential GHG emissions above 100,000 tpy is subject to PSD permitting requirements for GHGs. With respect to the Title V permitting program, beginning January 2, 2011, new or existing Title V major sources are subject to Title V requirements for GHGs. The Department is monitoring the activities of the EPA and the Missouri Department of Natural Resources and will take the necessary action to comply with any future compliance rules regarding GHG emissions and how it will impact the Blue Valley and Missouri City Units.

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

Fuel Supply

The Department currently uses coal, natural gas, and No. 2 fuel oil in its power production facilities. For the year ending June 30, 2011, the total fuel burn mix for the Department's generation energy supply consisted of 86.2% coal, 13.0% gas and 0.8% No. 2 fuel oil.

Currently, the Department purchases its coal supply under a contract with an Illinois coal mining company. The 2011 base price is \$67.00 per ton delivered based on an 11,150 Btu per pound heat content. The term of this contract is for one year (calendar year 2011) with the right for the Department to extend the contract for two separate one-year extensions. The Department extended the contract with the coal supplier for calendar year 2012.

The Department currently contracts the management of its natural gas supply with an Oklahoma gas management company. 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 April 30, 2012 and can be extended by the Department for four separate successive one-year terms. The local distribution company delivers the gas to the Department at two different power plant sites under the local distribution company's tariffs as filed with the Missouri Public Service Commission.

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

Current Purchases/Sales of Capacity and Energy

The Department purchased a significant portion of its energy needs under the capacity purchase agreement with KCPL. Under the agreement, the Department purchased 90 MW of capacity and energy through May 31, 2011. The delivered cost of capacity and energy under the agreement, including all demand energy, environmental emission allowance, and SPP transmission charges, totaled approximately \$16,500,000 for 357,114 megawatt-hours of delivered energy during fiscal year 2011. This agreement expired on May 31, 2011.

Beginning on July 20, 2010, the Department began receiving approximately 50 MW of capacity and energy under a participation power agreement with MJMEUC. The delivered cost of this capacity and energy under the agreement, including all demand, energy, and transmission costs, totaled approximately \$8,000,000 for 278,791 megawatt-hours of delivered energy during fiscal year 2011. The projected annual cost of the MJMEUC agreement for fiscal year 2012 is estimated at approximately \$20,100,000.

Beginning on May 1, 2009, the Department began receiving approximately 57 MW of capacity and energy under a participation power agreement with OPPD. The delivered cost of this capacity and energy under the agreement, including all demand, energy, and transmission costs, totaled approximately \$16,300,000 for 372,027 megawatt-hours of delivered energy during fiscal year 2011. The projected annual cost of the OPPD agreement for fiscal year 2012 is estimated at approximately \$17,500,000.

Beginning on December 8, 2008, the Department began receiving 15 MW of wind energy under a renewable energy purchase agreement with Smoky Hills. The delivered cost of this energy, including transmission costs, totaled approximately \$2,900,000 for 58,687 megawatt-hours of delivered energy during fiscal year 2011. The projected annual cost of the Smoky Hills agreement for fiscal year 2012 is estimated at approximately \$2,900,000.

In July 1997, the Department became a participant to the Western Systems Power Pool Agreement (WSPP Agreement). The WSPP Agreement provides for short-term electric power transactions by and among its members. Transactions under the WSPP Agreement are executed under rate schedules that allow for market-based pricing. Membership of the WSPP Agreement has expanded from the original experimental eleven western United States electric utilities to over 250 members that are located throughout the entire United States and parts of Canada and include investor-owned electric utilities, municipalities, cooperatives, state and federal public power systems and power marketers. Under the WSPP Agreement, the Department makes short term power purchase and sales with KCPL, GMO, Associated Electric Cooperative Inc., and other utilities and power marketers. During fiscal year 2011, the Department purchased 28,641 megawatt-hours of wholesale energy under the WSPP Agreement for a total cost of approximately \$1,380,000 and the Department sold 45,048 megawatt-hours of wholesale energy for approximately \$1,530,000 under the WSPP Agreement.

In December 2009, the Department became a market participant in the Southwest Power Pool (“SPP”) energy imbalance market. As a market participant, the Department is able to purchase and sell energy based on market prices for power. During fiscal year 2011, the Department purchased 29,331 megawatt-hours of energy for a total cost of approximately \$960,000 and the Department sold 54,165 megawatt-hours of energy for a total cost of approximately \$1,370,000 under the SPP energy imbalance market.

Regional Reliability Organization

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

Interconnections

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

KCP&L – Greater Missouri Operations (GMO). An interconnection between the Department and KCP&L-Greater Missouri Operations (GMO) is made at GMO's Sibley Substation and is governed by a Municipal Participation Agreement dated December 2, 1968. The interconnection is made between the Department's 161-kV transmission line and the 161-kV bus in GMO's substation. This agreement provides the terms and conditions under which the parties can purchase Reserve Capacity, Standby Service, Requisitioned Power and Accompanying Energy, and Economy Energy. This agreement went into effect December 1, 1969 and was to remain in effect until May 31, 1990 and thereafter from year to year until terminated by either party. Forty-eight months written notice is required for termination of this agreement. Currently, neither party has provided a notice of termination.

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

Kansas City Power & Light Company. The Department maintains seven interconnection points with KCPL, four at the 69-kV level and three at the 161-kV level. The 69-kV interconnections include: (i) interconnection at the Department's Substation H, (ii) interconnection at the City limits along the 69-kV line from KCPL's Hawthorn Plant to the Department's Substation E, (iii) interconnection at the Department's Substation A, and (iv) interconnection at the City limits along the Hawthorn to Substation H line near the Department's Substation F.

The 161-kV interconnections include: (i) interconnection at KCPL's Blue Mills Substation, (ii) interconnection at the City limits along the Hawthorn to Substation M line, and (iii) interconnection at the City limits along the KCPL Blue Valley Substation to the Department Substation N line.

These interconnections were governed under a Municipal Participation Agreement originally dated July 12, 1965 and amended on a number of occasions thereafter. The Municipal Participation Agreement expired on July 31, 2011. A new Interconnection Agreement was negotiated between the parties which replaced the old agreement and became effective on August 1, 2011. The initial term of the Interconnection Agreement is through July 31, 2023 and shall continue year to year thereafter until terminated by either party. Five years written notice is required for termination of this agreement.

Transmission System

The Department's transmission system is comprised of approximately 25 miles of 161-kV lines and approximately 47 miles of 69-kV lines. The Department completed and energized a new 161-kV line from Substation A to Substation M (approximately 4.34 miles) during fiscal year 2011. The transmission system is interconnected with the neighboring utilities at both the 161-kV level and the 69-kV level as described above. Load flow studies indicate that these interconnections and the construction of the new 161-kV transmission line provide a total import capability of 280 MW on a single contingency basis. This import capability includes power generated from the Department's Missouri City plant when in operation.

Substations

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

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

[2] 161-kV tie with KCPL/Greater MO Operations

[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 Blue Valley Substation.

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

Distribution System

The existing distribution system currently serves over 56,000 customers and consists of approximately 546 circuit miles of 13-kV overhead lines, 12 circuit miles of 4 kV overhead lines, 217 circuit miles of 13-kV underground lines and 0.2 circuit miles of 4-kV underground lines.

Proposed Capital Improvements

As of June 30, 2011, the Department had a total of \$20,385,254 of funded, but uncompleted major capital improvement projects. These uncompleted projects include \$10,510,694 for

production plant capital improvements and \$9,874,560 for transmission and distribution plant capital improvements. For fiscal year ending June 30, 2012 the Department expects to undertake a total of \$10,860,000 for other capital improvement projects, of which \$6,940,000 are for production plant improvements and \$3,920,000 are for transmission and distribution plant improvements. For the six fiscal years ending June 30, 2017, the Department is currently estimating a total of \$168,142,000 in additional major project capital improvements. These additional capital expenditures include \$119,290,000 in production plant improvements and \$48,852,000 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 2012 through 2017 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 2008, the City Council adopted multiple schedules of customer class rate increases following a 5-year cost-of-service study and rate plan performed by Sawvel and Associates, Inc. Under the adopted rate plan, base rates were increased by 9% beginning January 1, 2009, 5% on July 1, 2009, 5% on July 1, 2010, and 5% on July 1, 2011. In addition, the base rates will increase an additional 5% on July 1, 2012. In addition to any base rate increases, customer billing increases/decreases may result from projected increased fuel and purchased power costs which are passed along to customers pursuant to the FCA.

For the year ending June 30, 2011, the average monthly billed FCA rate increased from a charge of \$10.53 per MWh to a charge of \$13.26 per MWh when compared to the year ending June 30, 2010. Overall, the base rate increase and the change in the FCA rate resulted in approximately a 6.9 percent average billing rate increase for all retail customers for the 12 month period ending

June 30, 2011 compared to the previous 12 month period. The Department's electric service rate schedules are generally similar in type and number to the rate schedules of other electric utilities adjoining its service territory.

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

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

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

In April 1990, the Department began a rebate program to encourage use of energy efficient air conditioners, water heaters and heat pumps by residential customers. The rebate scale increases with increased efficiency of the unit purchased. Current rebates range from \$109 to \$701. Through December 2010, over 9,465 rebates have been paid for a total of \$2,307,258.

