



ANNUAL REPORT
TO
BONDHOLDERS

February 2018

City of Tallahassee

Elected Officials

Andrew Gillum
MAYOR

Curtis Richardson
MAYOR PRO TEM - COMMISSIONER

Scott Maddox
COMMISSIONER

Nancy Miller
COMMISSIONER

Gil Ziffer
COMMISSIONER

Administration

Reese Goad
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Jim Cooke
CITY TREASURER-CLERK

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Bond Counsel
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Financial Advisor
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PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2018 Annual Report to Bondholders has been prepared by the City of Tallahassee to provide information concerning the City, its financial operations and its indebtedness. This information is made available to current security holders and potential purchasers of securities in the secondary market, dealers, security analysts, rating agencies, Nationally Recognized Municipal Securities Information Repositories (NRMSIRs), and other interested parties. The City of Tallahassee has selected DAC as the City's disclosure/dissemination agent. This 2018 Annual Report to Bondholders is available on the City's website at www.talgov.com, and can also be found on the DAC website at www.dacbond.com and on www.tallahasseebonds.com. The DAC website also hosts related City documents, including official statements for outstanding debt.

In addition to this Report, each fiscal year the City of Tallahassee prepares a Comprehensive Annual Financial Report (CAFR), which includes audited financial statements in accordance with generally accepted accounting principles. This document is available from the City upon request. The CAFR is also hosted on the City's website as well as on the DAC site. The current auditors for the City are Thomas Howell Ferguson, P.A. and Law, Redd, Crona & Munroe, P.A., Tallahassee, Florida.

In compliance with SEC rule 15c2-12, the City has entered into undertakings to provide secondary market information in connection with the following bond issues:

- \$40,225,000 Capital Bonds, Series 2014, dated June 12, 2014;
- \$49,165,000 Capital Bonds, Series 2012, dated November 27, 2012;
- \$26,975,000 Capital Bonds, Series 2009, dated April 24, 2009;
- \$147,295,000 Energy System Refunding Revenue Bonds, Series 2017, dated July 20, 2017;
- \$94,615,000 Energy System Revenue Refunding Bonds, Series 2015, dated August 11, 2015;
- \$3,440,000 Energy System Refunding Revenue Bonds, Series 2011, dated August 9, 2011;
- \$35,485,000 Energy System Revenue Bonds, Series 2010C, dated November 22, 2010;
- \$122,280,000 Energy System Revenue Bonds, Series 2010B, dated November 22, 2010;
- \$43,250,000 Energy System Refunding Revenue Bonds, Series 2010A, dated August 5, 2010;
- \$77,845,000 Energy System Refunding Revenue Bonds, Series 2010, dated April 22, 2010;
- \$115,060,000 Consolidated Utility Systems Refunding Bonds, Series 2017, dated November 29, 2017;
- \$44,255,000 Consolidated Utility Systems Revenue Bonds, Series 2015, dated September 30, 2015;
- \$117,015,000 Consolidated Utility Systems Revenue Bonds, Series 2010A, dated September 21, 2010;
- \$25,820,000 Consolidated Utility Systems Revenue Bonds, Series 2010B, dated September 21, 2010;
- \$164,000,000 Consolidated Utility Systems Revenue Bonds, Series 2007, dated November 21, 2007 (refunded on November 29, 2017); and
- \$23,900,000 Consolidated Utility Systems Refunding Revenue Bonds, Series 2001, dated May 15, 2001.

The release of this report in conjunction with the City's CAFR satisfies, in the City's opinion, the requirements for annual disclosure as set forth in the undertakings. The City is committed to fulfilling its disclosure obligations, as now or as may hereafter be defined by the SEC. While the City is committed to the release of secondary market information necessary to evaluate the City's credit, the City is making no on-going commitment to the publication and

release of future Reports to Bondholders and in the future its disclosure obligations may be met through supplements or enhancements to its Comprehensive Annual Financial Report or through the release of other documents.

The City has not undertaken an independent review or investigation to determine the accuracy of information that has been obtained from other sources. Certain information presented herein has been obtained from sources that are believed by the City to be reliable, but neither the City nor the elected or appointed officials make any representations or warranties with respect to the accuracy or completeness of that information.

Additionally, to the extent that certain portions of the Annual Report constitute summaries of documents, reports, resolutions, or other agreements relating to the operations or outstanding debt of the City, this Report is qualified by reference to each such document, report, resolution, or agreement, copies of which may be obtained from the Office of the City Treasurer-Clerk. The Report contains certain capitalized undefined terms. Such terms are defined in the resolutions of the City authorizing the issuance of the respective bonds of the City.

The City encourages readers of the report to provide suggestions that will improve the readability or usefulness of the report. Questions concerning the information contained herein or suggestions should be directed to:

City Treasurer-Clerk
City of Tallahassee
300 South Adams Street, Box A-32
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8389
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OVERVIEW

The City's 2018 Annual Report to Bondholders is designed to provide a reader, with no prior background, general information regarding the City and its debt as of September 30, 2017. For those readers who regularly follow the City, much of the information contained herein may be repetitive. To assist those readers, the most significant changes since last year's report are highlighted below.

Borrowing in Fiscal Year 2017

On June 14, 2017, the City issued \$147,295,000 in Energy System Refunding Revenue Bonds, Series 2017, to refinance the outstanding 2007 Energy System Revenue Bonds. Shortly after the end of fiscal year 2017, on November 15, 2017, the City issued \$115,060,000 in Consolidated Utility Systems Refunding Bonds, Series 2017, to refinance the outstanding 2007 Consolidated Utility Systems Refunding Revenue Bonds. The City did not issue any debt for the Capital Bonds program (General Fund) in FY 2017.

Ratings

In 2015, the City decided to have each of its bond programs rated by only two credit ratings agencies rather than three. The rating from Moody's for the Consolidated Utility Systems Bonds and the rating from Fitch for the Energy System Bonds, respectively, only apply to bonds issued before 2015.

Tallahassee's bond ratings are summarized as follows:

	<u>Moody's Investors Service, Inc.</u>	<u>Standard & Poor's Rating Services</u>	<u>Fitch Ratings, Inc.</u>
Capital Bonds	Aa2	NR	AA+
Consolidated Utility Systems Bonds	Aa1	AA	AA+
Energy System Bonds	Aa3	AA	AA-

Significant Revenue Factors

Funding for the City's governmental activities comes from property taxes and a limited number of other taxes as authorized by the State Legislature (sales, gasoline, utility services, and telecommunications) and other fees to recover the costs of services provided. Revenue is also received from state-shared revenues and grants from state and federal governments.

Revenues for the business-type activities and certain governmental activities (permitting, recreational programs, etc.) come from user fees or service charges. Building-related fees have been trending upward since 2011 and have stabilized at levels 25% above the 2011 low. Projections for the next five years indicate these revenues are expected to remain fairly constant through FY 2022.

The consumption of the City's utilities is impacted by local weather patterns and the growth of new homes and businesses in the market. In recent years, there has been a decreasing consumption trend per capita in all of the utilities due mainly to the City's demand side management programs. The resulting slower growth in demand has allowed the City to defer adding generating capacity for its electric utility. The cost of fuel is recovered from customers through cost recovery adjustments that are not part of base rates to customers. The Electric Fund maintains a reserve account that has been used in the past to reduce the impact to electric customers of steep increases in the market price of fuel. The balance in this fund as of September 30, 2017 was approximately \$89.0 million.

Pension

Based on the City's most recent actuarial report, dated October 1, 2017, the City of Tallahassee Pension Plan had a funded ratio of 87.6% at September 30, 2017. Additional information on the City's Pension Plan can be found in the City's Comprehensive Annual Financial Report.

Rate Increases

City ordinance provides for automatic rate adjustments for each of the utilities effective October 1 of each year equal to the 12-month increase in the Consumer Price Index. Effective October 1, 2017, base rates for electricity, natural gas, water and sewer services increased by 2.4%. Pursuant to a rate study, water and sewer rates were increased in January 2018.

Ad-Valorem Millage Rate

Property taxes can significantly impact the citizen's perception of economic success. The City's FY 2017 millage rate of 4.1000 mills is lower than all but one of the comparable cities listed below. However, not all of the comparable cities have implemented a separate fire services fee to cover the cost of fire protection as the City of Tallahassee has done.

	<u>Millage Rates</u>				
	2017				
<u>City</u>	<u>Population</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Miami	467,872	7.65	7.65	7.65	7.65
Tampa	373,058	5.73	5.73	5.73	5.73
St. Petersburg	263,768	6.77	6.77	6.77	6.76
Orlando	279,789	5.65	6.65	6.65	6.65
Tallahassee	189,625	3.70	3.70	4.20	4.10
Port St. Lucie	181,284	4.41	4.41	5.41	5.28
Fort Lauderdale	179,063	4.12	4.12	4.12	4.12
Gainesville	129,816	4.58	4.51	4.51	4.51
Lakeland	104,185	4.66	4.66	5.56	5.56

(Jacksonville was not included in the table since it is a consolidated city/county with varying millage rates for different sections of the county.)

Property Tax Revenues

Property taxes are expected to provide 27.3% of General Fund revenues (including transfers) in FY 2018. A constitutional amendment approved in January 2008 provided for an increase in the homestead exemption, a cap of 10% on increases in the assessment of non-homesteaded properties and portability of the homestead exemption for those individuals moving within the state. This led to a decrease in taxable assessed valuation in FY 2009. After FY 2009, weaker economic conditions due to the Great Recession caused further declines in taxable values. To partially compensate for the decrease in property values, the millage rate for FY 2010 was increased from 3.21 mills to 3.70 mills. The rate increase, coupled with declining assessed values, provided approximately the same amount of revenue in FY 2012 as budgeted for FY 2009.

The City Commission maintained the millage rate at 3.700 mills from FY 2010 through FY 2015. In FY 2016, the millage rate was increased to 4.20 mills, but was decreased to 4.10 mills for FY 2017 and was held at 4.10 mills for FY 2018. Taxable values stabilized in FY 2014, increased by 4.6% in FY 2015 and by 4.0% in FY 2016, and by 3.9% in FY 2017.

Property Tax Levies and Collections (in 000s)

Fiscal Year	Total Market Valuation	Taxable Assessed Valuation	Levy	Collection	Percentage ⁽¹⁾
2008	19,251,581	11,162,814	35,416	33,673	95%
2009	19,580,463	10,791,427	34,704	33,174	96%
2010	17,774,239	9,919,935	36,704	35,120	96%
2011	17,337,336	9,671,794	35,918	34,320	96%
2012	17,095,072	9,260,104	34,707	33,126	95%
2013	16,163,157	8,798,227	32,648	31,513	97%
2014	16,160,618	8,818,106	32,673	31,524	96%
2015	16,944,644	9,226,228	34,392	32,938	96%
2016	17,451,681	9,594,506	40,352	38,887	96%
2017	17,972,266	9,965,230	40,857	39,699	97%

(1) Florida Statutes provide for a discount of up to 4% for early payment of ad-valorem taxes. All unpaid taxes become delinquent on April 1, and are sold at auction on June 1 of each year as tax certificates. The City, after all tax certificates are sold, has fully collected all ad-valorem tax revenues.

General Fund Transfers

After being unchanged since FY 2005, the methodology for calculating transfers was changed by the City Commission for FY 2012. The new methodology calculates a three-year average of retail revenues and then multiplies this average by 6.99% to arrive at the transfer amount. The revised methodology was applied to transfers from the electric, gas, water, sewer and solid waste utilities. The electric transfer was changed for FY 2013 to a fixed amount of \$23.9 million, and is adjusted annually by the change in the consumer price index. The base transfer was increased by \$3.9 million in FY2015. The methodology for the other transfers has not been changed since FY 2012.

The table below provides the transfer amounts to the General Fund from the various utility systems over the past five years.

Fiscal Year	Electric	Gas	Water & Sewer	Solid Waste
2013	\$ 23,900,000	\$ 2,524,732	\$ 7,223,795	\$ 1,594,428
2014	24,258,500	2,537,356	7,559,275	1,610,924
2015	28,801,313	2,801,441	8,255,219	1,811,976
2016	28,801,313	2,801,441	7,993,502	1,817,851
2017	29,060,525	2,826,654	8,065,443	1,817,851

FY 2018 Capital Budget

The City's FY 2018 Capital Budget is appropriated at \$174.3 million, with \$24.1 million budgeted in the General Government Funds and \$150.2 million in the Enterprise and other funds. The City's five-year Capital Improvement Plan (2018 – 2022) totals \$960.2 million, with appropriations made on an annual basis.

Significant projects planned in the five-year Capital Improvement Plan in various enterprise funds include the construction of a Quick Turn Around (QTA) Service Facility and Parking Garage (\$29 million), the construction of an aircraft maintenance and storage hangar with related taxi-lanes (\$15 million), Taxiway Rehabilitation (\$42.9 million) and rehabilitation of the surface of runway 18/36 to maintain proper pavement surface for aircraft (\$11.0 million)

at Tallahassee International Airport; distribution, transmission and substation improvements for the electric system (\$72.7 million), rehabilitation or replacement of sewer collection infrastructure to extend its expected life and reduce stormwater infiltration and inflow (\$15 million), water system distribution improvements (\$27.0 million) and various stormwater improvements (\$40.4 million).

General government projects in the five-year plan address technology enhancements (\$62.7 million), a new Police Station (\$47.6 million), development of a park in the northwestern part of the City (\$8.0 million) and the construction of a new Recreation/Senior Center in the eastern or northeastern section of the City. Other projects include the construction of a new Fire Station and the planning of another (\$5.3 million), the relocation of a third Fire Station (\$2 million), and Phase III funding for FAMU Way (\$9.0 million), and resurfacing of City-owned paved streets and sidewalk improvements (\$32.5 million).

Economic and other Factors that may Impact the City's Financial Position

The presence of two state universities, a community college and the state government provides a stabilizing influence on the City of Tallahassee's financial position. Unemployment has decreased from its peak, and Leon County's unemployment has consistently been lower than both the state and national levels. According to the Bureau of Economic Analysis, real per capita GDP growth for the Tallahassee MSA increase by 3.8%, making it the fastest growing MSA in Florida in real per capita GDP growth. This growth rate also outpaced the State of Florida overall (0.6%) and the United States (0.8%).

As with any capital city, the health of the state government will continue to have a substantial impact on the economic or financial health of the City of Tallahassee. With the state government seeing some stability in revenues, it appears that the City will not endure additional hardships as a result of state budget cuts. The City continues to monitor state and local revenue streams, such as the Communication Services Tax, and contracts lobbying services to advocate for its financial interest at both the state and federal level. Additionally, the City is deliberate in seeking out state and federal grant opportunities to support the services it provides to its citizens.

Alongside the state workforce, Tallahassee's institutions of higher learning continue to be major economic drivers in the community. Ongoing partnership with these institutions represents significant economic and development opportunities for the City. Most recently, increased partnership between the universities and the City have helped attract companies to relocate to Tallahassee, especially those companies that are interested in the research being performed by Florida State University's National High Magnetic Field Laboratory. Furthermore, while the cost of college education has come under increased scrutiny in the past couple of years, tuition at the state universities remains affordable when compared to public universities in other states.

The City is actively involved in recruiting new businesses and employers to the area by providing a number of incentives and funding for eligible businesses as well as planning tools designed to promote economic development. This strategy has been successful in attracting new businesses as well as helping existing businesses remain in the City. This is highlighted by the increasing number of new developments that have occurred throughout the City. In October 2016, the Veteran's Administration 191,000 square foot outpatient clinic opened their doors for patients in the area. The redevelopment of the old Tallahassee Mall now known as the Centre of Tallahassee, opened its new amphitheatre in the summer of 2016 as well as numerous new restaurants and stores. The Ballard Building, a six story, 62,000 square feet mixed use structure in downtown that opened at the end of 2017, includes an upscale steak restaurant on the ground floor. Other projects expected to be completed over the next couple of years include the construction of a 340,000 square foot surgical center at Tallahassee Memorial Hospital; Washington Square, a 15-story, 576,000 square foot mixed-use development in the heart of downtown; a mixed-use development of the 430-acre Welaunee property in the City's northeast section; commercial and residential development around the universities; and ten new assisted living facilities throughout the City. New subdivisions continue their construction of single

family homes in the City's northeast, northwest and east sectors as well as continuing on the south side in several subdivisions. Construction of new apartment complexes are planned or underway in Midtown, downtown and on the west, southeast and south sides, with new condominium units planned in the western and eastern parts of the community.

Electronic Dissemination of Information

As part of its continuing effort to efficiently provide continuing disclosure information to investors and other users, the City of Tallahassee has begun to make use of electronic methods for dissemination of information. Information is available at several locations, including the City's website, www.talgov.com, an investor relations website, www.tallahassee.bonds, and www.dacbond.com the website of DAC.

The September 30, 2017 Comprehensive Annual Financial Report (CAFR), which includes audited financial statements in accordance with generally accepted accounting principles, is available on the City's website. The website also has other useful information available, including the City's budget for FY 2018.

DAC

The DAC website hosts a variety of debt information. DAC acts as a disclosure dissemination agent for issuers of municipal bonds by electronically posting information on behalf of issuers. Investors and others may access disclosure on any municipal bond in the DAC System free of charge by registering for a password. In addition to the City's 2018 Annual Report to Bondholders, annual reports from the past several years are available on the DAC site. Official statements for each of the outstanding issues summarized in this annual report are also posted, as are several CAFRs from recent years.

If you are new to the DAC System, please click *Register* in the "DAC for Investors" section on the home page, complete the registration form and submit. You can set Event Filters for your account by logging into the DAC System and clicking the *Profile* icon to receive email notification whenever something new is filed by the City. You may search by CUSIP number, obligor, issuer, issue description, bond type, city and state, county and state, or by state only. Once the issue searched is located, you can customize your portfolio by checking the corresponding box and clicking *Add Checked Items to Portfolio*.

Contact

You may contact the City Treasurer-Clerk's Office at the address and phone number below:

City Treasurer-Clerk
City of Tallahassee
300 South Adams Street, Box A-32
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8389

THE CITY OF TALLAHASSEE

General

The City of Tallahassee (hereinafter referred to as “Tallahassee” or the “City”) was established in 1825 following a decision by the Legislature to locate the capital of the new Florida Territory midway between the population centers of St. Augustine and Pensacola. The capital city of Florida, Tallahassee is located in the north central portion (the panhandle or the big bend area) of Florida, midway between Jacksonville and Pensacola. The Georgia state line is less than 20 miles to the north, and the Gulf of Mexico is 25 miles to the south at St. Marks, Florida on Apalachee Bay. The City covers an area of 103.37 square miles.

Since 1919, when the State Legislature passed the Charter Act, the City has been governed by a modified Commission-Manager form of government with five Commissioners, each selected at-large for four-year, overlapping terms. Until 1996, when the Charter was amended to provide for direct election of a Mayor with four Commissioners, the position of Mayor rotated annually among the Commissioners. The City Manager, the City Treasurer-Clerk, the City Auditor and the City Attorney are appointed by the City Commission. Collectively, the appointed officials are responsible for all administrative functions of the government, with most of the administrative and operations functions falling under the purview of the City Manager. The remaining administrative functions are the responsibility of the other appointed officials as indicated by their titles.

Tallahassee, the county seat, is the only incorporated municipality in Leon County, Florida (the “County”), and is located approximately in the center of the County. With an estimated 2017 population of 189,625, Tallahassee is the largest city in the Tallahassee Metropolitan Statistical Area (“MSA”), which consists of Leon, Gadsden, Jefferson and Wakulla counties.

The City of Tallahassee is a full-service city providing citizens with a full complement of municipal services. The City owns and operates five utilities, including an electric generation, transmission and distribution system serving an average of 119,716 customers in the City and the adjacent urban area during FY 2017; a natural gas distribution system serving 30,638 customers; a water production and distribution system serving 84,783 metered water customers within the corporate City limits and the adjacent urban areas; a sewage collection and treatment system serving 72,614 customers, principally within the City limits; and a stormwater drainage utility system serving the area within the corporate City limits serving 79,907 customers. Additional enterprise activities owned and operated by the City include the Tallahassee International Airport and a public transit system.

The City also provides a full range of municipal services including public safety (fire and police), construction and maintenance of streets and sidewalks, stormwater management, recreation, planning and zoning, general administrative services, five utilities (electric, gas, sewer and solid waste collection, and water), a mass transit bus system and an international airport.

The Tallahassee economy is growing moderately, with increasing elements of diversification. The major economic factor historically has been the State government. However, the City also serves as an educational center, with three institutions of higher learning, and as the financial, trade and health center for a surrounding 13-county geographic region with a population of over 560,000. With over 290,000 acres of commercial forest in Leon County, forest and timber products add significantly to the economic diversification of the City.

Climate/Geography

Tallahassee has the mild, moist climate characteristic of the states located on the Gulf of Mexico and experiences a subtropical summer similar to the rest of Florida. However, in contrast to the Florida peninsula itself, the panhandle (which includes Tallahassee) experiences four seasons. Prevailing winds average 6.5 miles per hour. They are from a southerly direction in the spring and summer and then shift to a more northerly direction near the end of the year. The City’s average temperature and rainfall are shown below.

TEMPERATURE AND RAINFALL

Annual Average Temperature:	68.1 Degrees
Annual Average Rainfall:	63.2 Inches

Tallahassee’s rolling landscape, typical of regions further north, is unique among the major cities of Florida. Some areas of Leon County exceed elevations of 200 feet. However, south of the City, the hills yield to the terrain that is typical in the rest of Florida. The northern portion of the county consists of a thick layer of sand, silt and clay overlying limestone forms while most of the southern area is characterized by flat, sandy lowlands.

The Tallahassee-Leon County area possesses excellent wildlife reserves located in the terrain north of Tallahassee and in the Apalachicola National Forest south of Tallahassee. Numerous lakes are available for fresh water fishing, including: Lake Iamonia, Lake Jackson, Lake Miccosukee and Lake Talquin.

Population

The 2016 American Community Survey (the “Survey”) results show a racially diverse community, with minorities accounting for 38% of the Leon County population. The population of the City of Tallahassee is young, with a median age of 26.5 years. Tallahassee residents have historically attained a comparatively high level of education. According to the Survey, 47.5% of area residents age 25 or older have completed at least four years of college, compared to 27.9% for the State of Florida. These population characteristics largely reflect the influence of the two major universities, a large community college, State government, and the resulting high level of professional employment.

The City and Leon County have generally experienced and are expected to continue to experience a steady increase in population as depicted in the following table:

POPULATION								
TALLAHASSEE			LEON COUNTY		FLORIDA		UNITED STATES	
Year	Population	Annual Change	Population	Annual Change	Population	Annual Change	Population	Annual Change
1950	27,237 ⁽¹⁾	-	51,590 ⁽¹⁾	-	2,771,000 ⁽¹⁾	-	151,326,000 ⁽¹⁾	-
1960	48,174 ⁽¹⁾	5.9%	74,225 ⁽¹⁾	3.7%	4,952,000 ⁽¹⁾	6.0%	179,323,000 ⁽¹⁾	1.7%
1970	72,624 ⁽¹⁾	4.2%	103,047 ⁽¹⁾	3.3%	6,791,000 ⁽¹⁾	3.2%	203,304,000 ⁽¹⁾	1.3%
1980	81,548 ⁽¹⁾	1.2%	148,655 ⁽¹⁾	3.7%	9,740,000 ⁽¹⁾	3.7%	226,505,000 ⁽¹⁾	1.1%
1990	124,773 ⁽¹⁾	5.3%	192,493 ⁽¹⁾	2.9%	12,938,000 ⁽¹⁾	3.3%	248,710,000 ⁽¹⁾	1.0%
2000	150,624 ⁽¹⁾	1.9%	239,452 ⁽¹⁾	2.2%	15,982,400 ⁽¹⁾	2.1%	281,422,500 ⁽¹⁾	1.2%
2010	181,376 ⁽¹⁾	0.6%	275,487 ⁽¹⁾	1.5%	18,801,310 ⁽¹⁾	1.8%	308,745,538 ⁽¹⁾	0.9%
2017	189,625 ⁽²⁾	-	287,899 ⁽²⁾	-	20,484,142 ⁽²⁾	-	326,625,791 ⁽¹⁾	-
2020	201,000 ⁽³⁾	-	301,800 ⁽²⁾	-	21,438,700 ⁽²⁾	-	334,503,000 ⁽¹⁾	-
2030	225,800 ⁽³⁾	-	332,500 ⁽²⁾	-	24,244,300 ⁽²⁾	-	359,402,200 ⁽¹⁾	-
2040	243,500 ⁽³⁾	-	354,500 ⁽²⁾	-	26,426,400 ⁽²⁾	-	380,219,200 ⁽¹⁾	-

Source: (1) U.S. Census Bureau
 (2) Bureau of Economic & Business Research
 (3) Tallahassee-Leon County Planning Department

Employment

Tallahassee's employment is non-agrarian in nature and heavily oriented toward governmental employment. Historically this concentration of government employment, representing 34% of all non-agricultural employment in 2016, has helped to keep unemployment relatively low. In addition, due to government employment which calls for large numbers of professional and white collar employees, Tallahassee and Leon County enjoy relatively high income levels, especially when compared to surrounding counties.