The Power & Light Fund makes a payment annually from revenues to the City's General Fund as a payment in lieu of taxes. Pursuant to the City Charter, the payment is limited to an amount that would normally be paid by a privately-owned electric utility. The current payment in lieu of tax practice is the result of a Declaratory Judgment issued by the Jackson County Circuit Court on March 10, 1980. The components are: (1) 9.08% gross receipts tax (applied against gross operating revenues), (2) applicable City property taxes on facilities owned by the Department within the City, and (3) applicable City sales tax payment on all purchases made by the Department within the City. For years ending June 30, 2010 and June 30, 2011, the Department's total payment in lieu of taxes to the City amounted to \$10,838,548 and \$12,404,416, respectively. Payment for City electric service is made by the City to the

Department under the appropriate retail rate classification.

Delinquent electric bills are processed as follows: a bill in arrears is considered delinquent after 30 days. A second bill is then issued with the customer having 10 to 15 days to pay both bills. After the 10 to 15 days have passed with no payment of both bills, the customer's service is subject to discontinuance. The Department's policy is to attempt to notify the customer by telephone or personal contact before service is discontinued. In 2011, out of approximately \$123 million in billed retail revenue, \$808,186 was charged off as uncollectible or 0.65% of total billed retail revenues.

Operating Statistics

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

Historical Annual Peak Demand and Energy Requirements

| Fiscal Year Ended June 30 | Annual Peak Demand | | Annual Energy Requirements For City Load | |
|--|-------------------------------|--|---|--|
| | (MW) | Percent Increase (Decrease) | (MWh) | Percent Increase (Decrease) |
| 2007 | 314.4 | 6.1 | 1,163,574 | 0.4 |
| 2008 | 308.4 | (1.9) | 1,187,360 | 2.0 |
| 2009 | 298.5 | (3.2) | 1,119,075 | (5.8) |
| 2010 | 271.8 | (8.9) | 1,099,236 | (1.8) |
| 2011 | 299.5 | 10.2 | 1,150,976 | 4.7 |

| Fiscal Year Ended June 30 | Annual Load Factor(%) | Average Number of Monthly Metered Accounts | Annual Requirements Per Meter (kWh/Meter) | Summer Season Cooling Degree Days * |
|--|--------------------------------------|---|--|--|
| | | | | (65°F Base) |
| 2007 | 42.2 | 56,489 | 20,598 | 1,475 |
| 2008 | 43.8 | 56,793 | 20,907 | 1,582 |
| 2009 | 42.8 | 56,734 | 19,725 | 1,258 |
| 2010 | 46.2 | 56,585 | 19,426 | 1,135 |
| 2011 | 43.9 | 56,458 | 20,386 | 1,634 |

* 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, | | | | |
|--|------------------------------|-----------|-----------|-----------|-----------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Energy Supplied (MWh): | | | | | |
| Net Generation, City Power Plants | 394,542 | 452,692 | 296,367 | 134,843 | 120,588 |
| Purchased Power Energy from | | | | | |
| Other Utilities | 784,817 | 774,137 | 873,639 | 1,088,818 | 1,129,612 |
| Unintentional Interchange | -27 | -13 | -48 | 69 | -14 |
| Gross Energy Supplied | 1,179,332 | 1,226,816 | 1,169,958 | 1,223,730 | 1,250,186 |
| Energy Sold to Other Utilities | -15,758 | -39,456 | -50,882 | -124,494 | -99,210 |
| Total energy, City Load | 1,163,574 | 1,187,360 | 1,119,076 | 1,099,236 | 1,150,976 |
| Border Customer Purchases | 1,301 | 1,335 | 1,186 | 1,348 | 1,583 |
| Total Energy, City Load and City Border Customers | 1,164,875 | 1,188,695 | 1,120,262 | 1,100,584 | 1,152,559 |
| Border Customer Sales | -6,402 | -4,246 | -3,741 | -3,850 | -4,257 |
| Total Energy, City System | 1,158,473 | 1,184,449 | 1,116,521 | 1,096,734 | 1,148,302 |
| Consumption By Classes (MWh) * | | | | | |
| Residential | 532,935 | 545,808 | 512,725 | 503,508 | 541,137 |
| Commercial | 508,964 | 516,788 | 492,760 | 492,974 | 497,396 |
| Industrial | 45,353 | 44,911 | 42,815 | 42,754 | 41,653 |
| Other | 9,521 | 9,763 | 9,827 | 9,982 | 10,363 |
| Total Retail Sales | 1,096,773 | 1,117,270 | 1,058,127 | 1,049,218 | 1,090,549 |
| Sold to Other Utilities (inc. border customers) | 22,160 | 43,702 | 54,623 | 128,344 | 103,467 |
| Total MWh Sales | 1,118,933 | 1,160,972 | 1,112,750 | 1,177,562 | 1,194,016 |
| Revenue by Classes (\$000) * | | | | | |
| Residential | \$53,326 | \$55,218 | \$52,555 | \$56,500 | \$64,723 |
| Commercial | 43,673 | 44,708 | 45,171 | 48,273 | 52,003 |
| Industrial | 2,891 | 2,999 | 2,904 | 3,085 | 3,292 |
| Other | 1,214 | 1,328 | 1,434 | 1,621 | 1,551 |
| Total Retail Sales | \$101,104 | \$104,253 | \$102,064 | \$109,479 | \$121,569 |
| Sold to Other Utilities | 796 | 2,081 | 1,765 | 4,039 | 3,077 |
| Total | \$101,900 | \$106,334 | \$103,829 | \$113,518 | \$124,646 |
| Average Number of Meters (Total System) | 56,489 | 56,793 | 56,734 | 56,585 | 56,458 |
| Average Number of Meters (Residential) | 51,372 | 51,653 | 51,593 | 51,458 | 51,277 |

* 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 1.8% of retail sales of the system and 1.3% of retail billed revenues.

Twelve (12) Largest Commercial and Industrial Customer Accounts

July 2010 - June 2011

| | kWh | Revenue |
|--|--------------------|--------------------|
| 1 Unilever | 20,269,200 | \$1,602,069 |
| 2 Centerpoint Medical Center | 16,308,600 | 1,488,061 |
| 3 Burd & Fletcher (Combined Accts.) | 19,409,700 | 1,356,880 |
| 4 Simon Property Group LP | 13,683,648 | 1,085,788 |
| 5 Commercial Distribution Center Inc. | 12,261,000 | 1,065,342 |
| 6 The Boyer Company | 5,654,700 | 501,335 |
| 7 Costco Wholesale Inc. | 4,989,900 | 487,663 |
| 8 City's Rock Creek Sanitary Sewer Plant | 5,246,400 | 481,935 |
| 9 Independence Event Center | 4,325,600 | 470,174 |
| 10 Price Chopper (23rd Street) | 5,148,900 | 465,636 |
| 11 Hy-Vee (Noland Road) | 4,520,160 | 412,636 |
| 12 Price Chopper (Noland Road) | 4,439,520 | 402,547 |
| Total | <u>116,257,328</u> | <u>\$9,820,065</u> |
| Percent of Total Retail Billed Sales | 10.4% | 8.0% |

July 2009 - June 2010

| | kWh | Revenue |
|--|--------------------|--------------------|
| 1 Unilever | 18,741,600 | \$1,381,684 |
| 2 Centerpoint Medical Center | 15,231,000 | 1,315,375 |
| 3 Burd & Fletcher (Combined Accts.) | 18,571,100 | 1,200,156 |
| 4 Commercial Distribution Center Inc. | 13,322,400 | 1,066,922 |
| 5 Simon Property Group LP | 13,019,778 | 1,006,142 |
| 6 Price Chopper (23rd Street) | 6,085,200 | 500,527 |
| 7 Price Chopper (Noland Road) | 5,491,680 | 462,839 |
| 8 City's Rock Creek Sanitary Sewer Plant | 5,222,400 | 454,499 |
| 9 Costco Wholesale Inc. | 4,988,700 | 440,479 |
| 10 The Boyer Company | 5,145,900 | 435,014 |
| 11 Hy-Vee (Noland Road) | 4,369,440 | 373,284 |
| 12 Hy-Vee (23rd Street) | 3,954,000 | 331,112 |
| Total | <u>114,143,198</u> | <u>\$8,968,032</u> |
| Percent of Total Retail Billed Sales | 11.2% | 8.5% |

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

24 Months Totals (July 2009-June 2011)

| | Total kWh Over 24 Months | Total Revenue Over 24 Months |
|--|--------------------------------|------------------------------------|
| | <u>24 Months</u> | <u>24 Months</u> |
| 1 Unilever | 39,010,800 | \$2,983,752 |
| 2 Centerpoint Medical Center | 31,539,600 | 2,803,436 |
| 3 Burd & Fletcher (Combined Accts.) | 37,980,800 | 2,557,036 |
| 4 Commercial Distribution Center Inc. | 25,583,400 | 2,132,264 |
| 5 Simon Property Group LP | 26,703,426 | 2,091,929 |
| 6 Price Chopper (23rd Street) | 11,234,100 | 966,163 |
| 7 City's Rock Creek Sanitary Sewer Plant | 10,468,800 | 936,434 |
| 8 The Boyer Company | 10,800,600 | 936,349 |
| 9 Costco Wholesale Inc. | 9,978,600 | 928,142 |
| 10 Price Chopper (Noland Road) | 9,931,200 | 865,386 |
| 11 Hy-Vee (Noland Road) | 8,889,600 | 785,920 |
| 12 Independence Event Center | 7,479,200 | 772,032 |
| Total | <u>229,600,126</u> | <u>\$18,758,842</u> |
| Percent of Total Retail Billed Sales | 10.7% | 8.2% |

The following tables provide financial information for the past five fiscal years. For the fiscal year ending June 30, 2011, the Department realized a negative net income due to less than projected sales revenue. The sales revenue was less than anticipated due to lower sales during the non-summer months due to mild weather. The Department anticipates that the negative net income will be largely corrected in the future by a series of rate increases. The initial 9.0% rate increase in January 2009, 5.0% in July 2009, 5.0% in July 2010, and 5.0% in July 2011 have been implemented with a future 5.0% rate increases to be implemented in July 2012.