Nationally, there is a trend to limit the scope and resources of government at all levels. Therefore, state government may in the future not fuel the local economy to the same extent as it has in the past. In an effort to diversify the area's economy, the local government and the Chamber of Commerce are working closely together to attract additional employers to the area and to assist the expansion of existing local industries. Since 1992 the Economic Development Council of Tallahassee-Leon County has marketed Tallahassee's economic advantages – research and high technology, healthcare providers and human resources – focusing on companies in financial services, education, technology, light manufacturing, distribution and healthcare. In 2016, the Tallahassee-Leon County Blueprint Intergovernmental Agency became the lead agency for economic development for the area, replacing the Economic Development Council. The newly created Office of Economic Vitality under Planning, Land Management and Community Enhancement, the department that administers the workings of the Intergovernmental Agency, which in turn consists of all members of the City of Tallahassee City Commission and Leon County Commission, coordinates a variety of public and private organizations to attract and grow new businesses within Leon County.

The City's employment base has provided its citizens with an economic environment which historically has been insulated from national economic trends. As a result, the City and Leon County have been able to maintain an unemployment rate that is often substantially below the State of Florida and United States averages as shown in the table below.

AVERAGE ANNUAL UNEMPLOYMENT RATE

<u>Year</u>	<u>Leon County</u>	<u>Florida</u>	<u>United States</u>
2008	4.7	6.3	5.8
2009	7.1	10.4	9.3
2010	7.9	11.1	9.6
2011	7.8	10.0	8.9
2012	7.0	8.5	8.1
2013	6.1	7.3	7.4
2014	5.5	6.3	6.2
2015	5.0	5.4	5.3
2016	4.6	4.9	4.9
2017	3.8	4.2	4.4

Sources: Florida Department of Economic Opportunity, Labor Market Statistics, Local Area Unemployment Statistics
U.S. Department of Labor, Bureau of Labor Statistics

The table below depicts the employment distribution within the Tallahassee MSA.

EMPLOYMENT DISTRIBUTION

	<u>2016</u>	<u>Percent</u>
State Government	44,300	24.3%
Trade, Transportation and Utilities	25,400	13.9%
Education and Health Services	22,300	12.2%
Professional and Business Services	21,400	11.7%
Leisure and Hospitality	20,000	11.0%
Local Government	15,700	8.6%
Other Services and Not Classified	10,000	5.5%
Financial Activities	7,600	4.2%
Construction	7,400	4.1%
Information	3,100	1.7%
Manufacturing	3,100	1.7%
Federal Government	<u>2,100</u>	<u>1.1%</u>
TOTAL	182,400	100%

Source: Florida Department of Economic Opportunity, Labor Market Statistics, Data Center, Current Employment Statistics

Principal Property Taxpayers Table

The following table shows the top ten principal taxpayers in the City of Tallahassee for the Fiscal Year ending September 30, 2018.

CITY OF TALLAHASSEE, FLORIDA PRINCIPAL TAXPAYERS Fiscal Year 2018 (in thousands)			
Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Smith Interest General Partnership	Retail	\$ 145,920	1.46%
Embarq/CenturyLink	Communications	95,087	0.95%
Capital Regional Medical Center	Utilities	72,166	0.72%
District Joint Venture, LLC	Medical	60,524	0.61%
DRA CRT Tallahassee Center, LLC	Utilities	56,198	0.56%
Talquin Electric Cooperative	Real Estate	53,483	0.54%
Campus Investors FSU 444	Real Estate	46,966	0.47%
Comcast Cablevision, Inc.	Retail	44,696	0.45%
Woodlands of Tallahassee, Inc.	Communications	43,764	0.44%
Walmart Stores, Inc.	Real Estate	42,108	0.42%
Total		<u>\$ 660,912</u>	<u>6.62%</u>

Education

The largest and oldest university in the City is Florida State University (“FSU”), which was founded in 1851 and is the home of the Florida State University Seminoles. Its undergraduate and graduate colleges, schools and divisions had an enrollment of approximately 41,000 students as of the 2017 Fall semester. FSU is nationally known for its outstanding programs in business, education, fine arts, law and natural sciences. A medical school, which now enrolls a full complement of 483 students, was created in June 2000.

The other nationally known university in Tallahassee is the Florida Agricultural and Mechanical University (“FAMU”), which was founded in 1887 and is the home of the Florida A & M Rattlers. FAMU offers extensive undergraduate and graduate courses to approximately 10,000 students. Programs offered at FAMU complement those at FSU and have received recognition in the fields of architecture, agriculture and pharmacy. Both universities offer programs leading to doctorate degrees.

Tallahassee Community College (“TCC”) presently serves approximately 12,000 students. TCC offers the same curriculum for college transfer as that offered at the universities for the first two years. Associate degrees are awarded in over 30 fields, some through special cooperative programs with the local universities. TCC formed the first University Partnership with Flagler College in Fall 2000 and has since partnered with Embry-Riddle Aeronautical University in 2001, Barry University in 2003 and St. Leo University in 2006. TCC students can pursue bachelor and graduate degrees on TCC’s campus through the programs of its four University Partners.

Enrollment at the universities and the community college is shown in the following table:

Students Enrolled in Tallahassee Area Universities and the Community College				
<u>Year</u>	<u>FSU</u>	<u>FAMU</u>	<u>TCC</u>	<u>Total</u>
2008	39,136	11,848	14,016	65,000
2009	40,255	12,261	14,472	66,988
2010	40,838	13,277	14,756	68,871
2011	41,710	13,207	15,338	70,255
2012	41,301	12,051	14,613	67,965
2013	41,477	10,734	13,634	65,845
2014	41,773	10,229	13,045	65,047
2015	41,473	9,928	13,092	64,493
2016	41,867	9,614	12,242	63,723
2017	40,544	9,913	12,440	62,897

Source: All figures are for Fall semesters. Information provided by the Registrar for each respective institution.

Medical Facilities

Tallahassee also provides Northwest Florida and South Georgia with extensive medical facilities. There are currently two full service acute care facilities: Tallahassee Memorial Healthcare, Inc. (“TMH”), a 772-bed hospital, and Capital Regional Medical Center (“CRMC”), a 266-bed hospital. Founded in 1949, TMH is the largest general hospital in the Big Bend area of Florida and is the seventh largest hospital in Florida. TMH’s primary service area is defined as the Florida counties of Leon, Gadsden, Wakulla and Jefferson. The secondary service area is comprised of six other adjacent Florida counties. In addition to TMH and CRMC, medical care is provided to the regional area through outside public and private facilities, including a number of skilled nursing, convalescent and extended care facilities.

Annexation - Process and History

The City of Tallahassee has had a long history of annexation activity as a means of achieving growth. During its first 150 years, Tallahassee expanded from one-quarter of a square mile in size to 28.12 square miles in 1980. During the last 35 years, the City embarked on an aggressive annexation program to ensure its economic stability and better manage the developing urban area. The City has successfully annexed numerous parcels of developed and undeveloped land since 1979. Fourteen of these annexations were passed through a double referendum as set forth by Florida law, requiring passage by the majority of the City residents and the residents in the affected area. Since 1985, virtually all of the City's annexations occurred when all of the property owners in the affected areas requested incorporation of their property into the City. Since 1980 these annexed areas have added 75.25 square miles to the City, swelling its size to 103.37 square miles.

Comprehensive Plan

In 1985, the Florida Legislature passed the Local Government Comprehensive Planning and Land Development Regulation Act (the "Planning Act"). This Act required all local governments to develop comprehensive plans designed to plan for and control the impact of growth. As applied to the City, the local plan includes the following elements:

- Future Land Use;
- Transportation;
- Utilities (except electric);
- Economic Development;
- Housing;
- Historic Preservation;
- Conservation;
- Recreation and Open Space;
- Intergovernmental Coordination; and
- Capital Improvements.

All local governmental plans must be fundable, implementable and consistent with State and regional plans. They must discuss existing facilities, adopt levels of service to be provided and project future demands. The plans have the force of law (mandated by State statute and adopted by local ordinance) and are implemented through local development regulations, local activities and programs, and intergovernmental agreements.

The City originally adopted its Comprehensive Plan (the "Plan") on July 16, 1990. As required by the Act, the Plan was submitted to the State of Florida Department of Community Affairs (the "Department") for consistency review with the State and regional plans and to ensure compliance with all aspects of the Act and adopted rules of the Department. Additionally, pursuant to Section 163.3191, Florida Statutes, "each local government shall adopt an evaluation and appraisal report (EAR) once every seven years assessing the progress in implementing the local government comprehensive plan." The last EAR for the City and the County was submitted and approved in 2007. Effective beginning in 2011, local governments no longer need to submit evaluation and appraisal reports to the Department for a sufficiency determination. At least every seven years, pursuant to Rule Chapter 73C-49, Florida Administrative Code, the local government determines whether the need exists to amend the comprehensive plan to reflect changes in state requirements since the last time the comprehensive plan was updated.

Enforcement of the Plan is achieved through three elements provided in the Planning Act: concurrency, consistency and citizen standing. The City is prohibited from issuing permits for new construction or development (residential or commercial) until the City determines that all necessary infrastructure, including utilities, is available at the appropriate levels of service, concurrent with the construction, and that the development of the facility is consistent with all elements of the Plan. The required utilities services include electric service, although it is not necessarily required that such electric service be provided by the City. This requires the City to

more accurately project future needs and related capital improvements to ensure maintenance of standards set forth in the Plan.

The Act provides that all citizens are given standing in a court of law and, through appropriate judicial processes, can require the City to implement and enforce the Plan. The City may amend the Plan twice a year after conducting a public hearing and subject to approval by the Department.

City Investment Policy

The City Treasurer-Clerk administers the City’s investment program and is responsible for insuring the proper management, internal controls, safekeeping, and recording of all investment assets held or controlled by the City. The City has promulgated a non-pension investment policy to govern the investment of all non-pension financial assets held or controlled by the City, not otherwise classified as restricted assets requiring separate investing (the “Investment Policy”). The Investment Policy sets forth standards for investing, safekeeping and custody requirements, and reporting requirements. Individual criteria consisting of, a minimum, objectives, authorized investments and performance evaluation criteria are established on an individual basis for specialized portfolios governed under specific legal constraints. Criteria for the City’s core portfolio are also set forth in the Investment Policy. A copy of the Investment Policy may be obtained from the City Treasurer-Clerk’s Office or the City’s website.

City Debt Management Policy

The City Treasurer-Clerk administers the City’s debt management program and is responsible for issuing the City’s bonds. The Debt Management Policy sets forth standards for the issuance and management of the City’s debt. A copy of the Debt Management Policy may be obtained from the City Treasurer-Clerk’s Office or the City’s website. The Policy provides targets for liquidity, operating margin and debt burden for each of the City’s three (3) debt programs: general government (capital bonds), energy system, and consolidated utility systems. There are also targets for the percentage of debt that can be in variable rate and/or rolling medium term note debt. The table below indicates the targets and actual values for the liquidity measure as of September 30, 2017:

Debt Program	Liquidity – Target	Liquidity - Actual
General Fund	Spendable General Fund Balance of 15% of General Fund Expenditures	Spendable General Fund Balance of 22.2% of General Fund Expenditures
Consolidated Utility Systems	150 days cash on hand	338 days cash on hand
Energy System	210 days cash on hand	395 days cash on hand

The following table displays the target and actual for the operating margin component as of September 30, 2017:

Debt Program	Debt Service as % of Expenditures/Coverage Ratio-Target	Debt Service as % of Expenditures/Coverage Ratio-Actual
General Fund	Net Debt Service to be less than 10% of General Fund Expenditures	Net Debt Service of 7.7% of General Fund Expenditures
Consolidated Utility Systems	Debt Service Coverage of 1.50X or higher	Debt Service Coverage of 1.97X
Energy System	Debt Service Coverage of 2.0X or higher	Debt Service Coverage of 2.51X

The table below shows the target and actual for the debt burden as of the end of FY 2017:

Debt Program	Debt Burden-Target	Debt Burden-Actual
General Fund	Debt as a % of Full Market Values less than 2%	Debt is 0.7% of Full Market Value
Consolidated Utility Systems	Debt as a % of Capital Assets less than 50%	Debt is 39.9% of Capital Assets
Energy System	Debt as a % of Capital Assets less than 60%	Debt is 61.8% of Capital Assets

GENERAL GOVERNMENT DEBT

Capital Bonds

The City's Capital Bonds are supported by four revenue sources: 1) the Local Government Half-Cent Sales Tax, 2) the Guaranteed Entitlement Revenues, 3) the Local Communications Services Tax, and 4) the Public Service Tax. The following provides a discussion of each of these revenues.

Local Government Half-Cent Sales Tax: The State of Florida levies and collects a sales tax on, among other things, the sales price of each item or article of tangible personal property sold at retail in the State of Florida, subject to certain exceptions and dealer allowances. In 1982, the Florida legislature created the Local Government Half-Cent Sales Tax Program (the "Half-Cent Sales Tax Program") which distributes sales tax revenue and money from the State's General Revenue Fund to counties and municipalities that meet strict eligibility requirements. In 1982, when the Half-Cent Sales Tax Program was created, the general rate of sales tax in the State was increased from 4% to 5%, and one-half of the fifth cent was devoted to the program, thus giving rise to the name "Half-Cent Sales Tax." Although the amount of sales tax revenue deposited into the Half-Cent Sales Tax Program is no longer one-half cent on every dollar of the sales price of an item subject to sales tax, the name "Half-Cent Sales Tax" has continued to be utilized.

Effective July 1, 2004, the proportion of sales tax revenues deposited in the Local Government Half-Cent Sales Tax Trust Fund in the State Treasury (the "Trust Fund") was reduced to 8.714% of the sales tax remitted to the State of Florida by each sales tax dealer located within a particular county (the "Half-Cent Sales Tax Revenues"). Such proportion of the Half-Cent Sales Tax Revenues is deposited in the Trust Fund and is earmarked for distribution to the governing body of each county and each participating municipality within that county pursuant to a distribution formula. The Half-Cent Sales Tax Revenues are distributed from the Trust Fund on a monthly basis to participating units of local government in accordance with Part VI, Chapter 218, Florida Statutes (the "Sales Tax Act"). The general rate of sales tax in the State is currently 6%.

The amount of Half-Cent Sales Tax Revenues distributed to the City varies due to changes in sales within Leon County, as well as changes in the relative population of Leon County and the City.

In order to be eligible to receive distributions of the Local Government Half-Cent Sales Tax, each participating county and eligible municipalities must satisfy the conditions for eligibility for distribution of certain revenue-sharing monies pursuant to Section 218.23, Florida Statutes. Failure by the City to meet these eligibility requirements would result in the deposit of the City's share of the Local Government Half-Cent Sales Tax into the General Fund of the State for the 12-month period following the determination of noncompliance. Historically, the City has consistently complied with all the requirements for participation in the Local Government Half-Cent Sales Tax distribution as set forth in Chapter 218, Florida Statutes.

The Local Government Half-Cent Sales Tax collected within a county is distributed to each participating county and municipality in accordance with the formula set forth In Section 218.62, Florida Statutes. The distribution is as follows:

County’s share (percentage of total Local Government Half-Cent Sales Tax receipts)	=	$\frac{\text{unincorporated area population}}{\text{total county population}}$	+	$\frac{2/3 \text{ incorporated area population}}{2/3 \text{ incorporated area population}}$
Municipality’s share (percentage of total Local Government Half-Cent Sales Tax receipts)	=	$\frac{\text{municipality population}}{\text{total county population}}$	+	$\frac{2/3 \text{ incorporated area population}}{2/3 \text{ incorporated area population}}$

As used in the above formula, “population” means the latest official state estimate of population certified pursuant to Section 186.901, Florida Statutes, prior to the beginning of the local government fiscal year. Revenues are distributed on a monthly basis to eligible cities and counties. For the fiscal year ended September 30, 2017, the City received 45.8% of the Half-Cent Sales Tax Revenues distributed within Leon County.

Guaranteed Entitlement Revenues: The definition of Guaranteed Entitlement, as it applies to Florida municipalities, was amended in 2003 and is currently defined in the Florida Revenue Sharing Act of 1972, which is contained in Chapter 218, Part II, Florida Statutes (the “Revenue Sharing Act”) to mean the amount of revenue which must be shared with an eligible unit of local government so that no eligible municipality will receive less funds from the Revenue Sharing Trust Fund for Municipalities established by the Revenue Sharing Act in any State fiscal year, to the extent available, than the amount received by that municipality in the aggregate from certain State taxes in the State 1971 - 1972 fiscal years.

The guaranteed entitlement portion of State revenue sharing which accrues annually to the City totals \$1,251,000, and this amount is received by the City in substantially equal monthly payments.

Local Communications Services Tax: The City levies a Local Communications Services Tax pursuant to Chapter 202, Florida Statutes. Communications services means the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method.

Purchases by the United States Government, the State of Florida, other public bodies and any religious institution or educational institution that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code are exempt from the Local Communications Services Tax.

If actual revenues do not reach expectations, as measured by comparing actual revenues to previously collected revenues increased by the average five-year growth rates, Section 202.20 (2), Florida Statutes, authorizes local governments to adjust its Local Communications Services Tax. In March 2006, based upon a study that documented that the City was experiencing a revenue shortfall in Local Communications Services Tax, the City increased its rate from 5.1% to 5.37% (neither rate includes the add-on of 0.12% for permits).

Beginning July 1, 2007, a government may make an adjustment in its rate only if the Department reallocates other Local Communication Services Tax revenues away from the local government. In July of 2008, the Department determined the State had remitted more funds to the City that should have been during fiscal years 2002 - 2006. After the adjustment for such reallocation, it was determined that in 2008, the City’s Local Communication Service Tax revenues were well below expectations and another increase in rate was necessary. In October

2008, the City authorized an increase in the tax rate from 5.37% to 5.98% (none of the rates include the add-on of 0.12%).

Public Service Tax: The City levies a Public Service Tax pursuant to Sections 166.231 – 166.235, Florida Statutes, which authorizes any municipality within the State to levy a public service tax (the “Public Service Tax”) on the purchase of electricity, metered natural gas, liquefied petroleum gas (either metered or bottled), manufactured gas (either metered or bottled) and water services as well as any service competitive with the services specifically enumerated. The City levies its public service tax under the provisions of City Code Section 18-121. Under such provisions of the City Code, the City established a public service tax rate of ten percent (10%) and a rate of four cents (\$0.04) per gallon on the purchase of fuel oil.

The Public Service Tax is not imposed against any fuel adjustment charge, which is defined as all increases in the cost of utility services to the ultimate customer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973. The City Code exempts from its provisions: (i) purchases of electricity, water or gas by the United States Government, the State of Florida, or by any recognized church for use exclusively for church purposes, and (ii) with respect to 50% of the tax on purchase of electric energy for up to and not exceeding five (5) years, certain qualified businesses located within the City’s enterprise zone. The purchase of natural gas, manufactured gas or fuel oil by a public or private utility, either for resale or for use as fuel in the generation of electricity, or the purchase of fuel oil or kerosene for use as an aircraft engine fuel or propellant or for use in internal combustion engines is exempt from taxation under the Public Service Tax Law.

Selected General Government Statistics

Pledged Revenues (in 000s)

City of Tallahassee, Capital Bonds

For Fiscal Years Ending September 30	2013	2014	2015	2016	2017
Communication Services Tax	9,047	8,499	7,918	7,385	7,254
Half Cent Sales Tax	9,166	9,644	9,971	10,280	10,501
Guaranteed Entitlement	1,251	1,251	1,251	1,251	1,251
Public Service Tax	13,787	14,930	15,810	15,565	15,558
Total Revenue	33,581	33,581	34,950	34,481	34,564
Debt Service (with 2008 Capital Bonds)	8,180	9,101	11,899	11,999	N/A
Debt Service (without 2008 Capital Bonds)	6,790	7,708	10,508	10,608	12,100
Debt Service Coverage (with 2008 Capital Bonds)	4.06x	3.77x	2.94x	2.87x	N/A
Debt Service Coverage (without 2008 Capital Bonds)	4.90x	4.45x	3.33x	3.25x	2.86x

2008 Capital Bonds have a pledge to budget and appropriate and not a specific pledge on any revenues, thus the reason for the split comparison.

The Public Services Tax Revenues were not pledged to secure the Bonds until 2014. The historical numbers and coverage figures are shown for comparative purposes.

**CAPITAL BONDS (GENERAL GOVERNMENT DEBT)
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE**

Bond Year Ending October 1	Total	\$40,225,000 Series 2014	\$49,165,000 Series 2012	\$26,975,000 Series 2009
2018	\$ 10,998,386	\$ 2,998,550	\$ 5,543,000	\$ 2,456,836
2019	10,998,641	3,147,100	6,498,500	1,353,041
2020	10,996,925	3,147,100	6,496,750	1,353,075
2021	10,997,909	3,148,600	6,497,500	1,351,809
2022	10,996,496	3,147,250	6,500,000	1,349,246
2023	8,756,541	3,332,750	4,073,500	1,350,291
2024	8,753,602	3,335,000	4,068,750	1,349,852
2025	4,680,429	3,332,500	-	1,347,929
2026	4,684,679	3,335,250	-	1,349,429
2027	4,682,010	3,332,750	-	1,349,260
2028	3,961,055	3,335,000	-	626,055
2029	3,961,779	3,336,500	-	625,279
2030	3,960,761	3,337,000	-	623,761
2031	3,962,658	3,336,250	-	626,408
2032	3,334,000	3,334,000	-	-
2033	3,335,000	3,335,000	-	-
2034	3,333,750	3,333,750	-	-
TOTALS	<u>\$ 112,394,619</u>	<u>\$ 55,604,350</u>	<u>\$ 39,678,000</u>	<u>\$ 17,112,269</u>

**CAPITAL BONDS (GENERAL GOVERNMENT DEBT)
CITY OF TALLAHASSEE, FLORIDA
PRINCIPAL OUTSTANDING**

Bond Year Ending October 1	Total	\$40,225,000 Series 2014	\$49,165,000 Series 2012	\$26,975,000 Series 2009
2018	\$ 7,080,000	\$ 1,215,000	\$ 3,890,000	\$ 1,975,000
2019	7,365,000	1,400,000	5,040,000	925,000
2020	7,715,000	1,470,000	5,285,000	960,000
2021	8,090,000	1,545,000	5,550,000	995,000
2022	8,450,000	1,590,000	5,830,000	1,030,000
2023	6,620,000	1,855,000	3,695,000	1,070,000
2024	6,935,000	1,950,000	3,875,000	1,110,000
2025	3,195,000	2,045,000	-	1,150,000
2026	3,345,000	2,150,000	-	1,195,000
2027	3,495,000	2,255,000	-	1,240,000
2028	2,920,000	2,370,000	-	550,000
2029	3,060,000	2,490,000	-	570,000
2030	3,205,000	2,615,000	-	590,000
2031	3,360,000	2,745,000	-	615,000
2032	2,880,000	2,880,000	-	-
2033	3,025,000	3,025,000	-	-
2034	3,175,000	3,175,000	-	-
TOTALS	<u>\$ 83,915,000</u>	<u>\$ 36,775,000</u>	<u>\$ 33,165,000</u>	<u>\$ 13,975,000</u>

\$40,225,000
CITY OF TALLAHASSEE, FLORIDA
Capital Bonds, Series 2014

Dated: June 12, 2014

Purpose

The Series 2014 Bonds were issued to finance the cost of construction for the City's portion of the public safety complex, a new fire station and various road and sidewalk improvements.