Condensed Statement of Operations

| | Fiscal Years Ending June 30, | | | | |
|--------------------------------------|-------------------------------------|-------------|-------------|-------------|-------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Total Operating Revenue | 103,133,249 | 107,619,947 | 105,064,847 | 114,744,814 | 126,755,826 |
| Operating Revenue Deductions | | | | | |
| Fuel | 13,835,233 | 17,900,398 | 12,866,864 | 6,795,158 | 6,416,439 |
| Purchased Power | 33,166,084 | 31,962,458 | 34,594,764 | 41,806,408 | 44,540,042 |
| Production | 10,513,325 | 14,264,645 | 14,239,231 | 13,655,940 | 14,698,540 |
| Transmission & Distribution | 10,247,780 | 11,425,578 | 12,444,477 | 14,039,156 | 15,501,502 |
| Customer Service | 2,966,584 | 3,017,212 | 3,029,850 | 3,250,364 | 3,718,358 |
| General & Administrative | 8,804,290 | 12,193,191 | 12,108,388 | 12,714,003 | 14,455,119 |
| Total O&M | 79,533,296 | 90,763,482 | 89,283,574 | 92,261,029 | 99,330,000 |
| Total Operating Revenue Deductions | 99,803,233 | 112,866,877 | 111,981,668 | 115,807,187 | 125,948,296 |
| Net Operating Income | 3,330,016 | -5,246,930 | -6,916,821 | -1,062,373 | 807,530 |
| Total Non-Operating Deductions (net) | 1,058,328 | 358,431 | 840,741 | -638,528 | -1,424,042 |
| Net Income | 4,388,344 | -4,888,499 | -6,076,080 | -1,700,901 | -616,512 |
| Capital Contributions | 2,628,123 | 1,310,874 | 1,323,998 | 1,413,624 | 1,905,706 |
| Change in Net Assets | 7,016,467 | -3,577,625 | -4,752,082 | -287,277 | 1,289,194 |

Debt Service Coverage

| Year Ended June 30 | Gross Revenues (1) | Operating Expenses (2) | Revenue Available for Debt Service | Debt Service Requirements | Debt Service Coverage |
|-----------------------------------|-------------------------------|-----------------------------------|---|--|--------------------------------------|
| 2007 | 105,313,797 | 80,423,304 | 24,890,493 | 2,779,823 | 8.95 |
| 2008 | 109,358,222 | 91,756,283 | 17,601,939 | 2,773,218 | 6.35 |
| 2009 | 106,810,460 | 88,778,796 | 18,031,664 | 2,783,693 | 6.48 |
| 2010 | 115,265,625 | 91,580,163 | 23,685,462 | 4,394,388 | 5.39 |
| 2011 | 127,486,725 | 98,684,454 | 28,802,271 | 5,430,202 | 5.30 |

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

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

Condensed Balance Sheet

| | Fiscal Years Ending June 30, | | | | |
|--|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Net Utility Plant | 154,852,654 | 164,364,711 | 162,208,949 | 174,319,980 | 191,625,081 |
| Current Assets | 54,284,767 | 39,991,623 | 35,995,866 | 41,310,513 | 46,415,386 |
| Deferred Charges and Other Assets | 590,715 | 559,188 | 31,191,005 | 17,160,344 | 18,388,845 |
| Total Assets | <u>209,728,136</u> | <u>204,915,522</u> | <u>229,395,820</u> | <u>232,790,837</u> | <u>256,429,312</u> |
| Current Liabilities | 13,333,931 | 12,285,256 | 10,655,918 | 14,278,809 | 12,139,397 |
| Long-Term Liabilities and Deferred Credits | 16,298,227 | 16,111,918 | 46,973,637 | 47,033,041 | 71,521,736 |
| Total Equity | <u>180,095,978</u> | <u>176,518,348</u> | <u>171,766,265</u> | <u>171,478,987</u> | <u>172,768,179</u> |
| Total Liabilities and Equity | <u>209,728,136</u> | <u>204,915,522</u> | <u>229,395,820</u> | <u>232,790,837</u> | <u>256,429,312</u> |

Employee Relations

As of June 30, 2011 the Department had 225 budgeted full-time positions, of which 162 are hourly personnel and 63 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, 2009, and thereafter until October 31, 2014.

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. During March 2009, the City issued additional obligations of \$17,520,000 through the Missouri Development Finance Board to absorb capital

improvement costs. During October 2009, the 1986 bonds were refunded by the issuance of bonds amounting to \$19,310,000.

The water system includes 41 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 750 miles of water main ranging in size from 2 inches to 36 inches, and five storage facilities with capacity totaling 10 million gallons. These facilities provide water service to approximately 48,089 customers on a retail basis, and resale (wholesale) water service to 11 customers.

Organization

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

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

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

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

Transmission and Distribution Division - The Transmission and Distribution Division is responsible for the construction, engineering, operation and maintenance of the transmission and distribution facilities of the Department.

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, and other administrative services. For fiscal year 2011, the Department was billed \$1,592,443 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 2011, the City's Power & Light and Water Pollution Control Departments were billed \$1,839,170 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 28 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 17 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 30 years. Ms. Kelley holds a BS in Biology degree from the University of Missouri at Kansas City. She holds a Class “A” Water Certification and Distribution System III Certification from the Missouri Department of Natural Resources.

Denne L. Roe - Water Distribution/Engineering Manager. Mr. Roe has been with the City for 37 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. Forty 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 | 500 - 1085 |
| Number | 6 | Ammonia | |
| Capacity, ea, mgd | 8.4 | Average, ppd | 75 |
| Filters | | Range, ppd | 50 - 130 |
| Number | 14 | Phosphate | |
| Capacity, ea, mgd | 4 | Average, ppd | 125 |
| Chemicals | | Range, ppd | 90 - 160 |
| Lime | | | |
| Average, ppd | 52,000 | | |
| Range, ppd | 40,000 - 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 and 39th Street Pumping Stations.

Piping : The Department had, at the end of fiscal year 2011, approximately 750 miles of piping ranging in size from 2 inches to 36 inches. The majority of the system mains are 6 inches in diameter.

Pumping Stations : Five main pumping stations operated and maintained by the Water Department supply treated water to the distribution system. The Courtney Bend High Service

Pumping Station, Van Horn Pumping Station, 39th Street Pumping Station, and 35th Street Pumping Station are all controlled from the Courtney Bend Treatment Plant. The fifth station, the Chrysler Pumping Station, is an automatic booster station controlled off of system pressure.

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

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

The 35th Street Pumping Station contains two electrically driven 2,250 gpm pumps and one 1750 gpm pump. Each pump can be remotely controlled from the Courtney Bend WTP or manually controlled from within the pumping station.

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

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

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

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

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

| | | | | | |
|--------------------------|------------------------|-------------------------------|-----|-------------------------------|-----|
| North Main Elevated Tank | | Van Horn Storage Reservoir | | 39th Street Storage Reservoir | |
| Capacity, MG | 0.5 | Capacity, MG | 2.0 | Capacity, MG | 5.0 |
| Diameter, ft | 50 | Diameter, ft | 135 | Diameter, ft | 130 |
| Height to HWL, ft | 39.3 | Height, ft | 19 | Height, ft | 50 |
| | 121.3 ft. above ground | | | | |
| | | | | | |
| Dodgion Elevated Tank | | 35th Street Storage Reservoir | | | |
| Capacity, MG | 0.5 | Capacity, MG | 2.0 | | |
| Diameter, ft | 50 | Diameter, ft | 80 | | |
| Height to HWL, ft | 39 | Height, ft | 54 | | |
| | 130 ft. above ground | | | | |

Emergency Interconnections : The Water Department has four emergency interconnections with the City of Kansas City, Missouri Water Department's distribution system to supply either system with water in an emergency. The capacity of each system varies based upon system pressure and direction of flow. The emergency interconnections are located at I-435 and Truman Road, Highway 40 and Noland Road, Highway 40 and Hunter, and in the vicinity of Blue Ridge Boulevard and Wilson Road.

Support Facilities

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

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

Maintenance

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

Financial Data

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

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

Customers Served : As shown in the following table, the number of customers served by the Water Department totaled 48,089 as of June 30, 2011. 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 decreased over the 4-year period 2008 to 2011 at an annual rate of .18 percent.