Security

The bonds are secured by a pledge of and lien on the City's receipts from the Local Government Half-Cent Sales Tax; the City's Guaranteed Entitlement Revenues; the proceeds from the City's Local Communications Services Tax; the City's Public Service Tax revenues; and earnings on the investment of all funds and accounts created under the Resolution, except the Rebate Fund and the Unrestricted Revenue Account.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$40,225,000 Serial Bonds Series due October 1, 2034. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2015.

Agents

Registrar:	US Bank, Jacksonville, Florida
Paying Agent:	US Bank, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's:	Aa2
Fitch:	AA
Standard & Poor's:	N/A

Optional Redemption

The Series 2014 Bonds maturing on or prior to October 1, 2022 are not subject to optional redemption prior to maturity. The Series 2014 Bonds maturing after October 1, 2022 are subject to redemption prior to maturity at the option of the City, as a whole or in part at any time (if in part, the maturities and the principal amounts to be redeemed are to be determined by the City in its sole discretion) on or after October 1, 2022 at a redemption price of 100% of the principal amount of the Series 2014 Bonds to be redeemed, plus accrued interest to the date of redemption.

\$40,225,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2014

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	3.000%	\$ 1,215,000	\$ 1,783,550	\$ 2,998,550
2019	5.000%	1,400,000	1,747,100	3,147,100
2020	5.000%	1,470,000	1,677,100	3,147,100
2021	3.000%	1,545,000	1,603,600	3,148,600
2022	5.000%	1,590,000	1,557,250	3,147,250
2023	5.000%	1,855,000	1,477,750	3,332,750
2024	5.000%	1,950,000	1,385,000	3,335,000
2025	5.000%	2,045,000	1,287,500	3,332,500
2026	5.000%	2,150,000	1,185,250	3,335,250
2027	5.000%	2,255,000	1,077,750	3,332,750
2028	5.000%	2,370,000	965,000	3,335,000
2029	5.000%	2,490,000	846,500	3,336,500
2030	5.000%	2,615,000	722,000	3,337,000
2031	5.000%	2,745,000	591,250	3,336,250
2032	5.000%	2,880,000	454,000	3,334,000
2033	5.000%	3,025,000	310,000	3,335,000
2034	5.000%	<u>3,175,000</u>	<u>158,750</u>	<u>3,333,750</u>
TOTALS		<u>\$ 36,775,000</u>	<u>\$ 18,829,350</u>	<u>\$ 55,604,350</u>

\$49,165,000
CITY OF TALLAHASSEE, FLORIDA
Capital Refunding Bonds, Series 2012

Dated: November 27, 2012

Purpose

The Series 2012 Bonds were issued to advance refund the Capital Bonds, Series 2004.

Security

The bonds are secured by a pledge of and lien on the City's Guaranteed Entitlement Revenues; the City's receipts from the Local Government Half-Cent Sales Tax; the proceeds from the City's Local Communications Services Tax; the City's Public Service Tax revenues; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$49,165,000 Serial Bonds Series due October 1, 2024. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2013.

Agents

Registrar:	US Bank, Jacksonville, Florida
Paying Agent:	US Bank, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's:	Aa2
Fitch:	AA
Standard & Poor's:	N/A

Optional Redemption

The Series 2012 Bonds maturing on or prior to October 1, 2022 are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing after October 1, 2022 are subject to redemption prior to maturity at the option of the City, as a whole or in part at any time (if in part, the maturities and the principal amounts to be redeemed are to be determined by the City in its sole discretion) on or after October 1, 2022 at a redemption price of 100% of the principal amount of the Series 2012 Bonds to be redeemed, plus accrued interest to the date of redemption.

\$49,165,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL REFUNDING BONDS, SERIES 2012

Summary of Remaining Debt Service Requirements

Bond Year	Interest			
Ending	Rate	Principal	Interest	Total
October 1				
2018	5.000%	\$ 3,890,000	\$ 1,653,000	\$ 5,543,000
2019	5.000%	5,040,000	1,458,500	6,498,500
2020	5.000%	5,285,000	1,211,750	6,496,750
2021	5.000%	5,550,000	947,500	6,497,500
2022	5.000%	5,830,000	670,000	6,500,000
2023	5.000%	3,695,000	378,500	4,073,500
2024	5.000%	<u>3,875,000</u>	<u>193,750</u>	<u>4,068,750</u>
TOTALS		<u>\$ 33,165,000</u>	<u>\$ 6,513,000</u>	<u>\$ 39,678,000</u>

\$26,975,000
CITY OF TALLAHASSEE, FLORIDA
Capital Improvement Refunding Revenue Bond, Series 2009

Dated: April 24, 2009

Purpose

The Series 2009 Bond was issued to repay a portion of the outstanding principal amount of the obligation evidenced by a loan agreement between the City of Tallahassee and the Sunshine State Governmental Financial Commission.

Security

The bond is secured by a junior lien pledge on the City's Guaranteed Entitlement Revenues; the City's receipts from the Local Government Half-Cent Sales Tax; the proceeds from the City's Local Communications Services Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$26,975,000 Capital Improvement Refunding Revenue Bond Series 2009 due October 1, 2031. The bond is issued as a private placement. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2009.

Agent

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Optional Redemption

The Series 2009 Bond may be prepaid at the option of the City in whole, or in part, on any date, with three days prior written notice to the Owner by payment in an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus the prepayment fee.

\$26,975,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2009

Summary of Remaining Debt Service Requirements

Bond Year	Ending	Interest			
October 1	Rate	Principal	Interest	Total	
2018	3.710%	\$ 1,975,000	\$ 481,836	\$ 2,456,836	
2019	3.710%	925,000	428,041	1,353,041	
2020	3.710%	960,000	393,075	1,353,075	
2021	3.710%	995,000	356,809	1,351,809	
2022	3.710%	1,030,000	319,246	1,349,246	
2023	3.710%	1,070,000	280,291	1,350,291	
2024	3.710%	1,110,000	239,852	1,349,852	
2025	3.710%	1,150,000	197,929	1,347,929	
2026	3.710%	1,195,000	154,429	1,349,429	
2027	3.710%	1,240,000	109,260	1,349,260	
2028	3.710%	550,000	76,055	626,055	
2029	3.710%	570,000	55,279	625,279	
2030	3.710%	590,000	33,761	623,761	
2031	3.710%	<u>615,000</u>	<u>11,408</u>	<u>626,408</u>	
TOTALS		<u>\$ 13,975,000</u>	<u>\$ 3,137,269</u>	<u>\$ 17,112,269</u>	

ENERGY SYSTEM

The Energy System is the City's Electric and Gas Systems grouped together primarily for the purpose of debt financing. The 1992 General Resolution created the Energy System, which consisted solely at that time of the City's Electric System. The 1998 General Resolution allowed the City to add other utility functions to the Energy System. In 1999, pursuant to the provisions of the 1998 General Resolution, the City Commission approved migration of the City's Gas System from the Consolidated Utility Systems (CUS) to create the Combined Energy System, for financing purposes only.

Administration

In February of 2016, the City announced a City-wide reorganization that resulted in the dissolution of the former Public Works Department and assigned that Department's functions to the various utilities. As part of this reorganization, the City consolidated all its utility operations under a single deputy City Manager for Citizen Services. The Citizen Services area consists of the Electric Utility, including the City's Traffic Engineering and Operations (formerly a portion of Public Works), Underground Utilities and Public Infrastructure (formerly Water and Sewer Utilities, which now includes StarMetro, Gas Utility and portions of Public Works), Community Beautification and Waste Management (formerly Solid Waste and portions of Public Works), Fleet, and Customer Services, which now includes Starmetro, and Tallahassee International Airport. Also within Citizen Services are portions of the former Utility Services Department providing wholesale energy, fuels and rate support. Each of the utility departments is responsible for operational aspects associated with its respective service area. Customer Services provides centralized support to the City, except for the 911 system, for services such as billing, customer service, connect/disconnect, meter reading and e-commerce. Other City departments provide other support activities, such as accounting, payroll and human resources. The cost of these services is allocated to the utility departments.

In 2014, the City's Energy Services Department (ESD) was reorganized to improve demand side (conservation) and supply side (power production) planning and customer care. Functional activities of the Energy Services Department were consolidated into the Electric Utility and Utility Services departments. Five positions tasked with demand side and alternative energy responsibilities were transferred to Electric's System Planning Division, and newly organized as a Strategic Integrated Planning Division. Twenty-five positions tasked with retail energy and wholesale energy were consolidated with utility customer services and wholesale services. The reorganization is addressed in detail in each respective narrative that follows. Other City departments provide other support activities such as: accounting, payroll, human resources, and fleet management. The cost of these services is allocated to the utility operating departments.

WHOLESALE ENERGY SERVICES DIVISION

The Wholesale Energy Services Division (WSD) is organized within the Citizen Services. WSD's primary mission is to optimize the economic dispatch of the Electric Utility's generation resources and manage fuel supply for the City's Electric and Gas Utilities (Energy System) and provide power marketing services for the Electric Utility. WSD forecasts daily load requirements for the City's Electric and Gas Utilities, schedules generation resources and purchases natural gas to meet both the Electric and Gas Utility's needs in an economical and reliable manner. WSD actively trades in the wholesale energy market, looking for economic opportunities in the daily, weekly and long-term markets. WSD leverages the City's generation resources to generate revenues by buying and selling power in the wholesale markets. These activities help to deliver the lowest cost power in a reliable manner to the City's utility customers.

WSD has taken advantage of the City's municipal tax-exempt status to enter into multiple "prepay" natural gas supply agreements. These agreements allow the City to capture the value between tax-exempt and taxable bonds without putting any funds directly at risk. Beginning August 1, 2006, the City signed a 20-year agreement with the Tennessee Energy Acquisition Corporation (TEAC) to provide discounted natural gas supplies to the City. The agreement originally committed the City to purchase 4,000 MMBtu of natural gas daily, about 6% of current requirements, for a period of 20 years at a discount to the market estimated to be \$0.45/MMBtu. This has resulted in savings to the customers of the Electric and Gas utilities of \$657,000 annually. The original agreement was expected to save approximately \$13 million over the life of the contract. In January 2013, the City allowed the supplier to buy down part of the remaining contract by paying the City \$1.8 million in return for reducing the quantity of discounted supply volumes in future years. The City has another prepay agreement with Royal Bank of Canada (RBC) through MainStreet Natural Gas, which began on June 1, 2010. Under this agreement, the City will purchase between 4,000 and 6,000 MMBtu of natural gas daily for a period of 30 years at an average discount to the market estimated to be \$0.65/MMBtu. This will result in variable savings to the customers of the Electric and Gas utilities of no less than \$365,000 annually (based on 5,000 MMBtu per day), and is forecasted to yield about \$35 million in savings over the life of the contract. This supply represents about 7% of current gas requirements for the Electric and Gas utilities. In November of 2017 the City entered into a second natural gas prepay with TEAC initially discounting 5,000 MMBtu per day by \$.30, resulting in annual savings of nearly \$550,000. Volumes and discounts are subject to being reset over the 30-year term, within pre-established parameters. This source may represent 7% - 10% of City requirements throughout the term with deliveries beginning April 1, 2018. Approximately 20% of the City's projected requirements committed to the prepaids, management believes there is ample room for more quantities in our natural gas supply portfolio, hence, WSD continues to pursue pre-pays and other opportunities for long term discounted fuel supplies.