Historical Customers, Water Sales, and Revenues

| Customer Classification | Year Ended June 30 | | | |
|------------------------------------|--------------------|------------|------------|------------|
| | 2008 | 2009 | 2010 | 2011 |
| Residential | 44,779 | 44,732 | 44,619 | 44,518 |
| Commercial | 3,096 | 3,111 | 3,102 | 3,098 |
| Industrial ** | 7 | 7 | 6 | 6 |
| Public Authority | 74 | 73 | 72 | 72 |
| Resale * | 13 | 13 | 13 | 13 |
| Private Fire Protection | 381 | 382 | 381 | 382 |
| Total | 48,350 | 48,318 | 48,193 | 48,089 |
| Water Sales - 1,000 Gallons | | | | |
| Residential | 3,215,673 | 2,952,653 | 2,806,556 | 2,974,215 |
| Commercial | 975,056 | 882,227 | 780,631 | 850,343 |
| Industrial | 213,850 | 173,600 | 207,140 | 202,310 |
| Public Authority | 103,646 | 98,562 | 95,685 | 78,734 |
| Resale | 4,892,428 | 4,501,645 | 5,106,877 | 4,935,360 |
| Private Fire Protection | NA | NA | NA | NA |
| Total | 9,400,653 | 8,608,687 | 8,996,889 | 9,040,962 |
| Water Sales - \$ | | | | |
| Residential | 8,994,600 | 9,037,744 | 9,403,985 | 10,726,567 |
| Commercial | 2,458,013 | 2,450,246 | 2,404,953 | 2,835,271 |
| Industrial | 308,642 | 300,577 | 407,313 | 450,156 |
| Public Authority | 267,428 | 281,615 | 297,218 | 263,137 |
| Resale | 5,023,444 | 4,930,608 | 6,302,495 | 6,659,302 |
| Private Fire Protection | 67,814 | 88,007 | 94,424 | 103,321 |
| Public Fire Protection | 674,303 | 767,863 | 791,226 | 789,199 |
| Other Sales | 339,489 | 488,796 | 332,257 | 353,004 |
| Total | 18,133,733 | 18,345,456 | 20,033,871 | 22,179,957 |

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

** One (1) of the six customers has two (2) meter connections.

The following tables indicate the top water users for the last fiscal year:

Wholesale Water Supply Contracts

| Customer Name | Water Sales (1,000 Gallons) | Water Sales (Dollars) |
|-------------------------------|--|----------------------------------|
| Lee's Summit | 2,836,757 | \$3,841,421 |
| Blue Springs | 772,627 | 1,033,424 |
| District #2, Jackson County | 346,879 | 465,369 |
| District #1, Lafayette County | 237,597 | 320,110 |
| Oak Grove | 236,888 | 318,359 |
| Grain Valley | 165,010 | 221,005 |
| District #15, Jackson County | 126,469 | 170,277 |
| Buckner | 98,758 | 133,158 |
| Sugar Creek | 56,292 | 77,307 |
| District #17, Jackson County | 37,780 | 51,045 |
| Lake Tapawingo | 20,303 | 27,827 |
| | <u>4,935,360</u> | <u>\$6,659,302</u> |

Large Consumption Water Customers

| Customer Name | Water Sales (1,000 Gallons) | Water Sales (Dollars) |
|----------------------------|--|----------------------------------|
| Lafarge Corporation | 65,117 | \$188,134 |
| Lipton Tea* | 80,813 | 151,640 |
| Centerpoint Medical Center | 20,232 | 38,191 |
| Independence Center | 15,726 | 30,894 |
| Commercial Distribution | 10,889 | 20,867 |
| Tandum/QCA | 9,533 | 20,430 |
| | <u>202,310</u> | <u>\$450,156</u> |

Water Sales Volume : Total water sales volumes decreased at an annual rate of 1.29 percent from 2008 to 2011. During the 4-year period, wholesale customers purchased approximately 53.92 percent of the water sold by the Water Department. Water sales volumes are shown in the previous table.

Water Sales Revenues : As shown in the previous table, water sales revenues, including revenues from public and private fire protection charges, experienced an annual growth rate of 6.94 percent from 2008 to 2011. 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 2008 to 2011 are shown in the following table:

Historical Operation and Maintenance Expense

| Description | Year Ended June 30 | | | |
|---------------------------------------|--------------------|------------|------------|------------|
| | 2008 | 2009 | 2010 | 2011 |
| | \$ | \$ | \$ | \$ |
| Source of Supply | | | | |
| Operations | 289,230 | 260,776 | 324,153 | 348,994 |
| Maintenance | 216,460 | 658,153 | 218,807 | 280,616 |
| Total Source of Supply | 505,690 | 918,929 | 542,960 | 629,610 |
| Power and Pumping | | | | |
| Operations | | | | |
| Fuel/Power Purchased | 1,400,789 | 1,394,942 | 1,517,817 | 1,607,254 |
| Other | 216,029 | 268,552 | 268,096 | 256,811 |
| Maintenance | 38,717 | 29,087 | 109,980 | 41,687 |
| Total Power and Pumping | 1,655,535 | 1,692,581 | 1,895,893 | 1,905,752 |
| Water Treatment | | | | |
| Operations | | | | |
| Chemicals | 1,024,386 | 1,052,892 | 1,276,435 | 1,236,913 |
| Other | 700,878 | 790,897 | 694,648 | 607,400 |
| Maintenance | 409,251 | 729,428 | 378,294 | 363,272 |
| Total Water Treatment | 2,134,515 | 2,573,217 | 2,349,377 | 2,207,585 |
| Transmission & Distribution | | | | |
| Operations | 1,815,239 | 2,094,355 | 2,123,693 | 2,007,706 |
| Maintenance | 1,655,154 | 1,532,851 | 1,401,758 | 1,467,874 |
| Total Transmission & Distribution | 3,470,393 | 3,627,206 | 3,525,451 | 3,475,580 |
| Customer Accounting & Collection | | | | |
| Operations | 1,211,629 | 934,546 | 1,062,441 | 830,735 |
| Sales Promotion | | | | |
| Operations | 45,315 | 39,461 | 30,058 | 27,025 |
| Administrative & General | | | | |
| Operations | | | | |
| Outside Services Employed | 1,171,580 | 1,031,074 | 949,497 | 1,048,522 |
| Employee Pensions & Benefits | 1,534,356 | 1,519,240 | 1,764,026 | 2,021,288 |
| Other | 1,751,621 | 1,470,462 | 1,478,126 | 1,475,050 |
| Maintenance | 105,228 | 113,980 | 120,108 | 114,518 |
| Total Administrative & General | 4,562,785 | 4,134,756 | 4,311,757 | 4,659,378 |
| Subtotal Operations Expense | 11,161,052 | 10,857,197 | 11,488,990 | 11,467,698 |
| Subtotal Maintenance Expense | 2,424,810 | 3,063,499 | 2,228,947 | 2,267,967 |
| Total Operation & Maintenance Expense | 13,585,862 | 13,920,696 | 13,717,937 | 13,735,665 |

Debt Service Coverage

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

Historical Debt Service Coverage

| | Year Ended June 30 | | | |
|---|--------------------|------------|------------|------------|
| | 2008 | 2009 | 2010 | 2011 |
| | \$ | \$ | \$ | \$ |
| Revenues | | | | |
| Operating Revenues | 18,114,183 | 18,607,799 | 20,134,421 | 22,203,258 |
| Interest Income | 239,518 | 18,001 | 4,710 | 6,335 |
| Other Income | 68,421 | 84,146 | 85,689 | 83,098 |
| Total Revenues | 18,422,122 | 18,709,946 | 20,224,820 | 22,292,691 |
| Expenses | | | | |
| Operations | 11,161,052 | 10,857,197 | 11,488,990 | 11,467,698 |
| Maintenance | 2,424,810 | 3,063,499 | 2,228,947 | 2,267,967 |
| Federal Retirement Taxes | 320,143 | 359,297 | 363,519 | 354,530 |
| less OPEB & LAGERS obligation | (637,067) | (661,136) | (695,276) | (956,375) |
| Total Operating Expenses | 13,268,938 | 13,618,857 | 13,386,180 | 13,133,820 |
| Gross Receipts Tax (PILOT) | 1,705,015 | 1,773,519 | 1,898,396 | 2,135,230 |
| Total Expenses | 14,973,953 | 15,392,376 | 15,284,576 | 15,269,050 |
| Revenues Available for | | | | |
| Debt Service Coverage | 5,153,184 | 5,091,089 | 6,838,640 | 9,158,871 |
| Debt Service | | | | |
| Revenue Bond Interest | 1,838,014 | 2,032,591 | 2,413,924 | 2,210,141 |
| Revenue Bond Expenses | 90,256 | 111,364 | 81,892 | 53,132 |
| Revenue Bond Principal | 2,200,000 | 2,380,000 | 2,525,000 | 2,790,000 |
| Certificates of Participation Interest | - | - | - | - |
| Certificates of Participation Principal | - | - | - | - |
| Total Debt Service to be Covered | 4,128,270 | 4,523,955 | 5,020,816 | 5,053,273 |
| Debt Service Coverage Ratio: | | | | |
| Revenue Bonds | 125% | 113% | 136% | 181% |

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 2012 through 2017 can be found in Part V of this document.

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

Employee Relations

The Department currently has 97 full-time positions, of which 71 are hourly personnel engaged in Production, Transmission, Distribution, Engineering and Support Services, and 26 are Administrative or Supervisory Personnel.

Hourly employees at the Department are represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local No. 13558 or Service Employees International Union, Local No. 96 effective July 1, 2007 and thereafter until June 30, 2012. There have been no work stoppages, slow downs or strikes.

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

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

Water Pollution Control Department

Description of the Sanitary Sewer System

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

The Department maintains over 613 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 220 miles of storm sewer pipe and over 13,500 structures in the City. Though not as deep as sanitary sewers, storm sewers require constant maintenance and cleaning due to the impact of the midwest's weather conditions. In addition to the daily maintenance and cleaning, the department performs sampling and testing of storm water and enforces the City's storm water management program for compliance with storm water regulations. There are 47 employees who clean, repair and plan for the replacement projects for the City's sanitary and storm water sewers.

Organization

The Department consists of 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 613 miles of sanitary sewers and approximately 220 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 2011, the Department was billed \$1,176,406 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 40 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.

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

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

Collection System

The public collection system is maintained by the Sanitary Sewer Maintenance Division (SMD). The Division's 34 employees maintain over 3 million feet of sewer line from 8 inches to 60 inches in diameter. Additionally, there are over 13,000 manholes in the system that require maintenance.

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

The collection system is in considerably better condition today than a decade ago. The improved condition has been the result of activities to eliminate infiltration and inflow, as well as the repair and replacement of sewer lines and manholes. An additional 13 employees are dedicated to the cleaning and repairing of the 220 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 44,078 as of June 30, 2011. The number of customers served decreased at a moderate rate over the 3 year period 2008 to 2011. The annual rate of decrease from 2008 to 2011 was .19 percent.

Historical Customers, Usage, and Revenues

| <u>Customer Classification</u> | <u>Year Ended June 30</u> | | | |
|--------------------------------|---------------------------|-------------------|-------------------|-------------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
| Number of Customers | | | | |
| Residential | 40,807 | 40,775 | 40,676 | 40,579 |
| Commercial | 3,510 | 3,493 | 3,494 | 3,483 |
| Contract Sales | 15 | 11 | 15 | 16 |
| Total | <u>44,332</u> | <u>44,279</u> | <u>44,185</u> | <u>44,078</u> |
| Usage - 100 Cubic Feet | | | | |
| Residential | 2,937,586 | 2,808,000 | 2,859,193 | 2,729,472 |
| Commercial | 1,700,923 | 1,696,297 | 1,484,809 | 1,567,310 |
| Total | <u>4,638,509</u> | <u>4,504,297</u> | <u>4,344,002</u> | <u>4,296,782</u> |
| Revenue \$ | | | | |
| Residential | 9,854,124 | 9,841,314 | 9,733,214 | 9,873,906 |
| Commercial | 4,559,524 | 4,560,728 | 4,569,721 | 4,841,546 |
| Contract Sales | 281,691 | 274,377 | 296,278 | 289,644 |
| Intermunicipal Agreements | 455,779 | 484,960 | 456,559 | 566,817 |
| Other Revenues | 144,366 | 146,805 | 145,058 | 134,859 |
| Regulatory Compliance | | | | 1,452,555 |
| Total | <u>15,295,484</u> | <u>15,308,184</u> | <u>15,200,830</u> | <u>17,159,327</u> |

Large Volume Customers

| <u>Customer Name</u> | <u>Sales (1,000 Gallons)</u> | <u>Sales (Dollars)</u> |
|------------------------------|----------------------------------|----------------------------|
| Thomas J. Lipton, Co. | 73,555 | \$687,932 |
| City of Indep, Power & Light | 78,784 | 124,251 |
| AMOCO | 62,472 | 262,272 |
| Centerpoint Medical Center | 20,229 | 54,472 |
| Simon Properties Group | 15,726 | 41,144 |
| Commercial Distribution | 7,266 | 18,024 |
| | <u>258,032</u> | <u>\$1,188,095</u> |

Usage Volume : Total usage volumes decreased slightly from 2008 to 2011. The decrease was 2.46 percent due to decreased water consumption. Usage volumes are shown in the previous table.

Revenues : As shown in the previous table, revenues increased approximately .90 percent annually from 2008 to 2011. A rate increase contributed to the increase.

Operations and Maintenance Expenses: Operations and maintenance expenses for the period 2008 to 2011 are shown on the following table.

Historical Operation and Maintenance Expense

| <u>Description</u> | <u>Year Ended June 30</u> | | | |
|--------------------------------|---------------------------|-------------------|-------------------|-------------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
| Collection | 2,521,672 | 2,722,507 | 2,695,226 | 2,655,056 |
| Laboratory Services | 221,916 | 204,057 | 222,908 | 231,767 |
| Treatment & Disposal | 7,175,127 | 7,521,857 | 7,435,137 | 7,755,849 |
| Administrative & General | 2,467,939 | 2,556,944 | 2,650,810 | 3,390,182 |
| Total Operations & Maintenance | <u>12,386,654</u> | <u>13,005,365</u> | <u>13,004,081</u> | <u>14,032,854</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 reflects a treatment plant expansion for peak flow treatment, pump station peak flow improvements, nitrification and disinfections improvements, as well as collection system capacity improvements that are intended to be debt financed. Additional information regarding the Capital Improvements Program for fiscal years 2011 through 2016 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.

All employees of the Department are currently non-represented.

PART IV - OPERATING BUDGET - SUMMARY

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

**CITY OF INDEPENDENCE, MISSOURI
2011-12 Operating Budget
Summary of Sources and Uses by Fund and Fund Type**

| | Special Revenue Funds | | | | | License Surcharge (Excise Tax) |
|--|-----------------------|----------------|-----------------|--------------------|--------------------------------|--------------------------------------|
| | General Fund | Grant Funds | Tourism Fund | CDBG/HOME Funds | Combined Sales Tax Funds | |
| Sources: | | | | | | |
| Undesignated Fund Balance | | | | | | |
| Designated Fund Balance | | | | | | |
| Estimated Revenues | 73,820,654 | 1,430,619 | 1,287,200 | 1,239,717 | 19,243,314 | 505,000 |
| Consolidation Adjustments- | | | | | | |
| Interfund Charges for Support Ser. | | | (69,766) | | | |
| Transfers In- | | | | | | |
| From Other Funds | | | | | | |
| Total Sources | 73,820,654 | 1,430,619 | 1,217,434 | 1,239,717 | 19,243,314 | 505,000 |
| Uses: | | | | | | |
| Operating Budgets- | | | | | | |
| City Council | 409,522 | | | | | |
| City Clerk | 366,678 | | | | | |
| City Manager | 838,697 | | | | | |
| Tourism | | | 1,375,508 | | | |
| National Frontier Trails Center | 372,833 | | | | | |
| Technology Services | 1,716,104 | | | | | |
| Municipal Court | 751,614 | | | | | |
| Law | 764,018 | 26,407 | | | | |
| Finance | 1,873,956 | | | | | |
| Human Resources | 408,934 | | | | | |
| Community Development | 2,545,018 | | | 204,730 | | |
| Police | 24,885,849 | 713,211 | | | 2,870,346 | |
| Fire | 15,749,223 | 50,990 | | | 1,605,500 | |
| Health | 2,558,732 | 640,011 | | | | |
| Water | | | | | | |
| Public Works | 5,684,843 | | | | 7,000 | |
| Water Pollution Control | - | | | | 2,130,894 | |
| Parks and Recreation | 1,939,556 | | | | 2,361,748 | |
| Power and Light | | | | | | |
| Non-Departmental | 8,437,370 | | | | | |
| Debt Service/Lease Purchase | - | | | | 3,768,635 | |
| Capital Outlay/Budget | 374,848 | | | | 9,087,700 | |
| Consolidation Adjustments- | | | | | | |
| Interfund Charges for Support Ser. | | | (69,766) | | | |
| Internal Service Fund Charges | | | | | | |
| Total Operating Budgets | 69,677,795 | 1,430,619 | 1,305,742 | 204,730 | 21,831,823 | - |
| Transfers Out- | | | | | | |
| Desig. for Capital & Grant Projects To Other Funds | 4,142,859 | | - | 1,034,987 | | - |
| Total Uses | 73,820,654 | 1,430,619 | 1,305,742 | 1,239,717 | 21,831,823 | - |
| Transfer To(From) Undesignated Fund Balance/Retained Earnings | - | - | (88,308) | - | (2,588,509) | 505,000 |