WSD also markets and trades natural gas and pipeline capacity in the wholesale market in an effort to reduce the cost of pipeline capacity and generate revenues if market conditions allow. Acquisitions of natural gas supply have traditionally included well-head and delivered spot market purchases as well as fixed price long-term and short-term physical contracts for natural gas with various energy companies and other utilities. In an effort to limit the City's credit risk, the City utilizes financial contracts for the purchase of natural gas on the Chicago Mercantile Exchange (CME). The City also engages in financial trades with various counterparties using Over-the-Counter (OTC) International Swap Dealers Association (ISDA) agreements. These various instruments help stabilize the City's budget and protect its customers from volatile price movements.

The City Commission established the Energy Risk Policy Committee (ERPC) for policy development and oversight of the hedging and energy cost recovery programs. The ERPC is

comprised of the City's appointed officials and executive staff from the City's Utility, Financial, and Administrative units. The City Commission has approved utilization of fuel and energy expense accounts for (NYMEX/CME-related) financial trades for the current fiscal year, and up to \$30 million from the Electric Operating Reserve for financial trades beyond the current fiscal year. All trading is consistent with the approved policy, pre-established market risk tolerances, and the City's budgetary and utility rate objectives. Financial contracts using ISDA agreements for the purchase of natural gas are individually negotiated with each counterparty. Credit thresholds are based on the individual company's credit risk profile and established in consultation with the City's risk management consultant.

The City's Energy Risk Management Program monitors and reports the market-based financial risks of the organization on a regular basis. The program mainly focuses on the market and credit risks associated with the City's electric energy production and wholesale business activities. Under this program, WSD adheres to approved policy by operating under the following guidelines:

- Transactions obligating the City to liquidated damages are not offered;
- Non-performance liability for the City is limited to transaction revenue margins;
- Long-term firm transactions are coordinated and reviewed by an Electric and Gas Strategy Group and Energy Business Committee that includes: the Deputy City Manager for Citizen Services and representatives from Wholesale Energy, Underground Utilities and Public Infrastructure, which includes Electric and Gas Utilities; and
- Wholesale market trading partners' credit worthiness determinations, including trade limits, are performed by an independent consultant on a continuous basis.

In accordance with the City's Energy Risk Policies and Procedures, WSD procures natural gas supplies in the open market from numerous producers and other market participants for physical delivery to the City via long-term transportation agreements with Florida Gas Transmission and Southern Natural Gas. When available, WSD re-markets excess capacity in the secondary market to help reduce the City's total transportation costs. WSD may also sell bundled transportation and fuel to generate additional revenues. WSD purchases fuel oil to hedge against volatile natural gas prices and provide reliable back-up fuel for the Electric Utility's generating units. Fuel oil is acquired mostly through short-term contracts, and deliveries are made by barge or truck. WSD sometimes hedges gasoline for Fleet Management and diesel fuel oil for both StarMetro and Fleet Management consumption. WSD's role in hedging the cost of commodities consumed by the City could expand if economic opportunities become available.

The Customer Services Department administers energy conservation and customer services functions that provide direct services to customers. In February 2008, the City Commission adopted a Demand Side Management (DSM) plan that identified several programs and strategies designed to achieve aggressive demand and energy savings throughout the community. Since that time, the City has executed on the strategy through a combination of long-term contracts and in-house programs, and received significant funding from two (2) US Department of Energy grants. The programs and services continue to evolve, and today the City provides various customer programs and incentives under the Energy Smart Plus (e+) as follows:

- Energy Star appliance rebates for the purchase of energy efficient appliances. Local retailers have partnered with the City to promote the program with in-store displays and distribution of rebate application forms;
- Energy Star Homes incentives for new or renovated homes achieving EPA Energy Star qualification;
- Solar water heating rebates;
- Ceiling insulation grant program for all customers and a special insulation grant program for low-income customers;

- Net-metering for Photovoltaic (PV) installations allowing kWh credits to customers sending excess power back to the City grid;
- Low-income programs targeting HVAC repairs that lower operating cost, as well as hot water leak repairs;
- Neighborhood REACH program which provides energy and weatherization assistance to residential customers using a whole-neighborhood, door-to-door delivery strategy;
- Energy assistance programs that provide home and business energy audits;
- Investigations of high utility bills;
- Low interest loans for energy efficiency improvements in homes and businesses; and
- Customer Retention/Key Accounts programs that establish and maintain communication with high-use utility customers, including development and administration of long-term contracts.

ELECTRIC UTILITY

The City owns, operates and maintains an electric generation, transmission and distribution system that presently supplies electric power and energy to 119,716 customers in a service area consisting of approximately 221 square miles located within Leon County and the City's municipal facilities in Wakulla County. During the fiscal year ending September 30, 2017, the City sold 2,612,262MWh of electric energy to ultimate customers and 81,024MWh to other utilities and received total operating revenues of approximately \$251,163,004. The City experienced modest growth in customers of 0.82% from 118,745 in FY 2016 to 119,716 in FY 2017, while retail sales decreased by 0.42% from 2,623,259MWh in FY 2016 to 2,612,262MWh in FY 2017. The City's ten-year forecast projects an average annual growth in customers of 1.08% and an average annual growth in retail energy sales of 0.7%, which includes the forecasted impact of the City's aggressive energy efficiency and Demand Side Management program.

The current installed capacity at the Sam O. Purdom Generating Station (the Purdom Station) is 268MW (winter net rating). The Purdom Station includes Purdom Unit 8, a 250MW class combined cycle generating unit added in 2000 and one small simple cycle gas turbine. The current installed capacity at the Arvah B. Hopkins Generating Station (the Hopkins Station) is 504MW (winter net rating). The Hopkins Station includes the repowered Unit 2, which was converted from a conventional steam unit to a combined cycle unit in 2008; Hopkins Unit 1, a conventional steam unit; and two LM-6000 peaking units. The C.H. Corn Hydroelectric Plant (the C.H. Corn Station) consists of three generating units with a total capacity of 11MW.

Management Discussion of Operations

During the last several years, the City has aggressively addressed positioning all phases of its electric utility infrastructure for changing business requirements, environmental requirements, and customer needs. These efforts have included, but not been limited to, a new Outage Management System (OMS), conversion to solid state relays, new substation facilities, new transmission facilities, new gas turbine peaking generators and repowering Hopkins Unit No. 2 to a combined-cycle generating unit. While many of these types of improvements are ongoing, including the deployment of a comprehensive "Smart Grid Program", these initiatives have already improved system reliability, efficiency, and customer service.

Based on historical decisions made by the City Commission, the City's power supply portfolio is well positioned to meet the near-term resource requirements, while providing for an efficient, economic and environmentally responsible generation fleet. The highlights of the power supply portfolio include:

- With completion of the Hopkins Repowering in 2008 and the retirement of Purdom Unit 7 at the end of 2013, 81% of the City's electric generating fleet has a weighted average age of less than 13 years. For FY 2017, the average system heat rate was 8,311 btu/kwh;
- The City's Demand Side Management (DSM) program has allowed the City to delay the need for additional power supply resources to meet planning reserve margins. Based on the 2017 Ten Year Site Plan (TYSP), the next increments of generation are needed in 2018 and in 2024. The 2018 need is driven by the early retirement of Hopkins Unit 1 (which had been planned for 2021), as well as two small gas turbines at Hopkins and two at Purdom. This need will be met with an 18.6MW generation addition at Substation BP-12, and a 74MW addition at Hopkins, consisting of four 18.6MW additions (these unit additions are described in more detail below); and

- The DSM program will increase the City's load factor approximately 3% over a ten-year time frame, and the efficiency of the generating fleet, coupled with the Energy Risk Management Program, will provide competitive, environmentally responsible production costs.

The City continues to be an active participant in State and Federal legislative and regulatory activities related to electric industry restructuring, electric reliability, electric transmission facilities, climate change and financing issues that may have an impact on the City and its customers. The accrual of operating reserves has positioned the City competitively while providing a great deal of flexibility, including the ability to defease a portion of existing indebtedness and directly fund certain capital projects that would otherwise be debt-financed. The Electric Operating Reserve had a balance of \$89.0 million at September 30, 2017 with \$30 million of this amount committed to supporting financial trades through the City's Energy Risk Management Program. The City's residential base rates are below the state average in Florida, and the predominant use of abundant and affordable natural gas for its generating units has allowed the City's total rates to remain competitive and below statewide averages.

General Electric Long Term Services Agreement

In 1999, the City entered into a Long Term Services Agreement (LTSA) with General Electric International, Inc. (GE) for Purdom Unit 8 (PP8). With the repowering of Hopkins Unit 2 (HP2) in 2008, the LTSA was modified to include the HP2A 7FA gas turbine. Under the terms of the LTSA, GE performs all of the scheduled preventative maintenance work on the City's PP8 combustion and steam turbine/generators for a fixed cost. The LTSA incorporates availability and heat rate guarantees, including liquidated damages and bonus provisions. These damages and bonus provisions are capped at \$500,000 per year. The City renegotiated an extension to the contract in 2015 to modify certain terms of the LTSA to: 1) include one additional major inspection cycle for each generating unit; 2) modify the PP8 maintenance cycle from 24,000 to 32,000 hour intervals; 3) modify the escalation provisions to a fixed 2% annual escalation; and 4) extend the term of the agreement to 2029. As a result of these negotiations, the annual cost of the agreement has been reduced by approximately \$2 million as compared to prior LTSA costs and projections.

Future Power Supply Resources

The next increment of future capacity is tied to the retirement of Hopkins Unit 1, which was scheduled for retirement in January of 2021.

Included in the approved Capital Budget is funding to engineer, permit, and construct a small distributed generating (~18MW) facility to be located at the City's BP-12 substation adjacent to the Tallahassee Memorial Hospital. This substation is radially fed, and the addition of the distributed generation will provide for enhanced reliability to the customers served by this substation. While this additional capacity will aid in meeting the City's long term power supply needs, it is being done primarily for distribution reliability and storm hardening purposes. Two 9.3MW (18.6MW total) Wartsila gas fired reciprocating internal combustion engines (RICE) have been selected for this project. The construction started in the Summer of 2017 and commercial operation is expected by December, 2018. The retirement of Hopkins Unit 1 was accelerated to 2018, and it will be replaced with the addition of four 18.6MW (74.4MW total) of Wartsilla gas fired RICE at the Hopkins Plant. The BP12 and Hopkins projects will add 93MW of clean quick start generation to the City's electric system. Once in commercial operation, the City will early retire Hopkins Unit 1 and the last remaining simple cycle combustion gas turbine located at Purdom (1). This will result in a total retirement of 138MW of older, less efficient

capacity. The early retirement of these units and the addition of the new reciprocating engines will provide the following benefits:

- These engines are significantly more efficient than the units they will be replacing, resulting in fuel cost savings to our customers;
- These units can be started in 5-10 minutes to meet the system demand quickly, as opposed to Hopkins 1 that took about 10 hours to start;
- The CO₂ emissions will be much less from these units compared to the units being replaced; and
- The addition of the quick start engines will allow for nimbler operations of the electric system that will support the current and future plans for intermittent (solar and wind) power additions when they are cost effective.

This replacement generation cost will result in the need for the City to issue additional debt. Current plans are to issue approximately \$118 million in new debt to support this project. Fuel savings will offset a portion of the debt service that will be added for this debt. The debt issuance will occur in February, 2018.