CITY OF INDEPENDENCE, MISSOURI
2011-12 Operating Budget
Summary of Sources and Uses by Fund and Fund Type

| | Enterprise Funds | | | Internal Service Funds | Grand Total All Funds |
|--|-----------------------|------------------------|---------------|------------------------------|-----------------------------|
| | Power & Light Fund | Sanitary Sewer Fund | Water Fund | | |
| Sources: | | | | | |
| Undesignated Fund Balance | | | | | - |
| Designated Fund Balance | | | | | - |
| Estimated Revenues | 141,474,890 | 18,409,817 | 25,425,420 | 27,124,066 | 309,960,697 |
| Consolidation Adjustments- | | | | | - |
| Interfund Charges for Support Ser. | (3,082,450) | (1,250,150) | (2,080,100) | | (6,482,466) |
| Internal Service Fund Charges | | | | (25,566,601) | (25,566,601) |
| Transfers In- | | | | | - |
| From Other Funds | | - | | | - |
| Debt Proceeds | | 4,197,650 | | | - |
| Total Sources | 138,392,440 | 21,357,317 | 23,345,320 | 1,557,465 | 277,911,630 |
| Uses: | | | | | |
| Operating Budgets- | | | | | |
| City Council | | | | | 409,522 |
| City Clerk | | | | | 366,678 |
| City Manager | | | | | 838,697 |
| Tourism | | | | | 1,375,508 |
| National Frontier Trails Center | | | | | 372,833 |
| Technology Services | 108,401 | | | | 1,824,505 |
| Municipal Court | | | | | 751,614 |
| Law | | | | 2,198,179 | 2,988,604 |
| Finance | | | 60,001 | | 1,933,957 |
| Personnel | | | | | 408,934 |
| Community Development | | | | | 2,749,748 |
| Police | | | | | 28,469,406 |
| Fire | | | | | 17,405,713 |
| Health | | | | | 3,198,743 |
| Water | | | 13,147,680 | | 13,147,680 |
| Public Works | | 76,000 | | | 7,937,736 |
| Water Pollution Control | | 12,623,174 | | 2,169,893 | 14,754,068 |
| Parks and Recreation | | | | | 4,301,304 |
| Power and Light | 105,330,629 | | | | 105,330,629 |
| Non-Departmental | 21,130,735 | 3,705,170 | 5,646,335 | 21,198,529 | 60,118,139 |
| Debt Service/Lease Purchase | 6,871,436 | | 5,095,733 | | 15,735,804 |
| Capital Outlay/Budget | 10,860,000 | 4,197,650 | - | | 24,520,198 |
| Consolidation Adjustments- | | | | | - |
| Interfund Charges for Support Ser. | (3,082,450) | (1,250,150) | (2,080,100) | | (6,482,466) |
| Internal Service Fund Charges | | | | (25,566,601) | (25,566,601) |
| Total Operating Budgets | 141,218,751 | 19,351,844 | 21,869,649 | - | 276,890,953 |
| Transfers Out- | | | | | |
| Desig. for Capital & Grant Projects | | | | | 1,034,987 |
| To Other Funds | | | | | 4,142,859 |
| To Capital Project Funds | | | | | - |
| Total Uses | 141,218,751 | 19,351,844 | 21,869,649 | - | 282,068,799 |
| Transfer To(From) Undesignated Fund Balance/Retained Earnings | (2,826,311) | 2,005,473 | 1,475,671 | 1,557,465 | (4,157,169) |

PART V - CAPITAL IMPROVEMENTS PLAN - SUMMARY

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

Proposed Capital Improvement Program 2011-2012 through 2016-2017

| | Funding Source | Project Cost | | | | | |
|--|----------------|------------------|----------------|------------------|----------------|------------------|----------------|
| | | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
| Community Improvements | | | | | | | |
| Alley Rehabilitation Program | SST | 150,000 | 150,000 | 90,000 | 150,000 | | |
| Delaware Streetscape Improvements | SST | 112,118 | | | | | |
| Delaware Streetscape Improvements | CCG | 25,000 | | | | | |
| Delaware Streetscape Improvements | P&L Fund | 170,000 | | | | | |
| Delaware Streetscape Improvements | SWST | 42,700 | | | | | |
| Delaware Streetscape Improvements | NID | 34,237 | | | | | |
| Delaware Streetscape Improvements | STP | 500,000 | | | | | |
| Englewood Sidewalks | SST | 15,290 | | | | | |
| Englewood Sidewalks | P&L Fund | 2,817 | | | | | |
| Englewood Sidewalks | CCG | 57,937 | | | | | |
| Englewood Sidewalks | STP | 228,131 | | | | | |
| Mill Creek Ballfields | PRST | 300,000 | 300,000 | 300,000 | | | |
| Park Maintenance, Security & Inspection | PRST | 100,000 | 100,000 | | | 100,000 | 100,000 |
| Park Revitalization | PRST | 150,000 | 150,000 | 200,000 | 50,000 | 350,000 | 250,000 |
| Sidewalks to Parks Program | PRST | 100,000 | 200,000 | 100,000 | | 50,000 | |
| Sidewalks to Schools Program | PRST | 200,000 | | 250,000 | 250,000 | 300,000 | 300,000 |
| Trails (formerly Rock Creek Trail) | PRST | | | | | 50,000 | 50,000 |
| Water Park Expansion | PRST | | | | | 1,500,000 | |
| Community Improvements Totals | | 2,188,230 | 900,000 | 940,000 | 450,000 | 2,350,000 | 700,000 |
| Street & Bridges Improvements | | | | | | | |
| 39th Street Bridge over Little Blue River | Excise Tax | 100,000 | 100,000 | 600,000 | | | |
| 39th Street Bridge over Little Blue River | STP | | | 2,800,000 | | | |
| Bly Road Bridge | SST | 1,800,000 | | | | | |
| Claremont Bridge Replacement | SWST | 150,000 | | | | | |
| Claremont Culvert South of Truman | SST | | | 500,000 | | | |
| Street & Bridges Improvements Total | | 2,050,000 | 100,000 | 3,900,000 | 0 | 0 | 0 |
| Facility Improvements | | | | | | | |
| Jail Improvement Project | Gen. Fund | 86,400 | | | | | |
| Settling Basin No. 5 Drive Replacement | WATER | | | | | 275,000 | |
| Settling Basin No.'s 3 & 4 Drive Replacemt | WATER | | | | 375,000 | | |
| Facility Improvements Totals | | 86,400 | - | - | 375,000 | 275,000 | |

Proposed Capital Improvement Program 2011-2012 through 2016-2017

| | Funding Source | Project Cost | | | | | |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
| Public Safety Improvements | | | | | | | |
| 24 Highway Sidewalks | SST | | 30,000 | 140,000 | | | |
| 24 Highway Sidewalks | STP | | | 560,000 | | | |
| 24 Hwy and Blue Mills Road Intersection | SST | 100,000 | 400,000 | | | | |
| 35th and Phelps Intersection | SST | | | | 900,000 | | |
| Intersection Whitetopping | SST | 230,000 | 230,000 | 470,000 | 240,000 | 240,000 | 480,000 |
| Noland and Fair Intersection | SST | | 440,000 | | | | |
| Remodel Fire Station #5 | FST | 135,000 | | | | | 240,000 |
| School Zone Signalization Program | SST | 40,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Public Safety Totals | | 505,000 | 1,150,000 | 1,220,000 | 1,190,000 | 290,000 | 770,000 |
| Street Improvements | | | | | | | |
| 32nd Street - M-291 Hwy to Van Hook Park | SST | | | | 800,000 | | |
| 35th Street Noland to Chrysler Ave | SST | 1,000,000 | | | | | |
| 35th Street Noland to Chrysler Ave | STP | 2,600,000 | | | | | |
| Bundschu Road - Phase 1 | Excise Tax | | | 1,920,000 | | | |
| Holke Road | Excise Tax | | | | 200,000 | | |
| Street Overlay Program | SST | 3,500,000 | 4,500,000 | 4,000,000 | 5,000,000 | 7,000,000 | 7,500,000 |
| Street Improvements Totals | | 7,100,000 | 4,500,000 | 5,920,000 | 6,000,000 | 7,000,000 | 7,500,000 |
| Water Improvements | | | | | | | |
| 31st Street (Northern to Harris) | WATER | | | | | | 160,000 |
| Additional Wellfield Monitoring Wells | WATER | | 75,000 | | | | |
| Bly Road Bridge Replacement | WATER | | 85,000 | | | | |
| Bundschu Road East of Little Blue Parkway | WATER | | | 125,000 | | | |
| Bundschu Road West of Little Blue Parkway | WATER | | | | 75,000 | | |
| Clean Center Lagoon | WATER | | | | 90,000 | | |
| Clean South Lagoon | WATER | | 90,000 | | | | |
| Corrosion Control of 30" Steel Main | WATER | | 50,000 | | | | |
| Future Production Wells | WATER | | 25,000 | | | | |
| Lime Silo Additions | WATER | | | 500,000 | | | 1,300,000 |
| Main Replacement - City Streets | WATER | | | | 100,000 | 100,000 | 100,000 |
| Northern Blvd. (28th St. to 31st St.) | WATER | | | | | 350,000 | |
| Operatings Building Improvements | WATER | | 50,000 | | | | |
| Paint 35th St. Reservoir | WATER | | | | | | 900,000 |
| Paint 39th St. Reservoir | WATER | | | | 1,000,000 | | |
| Paint Dodgion Elevated Tower | WATER | | | | | 650,000 | |
| PLC Upgrade | WATER | | | 600,000 | | | |
| Replace N. Main Tower | WATER | | 500,000 | | | | |
| Small Main Replacement Program | WATER | | | 800,000 | 800,000 | 800,000 | 800,000 |
| Sludge House Improvements | WATER | | 30,000 | 15,000 | 15,000 | | |
| Water Improvements Totals | | - | 905,000 | 2,040,000 | 2,080,000 | 1,900,000 | 3,260,000 |

Proposed Capital Improvement Program 2011-2012 through 2016-2017

| | Funding Source | Project Cost | | | | | |
|---|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| | | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
| Power & Light Fund: | | | | | | | |
| 69-kV Substation C to Sterling Junction Trans. | P&L Fund | 800,000 | | | | | |
| 69-kV Substation M to Shrank Rd Junction Trans. | P&L Fund | 2,000,000 | | | | | |
| 69-kV Substation S New Transmission Line | P&L Fund | | | 100,000 | 2,000,000 | 4,000,000 | |
| Blue Valley Air Compressor Project | P&L Fund | | 350,000 | | | | |
| Blue Valley Boiler Tube Maintenance/Repair | P&L Fund | | 750,000 | 1,500,000 | 1,500,000 | 1,500,000 | |
| Blue Valley Fuel Oil System Restoration | P&L Fund | 500,000 | | | | | |
| Blue Valley Low Nox Burner Installation | P&L Fund | 3,000,000 | | | | | |
| Blue Valley Medium Voltage Switchgear Replace | P&L Fund | 625,000 | | | | | |
| Blue Valley Turbine Inspection/Repair Unit #3 | P&L Fund | | | | 1,500,000 | | |
| Blue Valley Turbine Inspection/Repair Units #1-2 | P&L Fund | | | | 800,000 | 1,750,000 | |
| Blue Valley Water Well Pump and Piping Maint. | P&L Fund | 400,000 | | | | | |
| Centralized Database and Outage Mgmt System | P&L Fund | 80,000 | 250,000 | 150,000 | | | |
| Distribution Improvements and Additions | P&L Fund | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Missouri City Ash Pond Repairs | P&L Fund | 1,000,000 | | | | | |
| New Peaking Generator | P&L Fund | | 50,000,000 | 50,000,000 | | | |
| New Substation S (southeastern Independence) | P&L Fund | 400,000 | | | 1,200,000 | 6,000,000 | 3,350,000 |
| Production Facilities Improvements | P&L Fund | 315,000 | | | | | |
| Production Plant Miscellaneous Projects | P&L Fund | 500,000 | 400,000 | 400,000 | | | |
| Service Center Facility Improvements | P&L Fund | 250,000 | 250,000 | | | | |
| Substation Capacitor Banks | P&L Fund | 800,000 | | | | | |
| Substation Facilities/Equipment Improvements | P&L Fund | 440,000 | 440,000 | 440,000 | 395,000 | 260,000 | 260,000 |
| Substation I-3 & I-4 Hot Gas Path/Generator Insp. | P&L Fund | 2,500,000 | | | | | |
| Substation Improvements to Substation F | P&L Fund | 75,000 | 2,700,000 | | | | |
| System Operations Backup Facility | P&L Fund | 300,000 | | | | | |
| Undergrounding Utility Services | P&L Fund | 608,000 | 629,000 | 792,000 | 650,000 | 650,000 | 650,000 |
| Undergrounding Utility Services | FG Other | 1,823,000 | 1,886,000 | 2,374,000 | 1,950,000 | 1,950,000 | 1,950,000 |
| Power & Light Totals | | 17,416,000 | 58,655,000 | 56,756,000 | 10,995,000 | 17,110,000 | 7,210,000 |

Proposed Capital Improvement Program 2011-2012 through 2016-2017

| | Funding Source | Project Cost | | | | | |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
| Storm Water | | | | | | | |
| 14th & Arlington Storm Drainage Improvements | SWST | | | 308,000 | | | |
| 19th & Norwood Storm Drainage Improvements | SWST | | | | | 195,000 | |
| 2011 Neighborhood Stormwater Improvements | SWST | 570,000 | | | | | |
| 20th & Arlington | SWST | | | | | 267,000 | |
| 26th/Glendale/Windsor Storm Drainage Improv. | SWST | 800,000 | | | | | |
| 33rd & Claremont Storm Drainage Improvements | SWST | | 1,060,000 | | | | |
| 36th & Poplar Storm Drainage | SWST | | | 460,000 | | | |
| 40th Terrace & Spring Storm Drainage Improvements | SWST | | | | | 75,000 | |
| 8th Street Neighborhood West of Sterling Drainage | SWST | | | | 65,000 | 350,000 | |
| Bellevista Neighborhood West of Sterling Drainage | SWST | 150,000 | | | | | |
| Brookside Drainage Improvements | SWST | | | 150,000 | | | |
| Detention Basin Re-Vegetation | SWST | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Drumm to Crane | SWST | | | 400,000 | | | |
| Ellison Way North of 23rd Storm Drainage Improvemnt | SWST | | | | 50,000 | 250,000 | |
| Griffith Place Storm Water Improvements | SWST | | | 80,000 | 500,000 | | |
| Lakeview Farms Storm Drainage Improvements | SWST | | 907,000 | | | 75,000 | |
| Liberty & Stone Drainage | SWST | | | | 100,000 | | 960,000 |
| Neighborhood Construction Projects | SWST | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Pearl to Crane & Hereford Storm Drainage | SWST | | | 800,000 | | 700,000 | |
| Ralston Storm Drainage Improvements | SWST | | | | 120,000 | | |
| River Heights Drainage | SWST | | | | | 35,000 | |
| Rockwood Storm Drainage Improvements | SWST | | | | 140,000 | | 1,080,000 |
| Salisbury Hills Storm Drainage Improvements | SWST | | | | 545,000 | | |
| Sherwood Estates Streambank Stabilization | SWST | 50,000 | 150,000 | | | | |
| Storm Systems Evaluation Survey (SSES) | SWST | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Sugar Creek Neighborhood Drainage Improvements | SWST | | 75,000 | | 570,000 | | |
| Trenchless Technology | SWST | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| William Yates School Neighborhood Drainage | SWST | 370,000 | | | | | |
| Storm Water Totals | | 2,240,000 | 2,492,000 | 2,498,000 | 2,390,000 | 2,247,000 | 2,340,000 |
| Buildings/Other | | | | | | | |
| Police Headquarters Renovations Project Phase II | PST | 858,000 | | | | | |
| Public Safety Building | FST | | | 200,000 | | | |
| Public Safety Building | PST | | | 600,000 | | | |
| Public Safety Building | Gen. Fund | | | 1,742,975 | | | |
| Public Safety Building | TIF | | 729,304 | 4,482,721 | | | |
| Vehicle Processing Building Project | Gen. Fund | 50,000 | | | | | |
| Buildings/Other Totals | | 908,000 | 729,304 | 7,025,696 | 0 | 0 | 0 |

**Proposed Capital Improvement Program
2011-2012 through 2016-2017**

| | Funding Source | Project Cost | | | | | |
|---|----------------|--------------|-------------|-------------|------------|------------|------------|
| | | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
| Water Pollution Control Improvements | | | | | | | |
| Ash Pumps | Sewer | | | | 77,000 | | |
| Building Boiler Replacement | Sewer | | 125,000 | | | | |
| Degritting System Replacement | Sewer | | | | | 268,000 | |
| Dickinson, Kentucky I & II Pump Station Improv. | Sewer | 546,650 | | | | | |
| Holding Basins & Pump Station Improvements | Sewer | | 3,549,600 | 1,772,100 | | | |
| Incinerator Screw Feeders/Drives | Sewer | | | | | 175,000 | |
| Primary Thickener Basin Rehabilitation | Sewer | | | | 110,000 | | |
| RTO Replacement | Sewer | 360,000 | | | | | |
| Sub-Station Transformers/Switch Gear Replace | Sewer | | | 412,000 | | | |
| Treatment Plant Efficiency Improvements | Sewer | 31,000 | | | | | |
| Treatment Plant Modifications & Improvements | Sewer | | 17,989,800 | 22,190,200 | | | |
| Wet Air Oxidation Grinders Replacement | Sewer | | | 70,000 | | | |
| Wet Air Oxidation, Process Rehabilitation | Sewer | | | 265,000 | | | |
| Water Pollution Control Totals | | 937,650 | 21,664,400 | 24,709,300 | 187,000 | 443,000 | 0 |
| Sanitary Sewer | | | | | | | |
| 10th St. to Northern Neighborhood | Sewer | 60,000 | 400,000 | | | | |
| 18th St & South Evanston | Sewer | | | 420,000 | | | |
| 200 Block South Pearl | Sewer | | | | | 50,000 | |
| 2300 Block of Blue Ridge Terrace | Sewer | | | | 555,000 | | |
| 23rd Street & Hall Road | Sewer | | | 60,000 | 160,000 | | |
| 33rd Terrace | Sewer | 750,000 | | | | | |
| I-70 & Noland to 43rd St. | Sewer | 390,000 | | | | | |
| Nieghborhood Projects | Sewer | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 200,000 |
| North Liberty Force Main | Sewer | 50,000 | 800,000 | | | | |
| Proposed Industrial Development Site | Sewer | 500,000 | | | | | |
| Sanitary Sewer Evaluation Survey | Sewer | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| South Cottage to South Grand | Sewer | 60,000 | 250,000 | | | | |
| System Capacity Improvements | Sewer | | 9,863,043 | | | | |
| Trenchless Technology | Sewer | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | |
| Truman, Crescent to Brookside | Sewer | | | | | 200,000 | |
| White Oak, Crysler & Willis | Sewer | | | | | 180,000 | |
| Sanitary Sewer Totals | | 3,260,000 | 12,763,043 | 1,930,000 | 2,165,000 | 1,880,000 | 500,000 |
| Fiscal Year Totals: | | 36,691,280 | 103,858,747 | 106,938,996 | 25,832,000 | 33,495,000 | 22,280,000 |

PART VI - GLOSSARY OF PUBLIC FINANCE TERMS

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

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

Callable Bonds - Bonds that are redeemable by the issuer prior to the specified maturity date at a specified price at or above par.