The City continues to pursue opportunities to diversify its power supply portfolio and provide for continued long term reliability and cost effectiveness. Toward this end, the City entered into a Power Purchase Agreement (PPA) for -20MW -AC of Solar PV which achieved commercial operations in December 2017. The PPA is with FL Solar I, owned by Origis Energy LLC. The terms of the PPA call for the City to purchase 100% of the facility output for 20 years at a pre-determined pricing schedule. The City has two, five-year renewal options that it can exercise at the end of the initial contract term. Starting in the ninth year of the PPA, the City has an annual right to acquire the facility. The facility is located on City-owned land at the Tallahassee International Airport. FL Solar 1 has a land lease for the underlying land for a 35-year period. In order to meet certain FAA requirements, the Electric Utility is responsible for compensating the airport with an annual lease payment. While the City is purchasing the energy from the City, this lease payment will be made from Electric revenues. Should the PPA be terminated, FL Solar 1 will reimburse the Electric Utility for the annual lease payments while their facility remains on the site. On January 25, 2017, the City Commission approved entering into contract negotiations with Origis Energy to provide a second solar farm at the Tallahassee International Airport with approximately 40MW of additional solar. Contract negotiations are underway. Until such time as the final negotiations are completed, the timing and cost of the additional solar will not be finalized. It is, however, anticipated that the second solar farm commercial terms and conditions will be similar to those with FL Solar 1. The Electric Utility System Integrated Planning division continues to pursue other alternative energy opportunities as they arise.

The City also continues to monitor changing regulatory and legislative trends that could potentially impact the selection of future resources. The electric utility regularly evaluates the current resource plan for risk exposure, primarily through the use of sensitivity cases that are analyzed to determine if the resource plan is sufficiently robust to remain stable (reliable service at the lowest cost) for variations in key assumptions. While there are several assumptions that are routinely tested in the resource planning process (such as load growth and fuel prices), there continues to be significant areas of uncertainty that represent potential near-term risk to the City, such as continued changing environmental regulations and the evolving mandatory reliability standards framework.

In addition to these industry-wide areas of risk, the City is also monitoring the risk associated with the DSM portfolio that is currently part of the preferred resource plan. Based on the projected impacts associated with this portfolio, the City's need for new capacity has been deferred. However, uncertainty remains about how responsive the City's customers will be in adopting additional DSM measures that can achieve the capacity and energy savings identified in the portfolio. The electric utility continues to assess the risk exposure related to this DSM

portfolio, and to identify options the City could consider should the anticipated savings not be achieved as planned. In addition, the City continues to analyze the number, sizes and expected duty cycles of the City's electric generating units (referred to as "capacity mix"), inter-utility transmission capabilities, and other potential sources of risk to economic and reliable electric service.

Capacity mix is an important consideration in the City's planning process. To satisfy expected electric system requirements, the City currently assesses the adequacy of the total capability of power supply resources versus a 17% load reserve margin criterion. But the evaluation of reserve margin is made only for the annual electric system peak demand and assumes all power supply resources are available. Resource adequacy must also be evaluated during other times of the year to determine if the City is maintaining the appropriate amount and mix of power supply resources.

Currently, about two-thirds of the City's power supply comes from two generating units, Purdom Unit 8 and Hopkins Unit 2. The outage of either of these units can present operational challenges, especially when coupled with transmission limitations (discussed below). Further, the projected retirement of older generating units will reduce the number of local power supply resources available to ensure resource adequacy. For these reasons, the City has been evaluating alternatives to its current load reserve margin supplemental fleet criterion that may better balance resource adequacy and operational needs with utility and customer costs. The results of these evaluations suggested that the City's current load reserve margin supplemental fleet criterion should be supplemented by a criterion that takes into account the number and sizes of power supply resources (unit size diversity) to ensure adequacy and reliability. Addressing this criterion is part of the rationale for the planned replacement generation project at Hopkins and the distributed generation project BP12.

The City's projected transmission import capability continues to impact the need for future power supply resource additions. The City's internal transmission studies have reflected a gradual deterioration of the system's transmission import (and export) capability into the future, due in part to the lack of investment in the regional transmission system by neighboring utilities around Tallahassee as well as the impact of unscheduled power flow-through on the City's transmission system. The City has worked with its neighboring utilities, Duke Energy Florida ("Duke") and Southern Company ("Southern"), to plan and maintain, at minimum, sufficient transmission import capability to allow the City to make emergency power purchases in the event of the most severe single contingency, the loss of the system's largest generating unit.

The prospects for significant expansion of the regional transmission system around Tallahassee hinge on the City's ongoing discussions with Duke and Southern, the Florida Reliability Coordinating Council's (FRCC) regional transmission planning process, and the evolving set of mandatory reliability standards issued by the North American Electric Reliability Corporation (NERC). None of these efforts is expected to produce substantive improvements to the City's transmission import/export capability in the short-term. In consideration of the City's limited transmission import capability the results of power supply resource studies tend to favor local generation alternatives as the means to satisfy future requirements.

The City has operated the Corn Hydro Electric facility since the early 1980's. The facility itself is owned by the State of Florida and leased to the City. The City owns the generating equipment, certain spillway equipment and other associated equipment. The City operates the facility under two controlling documents: a lease between the City and the State of Florida, and an Operating License issued by the Federal Energy Regulatory Commission (FERC). The lease is a 20-year lease with two ten-year renewal options and the City is in the first renewal option. The FERC license is a 40-year license that is scheduled to expire in June of 2022. To meet the FERC requirements, the City must file a notice with FERC no later than June of 2017 advising whether or not the City intends to renew the operating licenses. Following extensive staff analysis, the City Commission approved staff recommendations to move forward with divestiture of the facility. This will result in the facility transferring to a third party or back to the State of Florida no later than June of 2022. The City is working closely with the State of Florida to achieve a transfer of the facility

earlier than the June 2022 date. The City provided the State with a proposal to transfer the facility to a third-party firm who would assume responsibility for the operation of the facility. Under this arrangement, the City would purchase 100% of the output from the facility for a 16-year period. The State has determined that they need to issue an independent request for proposals (RFP) to meet their statutory requirements. The State has conducted two RFP solicitations and received no responses. On June 5, 2017, the City filed an application to surrender with FERC. Upon surrender of the FERC license, the lease between the City and State will terminate and the responsibility for the facility will return to the State. In either a transfer or surrender, the equipment the City owns at the facility (hydro turbine/generators, gate hoists, step-up transformers and associated controls and electric equipment) would be transferred to the State. This application is under consideration by the FERC. Until such time as FERC rules on the surrender application, the City cannot determine when it will divest itself of the hydro facility.

Mutual Aid Agreement

The City is a participant in a General Mutual Aid Agreement (the “Agreement”) with Gainesville Regional Utilities, the Jacksonville Electric Authority (JEA), the City of Lakeland, the Orlando Utility Commission and the Municipal Electric Authority of Georgia. Under the terms of this Agreement, should one of the parties have a named unit experience an extended forced outage of 60 consecutive days or more, the party may call upon the other parties to provide replacement energy, up to the amount identified for the named unit, for a period from the 61st day to the 365th day of the event. For the City of Tallahassee, Hopkins Unit 2 and Purdom Unit 8 are named units and the capacity covered by the Agreement is 150MW for each unit. The Agreement provides for a known means to price the energy that is provided under the Agreement. While not an obligation to take energy under the Agreement, the Agreement provides the City with an option to obtain replacement energy should there be an extended forced outage of one of the City’s two largest units.

Environmental

The City’s Electric Utility is subject to several environmental laws, regulations, and permitting requirements by a variety of entities at the federal, state, and local levels. Generally, environmental requirements have the potential to substantially increase the City’s system costs by requiring alterations in the equipment or mode of operation of existing and proposed new facilities. Due to the constantly changing nature of these regulations, there is no assurance that the City’s facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain or maintain all required permits. An inability to comply with environmental standards or deadlines could result in fines and/or legal action, as well as reduced operating levels or a shutdown of individual electric generating units or facilities not in compliance. Furthermore, clean air laws, compliance with all of its standing environmental permits. The City was recently recognized as the first public utility in the world to be certified by NSF International Strategic Registrations (NSF-15R) to the newly revised International Standard for Environmental Management Systems, ISO 14001:2015.

Several factors could significantly impact future operations of the City’s utilities, and they are categorized below by environmental sector:

Air: The City’s generating plants are subject to the Acid Rain cap and trade program and the City holds more than sufficient allowances of both sulfur dioxide (SO₂) and nitrogen oxides (NO_x).

The United States Environmental Protection Agency (“USEPA” or “EPA”) has issued a number of indefinite stays, remands or repeals for a number of environmental regulations that previously impacted the City’s operations. While the future of these stayed rules are unclear, presently the City is in compliance with current air regulations. It is generally expected that there

will be a significant increase in litigation and legal challenges for the USEPA. The following air regulations are not expected to impact the City's operations or environmental compliance status.

Cross State Air Pollution Rule ("CSAPR"): The Clean Power Plan, Greenhouse Gas & Climate Change and Risk Management Plans.

Startup, Shutdown and Malfunction ("SSM") Provisions: Although Florida has approved some revisions of SSM provisions, the majority of units affected were older fossil fuel units of which the City only has one in operation. This particular unit, Hopkins Unit 1, will be retired in the very near future due to its age, once replacements units are commercial operation. The City is examining which excess emissions provisions will still be employed and what measures can be implemented in order to ensure compliance. These measures may therefore require the City to consider such things as longer run times, less frequent shutdowns, and new control technologies. This could result in higher costs, depending on the compliance measures chosen. Officials at the State of Florida Department of Environmental Protection ("DEP") have submitted state plans to implement the changes that are necessitated by the new interpretation. The City continues to monitor the SSM state implementation process.

Climate Change and Greenhouse Gas Regulations: These regulations are currently in abeyance. The City will continue to monitor developments in order to achieve or maintain compliance.

Compliance with the greenhouse gas emission reduction requirements could require the City, at significant cost, to purchase allowances or offsets, change or modify technology used at City facilities or retire high emitting generation facilities and replace them with lower emitting generation facilities. The estimate of costs of compliance with expected greenhouse gas legislation is subject to significant uncertainty. The City cannot predict when or the impact of any federal or state legislative or regulatory proposals regarding greenhouse gas control strategies due to the preliminary stages of such proposals.

Hopkins Tank Leak: In January 2012 a leak was discovered from the diesel tank number 4 at the Hopkins Generation Station, and a multiphase extraction remediation system was installed and operated from March 2012 to July 2012. This system collected more than 270,000 gallons of groundwater and more than seven million cubic meters of soil vapors. Following system shutdown, the site entered into a DEP-approved natural attenuation monitoring program whereby quarterly groundwater sampling would be conducted. Based on the results of regular quarterly sampling, the concentration of the contaminants of concern have presence of the tank. Based on the diminishing contaminants of concern and the stability of the plume, as demonstrated by the sampling efforts, DEP has agreed to allow the City to obtain groundwater use and stormwater use within the affected area. The City has prepared and submitted the restrictive covenant package for DEP review and approval. Once approved by DEP, the City will move forward with the public notice requirements.

Petroleum Storage Tank Conversion: The Hopkins Generating Station is in the process of converting tank number 3 (DEP tank number 10) from Bunker "C" fuel to diesel. Among other environmental protections, the project as bid will include a double bottom tank and sufficient secondary containment as required by the DEP.

Tank Inspections: In order to maintain compliance with EPA and DEP rules and regulations, all aboveground storage tanks must go through API 653 inspections. Upon inspection, recommendations will be received on what necessary repairs must be made.

National Pollutant Discharge Elimination System ("NPDES") Permits: The City is currently operating in compliance with all of its NPDES permit conditions for both the Hopkins and Purdom Generating Stations. The Hopkins Generation Station was granted a total recoverable copper limit of 50 parts per billion ("ppb") based on a successful metal translator study that was conducted by the City. Prior to the submission of the NPDES permit renewal application, the City conducted three seasonally different sampling events to demonstrate that the copper ratios are still similar in order to renew the translator as per permit conditions. The results

were favorable to continue receiving the total recoverable copper limit of 50 ppb and although the permit is still pending, it is expected to be renewed by the DEP. The Purdom NPDES permit was issued on October 27, 2015 and the Hopkins NPDES permit is in the renewal process at DEP and is currently administratively extended pending the completion of the Lake Talquin Total Maximum Daily Load (TMDL) rule challenge litigation (see below).