Capital Improvements

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

Capitalized Interest -

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

Capital Outlay -

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

Certificate of Participation (COP) -

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

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

Competitive Underwriting -

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

Contingency -

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

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| Continuing Disclosure - | The requirement that certain issuers of municipal obligations file annual reports concerning financial and operating data presented in official statements for those obligations, and that they give contemporaneous notice of certain “material events.” |
| Covenants - | Contractual agreements securing a bond issue typically including revenue coverage, insurance, maintenance, financial reporting, etc. |
| Coverage - | This term indicates the margin of safety for payment of debt service on revenue bonds. It reflects the number of times annual net revenues exceed annual principal and interest (debt service) obligations. |
| CUSIP Number - | Acronym for the Committee on Uniform Security Identification Procedures, now a division of Standard & Poor’s, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities. There is a unique nine-digit alphanumeric CUSIP number for each maturity of bonds in an issue submitted to CUSIP for registration, the first six of which are always the same for a given issuer and unique to that issuer. |
| Dated Date - | The date of a bond issue from which the bondholder is entitled to receive interest even though the bonds may actually be delivered at some other date. |
| Dealer - | An individual, corporation or partnership that is engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include a bank or any individual buying or selling securities for his own account, but not as part of regular business. |
| Debt Limit - | The statutory or constitutional maximum debt that an issuer can legally incur. |
| Debt Service - | Debt Service expenditures are the result of bonded indebtedness of the City. Debt Service expenditures include principal, interest, fiscal agent's fees, and bond reserve requirements on the City's outstanding debt. |
| Default - | Failure by the issuer to pay the principal or interest due on a bond, or failure to fulfill other agreed upon legal and contractual obligations. |
| Defeasance - | In financial reporting, the netting of outstanding liabilities and related assets on the statement of position. Defeased debt is no longer reported |

as a liability on the face of the statement of position. Most refundings result in the defeasance of the refunded debt.

- Department -** A major administrative division of the City that has management responsibility for an operation or a group of related operations within a functional area.
- Designated Fund Balance-** An account used to show that a portion of fund balance was segregated for a specific purpose. The account is not legally restricted and is therefore available for general appropriation.
- Discount -** The amount by which the purchase price of a security is less than the principal amount or par value.
- Due Diligence -** The investigation undertaken to make sure that a proposed security offering follows the purpose and scope outlined by the enabling legislation, statutes, and bond resolution of the issuer, and that the project is financially and economically sound so that the principal and interest will be paid on time.
- Encumbrances -** Obligations in form of purchase orders, contracts or salary commitments that are chargeable to an appropriation and that an appropriation is restricted. They cease to be encumbrances when paid or when an actual liability is created.
- Enterprise Fund -** Separate financial accounting used for government operations that are financial and operated in a manner similar to private sector operations. Enterprise funds for the City are Power & Light, Sanitary Sewer and Water.
- Estimated Revenue -** The amount of projected revenue to be collected during the fiscal year.
- Expenditure -** This term refers to the outflow of funds paid or to be paid for an asset obtained or goods and services obtained despite when the expense occurs. This term applies to all funds. Note: An encumbrance is not an expenditure. An encumbrance reserves funds to be expended.
- Financial Advisor -** A consultant who provides advice to public jurisdictions on the size, structure, timing, method of sale, terms, and other matters related to the planning and execution of municipal financings.
- Full Disclosure -** The publication and distribution of all pertinent information relating to an issuer and the securities being offered by that issuer. This information is

conveyed to potential investors through the Official Statement of the issuer.

- Fiscal Year -** The period signifying the beginning and ending period for recording financial transactions. The Charter specifies July 1 to June 30 as the fiscal year.
- Fund -** An independent fiscal and accounting entity with a self-balancing set of accounts recording cash or other resources with all related liabilities, obligations, reserves, and equities that are segregated to carrying on specific activities or attaining certain objectives.
- Fund Balance -** The Fund Balance is the excess of a governmental fund's assets over its liabilities. A negative fund balance is a deficit.
- General Fund -** The largest governmental fund, the General Fund accounts for most of the financial resources of the general government. General Fund revenues include property taxes, licenses and permits, local taxes, service charges, and other types of revenue. This fund usually includes most of the basic operating services, such as fire and police protection, finance, data processing, parks and recreation, public works and general administration.
- General Obligation Bonds -** A bond secured by the pledge of the issuer's full faith, credit and taxing power.
- Gross Debt -** The sum total of an issuer's debt obligations.
- Gross Spread -** The dollar difference between the amount the issuer receives for its securities and the amount that the investors pay for those securities; the gross revenue accruing to the underwriters of a security prior to any costs or expenses.
- Indenture -** The formal agreement between a group of bondholders, acting through a trustee, and the issuer, specifying the terms and conditions of a bond offering.
- Interest Rate -** The percentage rate at which the bond bears interest. Interest is generally payable semiannually.

Internal Service Funds -

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

Issuer -

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

Lease Revenue Bond -

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

Legal Opinion -

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

Maturity -

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

Millage -

A rate (as of taxation) expressed in mills per dollar (0.01%).

Moral Obligation -

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

Mortgage Revenue Bond -

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

Municipal Bond -

A bond issued by a state or local government.

**Municipal Securities
Rulemaking Board
(MSRB) -**

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

**Negotiated
Underwriting -**

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

Net Interest Cost -

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

Net Revenue -

Gross revenues less operating and maintenance expenses.

Non-Callable Bond-

A bond that cannot be called to redemption before its specified maturity date.

Notes -

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

Notice of Sale -

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

**Object of
Expenditure -**

Expenditure classifications based upon the types or categories of goods and services purchased. Objects of expenditures are:
* 100 - Personal Services (salaries and wages);
* 200 - Services (utilities, maintenance contracts, travel)
* 300 - Supplies;
* 400 - Capital (automobiles, trucks, computers)

Objective -

A program objective is an operationalized statement of a program goal, containing specific descriptions of desired results. An objective states a

result in which the achievement is measurable within a given time frame and cost parameter. Objectives usually contain verbs such as “increase,” “reduce,” or “maintain.”

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

Original Issue

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

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

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

Per Capital Debt - The amount of municipal debt divided by the population within the issuer’s political jurisdiction. It’s used as an indication of the issuer’s general obligation debt burden.

Premium - The amount by which the price exceeds the principal amount of a bond.

Pricing - The process of determining interest rates, yields, and underwriter’s compensation of an issue, which in turn determines the overall cost of borrowing to the issuer.

Principal - The par value or face value of a municipal bond or note, exclusive of accrued interest.

Private Placement - Bonds or notes issued by state or local governments that are sold directly to investors, but not reoffered to the public.

Ratings - Designations used by investor’s services to give relative indications of credit quality.

- Refunding -** The sale of new bonds in order to retire outstanding bonds. A refunding may be used to achieve lower interest rates or to replace a restrictive bond resolution with a less restrictive one. When the new issue is sold after the first call date of the prior issue, then the prior issue has been “refunded.” When the new issue is sold before the first call date of the prior issue, then the prior issue has been “advanced refunded” and the bond proceeds of the new issue are placed in escrow until the bonds can be called.
- Registered Bond -** A bond whose owner is registered with the issuer or its agent. Transfer of ownership can be accomplished only when the securities are properly endorsed by the registered owner.
- Reserved Fund Balance -** An account used to show that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.
- Retail Sale -** The sale of securities, in small blocks, to individual investors and small institutions.
- Resources -** Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.
- Revenue -** Funds that the government receives as income. It includes such items as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, shared revenues and interest income.
- Revenue Bond -** A bond whose principal and interest are payable from a pledge of revenues of a specified enterprise.
- Securities Exchange Commission (SEC)-** The government agency responsible for the regulation and supervision of the securities industry.
- Serial Bonds -** Bonds that have scheduled annual or semiannual maturities over a period of years.
- Sinking Fund -** A reserve fund in which money is set aside at regular intervals so that it is sufficient to retire bonds at or prior to maturity.

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| Sources - | That portion of Revenues and Fund Balance (Resources) that are identified to balance the budget. |
| Special Revenue Fund - | A fund used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are restricted to expenditure for specified purposes. |
| Tax Anticipation Notes (TANs) - | Short-term notes that are issued in anticipation of the collection of taxes, usually retired only from the tax proceeds of the tax levy whose collection they anticipate. (Also known as “Tax Anticipation Warrants.”) |
| Tax Base - | The total property and resources subject to taxation. |
| Tax-Exempt Bonds- | Municipal bonds where the interest is exempt from federal income, state income, or state and local personal property taxes. |
| Tax Increment Financing (TIF) - | Bonds which are secured and repaid by increased property tax revenues associated with an increase in assessed valuation over the frozen base. Also known as Tax Allocation Bonds (TABs) in California. |
| Term Bond - | A bond that has a single maturity (the entire principal matures on one date) and is subject to a sinking fund. |
| Trust Indenture - | The document that contains the rights and liabilities of the issuer and the trustee. |
| True Interest Cost (TIC) - | The internal rate of return or effective interest cost of the bonds based on the purchase price of the bonds and the debt service payments on the bonds. Incorporates a time value of money calculation where NIC does not. |
| Trustee - | A bank or agent designated to serve as the custodian of funds and the official representative of bondholders, and who ensures that the bond covenants are not neglected. |
| Underwriter - | A dealer firm that purchases municipal bonds from the issuer and then resells them to the public. The underwriter assumes the risk of ownership until the bonds are sold. |

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| 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. |