Numeric Nutrient Criteria Rule: The Numeric Nutrient Criteria (“NNC”) rule has been promulgated and published by the DEP. Upon NPDES Permit renewal, the Hopkins Generating Station will be required to comply with the NNC rule for streams and estuaries. The City has received the Purdom Generating Station NPDES Permit along with an Administrative Order to allow the facility to evaluate its processes, operations, chemical additives, and industrial reuse and reclaimed waters to ensure that the intermittent discharge will no longer contribute to the non-attainment of the NNC rule. A report is required to be submitted to DEP that will include an implementation schedule with completion dates and milestones. This report is due on February 28 of each year throughout the duration of the permit. The first report was submitted by February 28 of each year throughout the duration of the permit. The first report was submitted by February 1, 2016; the latest report was submitted on February 28, 2017. Purdom staff implemented an internal sampling program that monitors Total Phosphorus (“TP”) and Total Nitrogen (“TN”) at the discharge points and the results have shown the TN to be back to its historical levels in prior permits. It is anticipated that no impacts will result from this new rule.

Stream Conditions Index (“SCI”) Scores: DEP completed three SCI studies for Hopkins (one in 2013 and two in 2014) and found the average score of the three sampling events to be 39. Per the requirements of the NNC rule, if a facility cannot meet the limit for total phosphorus (0.18 mg/L), then they have to alternatively show that the facility has health flora and fauna. A healthy flora was demonstrated during the fifth year biological assessment that was conducted by DEP. A health fauna is demonstrated by having an average score of 40 for two temporarily independent samples (more than three months apart) at the same location with no one score less than 35. It is anticipated that the City will be required to perform two SCI studies that will be included as a permit condition to achieve compliance with the healthy fauna demonstration in the Hopkins NPDES renewal Permit.

Lake Talquin Total Maximum Daily Load (“TMDL”): The Hopkins facility is being included in the Lake Talquin Model and will be assigned a waste load allocation for allowable TP and TN contribution to the lake. Based on the Notice of Proposed Rule published on December 16, 2016, and amended on June 17, 2017, the City will be allotted a waste load allocation (“WLA”) of 2187 kg/year for TP and 1020 kg/year for TN. These WLA’s are based on an average flow rate of 1.8 MGD and nutrients concentrations of 0.88 mg/l and 0.4 mg/l of TP and TN, respectively. Based on current operation, the City can meet these waste load allocations. The reporting of these WLA’s will be negotiated during the permit renewal process and can be averaged over a three-year rolling average to allow the facility flexibility in its operations. The Hopkins facility continues to operate a facility in Attapulgus, Georgia. The City of Tallahassee and Leon County intervened as substantially affected parties in this matter. An administrative hearing on this issue occurred in late November 2017. All the parties were required to file their post hearing proposed final orders by January 12, 2018, and the administrative law judge’s decision should be rendered within 45 days after that date.

Electric Rates

Under existing Florida law, the City Commission has the exclusive authority to establish the level of electric rates. Rate level refers to the total amount of revenue to be recovered by the Electric System. The Florida Public Service Commission (PSC) has jurisdiction over the City's rate structure. Rate structure addresses how the total revenue requirements are allocated to and recovered from the Electric System's various rate classes.

The City's current electric rates include a customer charge that varies by customer class, a demand charge (for large commercial customers), a non-fuel energy charge, and an Energy Cost Recovery Charge (ECRC). The City has an optional residential time-of-use rate (known as Nights and Weekends) that became a permanent offering in April 2012.

Electric rate revenues are composed of two categories: ECRC and base rate revenues. The ECRC is a pass-through charge that recovers the cost of fuel used in the City's power generating facilities, and the cost of wholesale power purchased from other utilities. The City reviews the actual over or under-recovery of these costs on a monthly basis and modifies the ECRC charge, if required, on at least a semi-annual basis. All other rates (referred to as base rates) are reviewed and adjusted periodically to ensure rate level sufficiency and equitable rate structure.

The City continues to place emphasis on managing the cost of fuel and purchased power passed onto its customers through the ECRC. The City actively manages its fuel supply and energy supply portfolio to minimize the impact of natural gas price volatility. Due to the declining cost of natural gas, the ECRC rate has decreased steadily since April of 2009. The City's residential rates continue to be below the statewide average. As of September 2017, the corresponding statewide average was \$116.22 (this includes the 6% franchise fee applied to all investor-owned rates). In addition to competitive rates, the City also offers a Preferred Customer Electric Service Agreement to its largest commercial customers, which further reduces their rates and ensures that they remain City customers in the long term.

In order to adjust rates over time to reflect the cost of service while avoiding undue rate shock, Section 21-241 of the Tallahassee Code of Ordinances requires an increase to electric base rates on October 1 of each year equal to the increase in the Consumer Price Index (CPI) for the 12 months ended the preceding March 31st. Pursuant to this ordinance, electric base rates were increased on October 1, 2017 by 2.4%.

Capital Improvement Program

The City, as part of its annual budget process, adopts a five-year capital improvement program for the Electric Utility. The first year of this program becomes an appropriation, and the remaining four years constitute a planning document, which identifies anticipated capital expenditures and the related funding sources. The approved program additions for FY 2018 were \$30.3 million with the total five-year plan totaling \$193.9 million. Funding sources include charges to customers (5.8%) and deposits to the renewal and replacement fund (94.2%).

Construction of new feeder lines was also completed for several substations including BP-23, BP-17, and BP-11. Major transmission projects to recondition lines 15-A, 15-B and 15-C and extend line 31 to BP-5 were completed. These improvements have been located and designed to provide greater service reliability by alleviating loading problems in the area over the last few years, and providing backup for other substations.

Long-Term Retail Electric Contracts

In the spring of 1999, the City developed a tariff for long-term contracting with all demand-metered non-residential electric customers. The tariff, referred to as the "Preferred Customer Electric Service Agreement" (PCES), was approved by the City Commission on April 28, 1999 and by the Florida Public Service Commission on May 4, 1999. Under this Agreement,

rate discounts are provided to the customer in return for a ten-year commitment from the customer to use the City as its electricity provider. The rate discounts are 5% for the General Service Demand (GSD) class of non-residential accounts and 7% for the General Service Large Demand (GSLD) accounts.

Transmission and Distribution

The City's existing transmission system includes slightly more than 200 circuit miles of transmission lines that are operated at voltages of 230kV and 115kV. The 115kV transmission network forms a 115kV loop that extends around and through the City limits. The Electric System has substations at 27 locations, one each at the Hopkins and Purdom stations, 21 bulk power substations, two transmission substations and two 12.47kV distribution step-down substations. At the 21 bulk power substations, the power is transformed from the transmission voltage of 115kV to the distribution network voltage of 12.47kV. The transmission, distribution and generation facilities are monitored and controlled remotely from the City's Electric Control Center utilizing a Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS).

The City is interconnected with Duke Energy at seven locations on its system and with The Southern Company and its operating affiliates at one location.

The City continues to evaluate its transmission system to maintain the reliability of its grid and to ensure compliance with the North American Electric Reliability Corporation (NERC) standards. In order to ensure compliance, the need for additional transmission facilities were identified and the construction of an eastern 230kV transmission loop around the City electric system was identified as the best course of action. The first phase of this project was completed in 2013 by constructing a new 230kV line from the southwest side of Tallahassee to the southeast side of Tallahassee. The second phase, which is underway, requires the upgrade of two existing 115kV lines to 230kV to complete the loop. The first line was upgraded in the first quarter of 2015. The 230kV transmission loop is expected to be completed in the Summer of 2018 with the upgrade of the second line.

A new transmission line (Line 55) that will connect the new substation BP14 to existing substation BP7 is also expected to be completed in the Summer of 2018. This connection will close the loop and connect the eastern transmission line to BP7.

Awards

In 2017, the City of Tallahassee's Arvah B. Hopkins Generating Station continued 14 years without a single lost-time accident. This unprecedented achievement exhibits the City's commitment to safety while maintaining excellence in electric service. The 14-year milestone was achieved in April of 2017 and represents more than 1.7 million employee hours worked at the Hopkins power plant without a single personnel medical case lost-time accident.

In 2014, the City's Electric Utility maintained the prestigious Reliable Public Power Provider (RP3) Platinum level recognition from the American Public Power Association (APPA) for demonstrated excellence in reliability, safety, workforce development and system improvement. The award has been awarded for two, and now, three-year periods, and Electric has been recognized as a Platinum recipient for 2008 – 2009, 2010 – 2011, and 2012 – 2014.

In 2012, the City of Tallahassee was awarded the American Public Power Association's (APPA) most prestigious award, the E.F. Scattergood Award. The award recognizes the Public Power utility that has demonstrated sustained achievement and customer service to its community. The City was also awarded the 2012 APPA DEED Energy Innovator Award and recognized as a "Most Livable City in America" by the U.S. Conference of Mayors in 2011 for the Neighborhood REACH program and the 2014 APPA DEED Energy Innovator Award for the Double Rebates

Program.

The Neighborhood REACH program exceeded 9,100 homes serviced since the program's inception in FY 2011, with over 1,250 homes upgraded in FY 2017. In addition to energy efficiency measures, REACH includes a fire safety segment, which provided fire safety educational materials to all participants, and installed over 6,000 smoke detectors and over 3,500 fire extinguishers through FY 2017.

GAS UTILITY

The City owns, operates and manages a natural gas distribution system. The system currently provides firm and interruptible gas service to approximately 31,000 customers in Leon County, as well as the surrounding counties of Wakulla and Gadsden.

The Gas Utility management team is responsible for administration, engineering, business development, and field operations of the City's Gas System. Activities include sales and marketing, customer service, dispatching and controlling the delivery of gas, maintaining above ground facilities and infrastructure, managing new facility construction, maintaining system maps, ensuring operating of system valves and performing periodic leak surveys. The success of the Gas Utility and its ability to meet future challenges is the direct result of the talent, skills and dedication of the Gas Utility employees.

The Gas Utility has two pipeline suppliers: Kinder Morgan and Florida Gas Transmission. The Gas Utility operates four main gate stations strategically located throughout its service area and has over 910 miles of gas main infrastructure. The Gas Utility has 35 full-time employees who maintain and operate the gas system. Annual system sales for FY 2017 were 2,705,029 Mcf (a measure of volume of natural gas); one Mcf equals 1,000 cubic feet of natural gas. Total operating revenues were approximately \$26.1 million in FY 2017.

Financial Results

Fiscal Year 2017 was the warmest winter in recent history. However, in this warmer than average winter, the Gas Utility's revenues exceeded expenses by approximately \$690,000. Furthermore, the Gas Utility was able to meet its financial commitments to the City and transferred over \$2,800,000 to the City's general fund in accordance with the City's budgetary policy.

As part of its annual budget process, the Gas Utility management team developed a five-year capital improvement program for FY 2018 through FY 2022 planning period totaling \$19,164,626 that funds gas system expansion projects, gas system relocation projects, gas meter service projects, and gas service tap projects. The majority of these projects are funded as master projects where subprojects can be issued as new development occurs during the fiscal year. This financial mechanism gives Gas Utility staff the flexibility to meet developers' tight deadlines in receiving services and assists Gas Utility in maintaining its high level of customer service.

Approximately 80% of the capital budget appropriations are geared towards system expansion and the remaining 20% are allocated to upgrading the distribution system and enhancing system integrity, as well as providing funding for system automation, and smart metering initiatives. All of these projects are expected to be funded with cash flow from operations. The first year of this financial program allocation becomes an appropriation, and the remaining four years constitute a planning document that identifies anticipated capital expenditures, and the associated funding sources for appropriate capital projects.

New home growth continued through FY 2017. The majority of new homes being built use natural gas for water heating, as well as other natural gas appliances; approximately 20% more newly constructed homes used natural gas as in the previous year. The Gas Utility also has a comprehensive infill program, where homes along the current natural gas infrastructure are encouraged to make the fuel switch to natural gas; the results of this program were that 50% more homes switched to natural gas as compared to FY 2016. Natural gas penetration in the commercial market continued as well in that virtually all new restaurants chose natural gas as their primary cooking and heating source.

Management Discussion of Operations

Fiscal Year 2017 was the warmest winter in recent history. This marks the sixth consecutive year that winter temperatures did not reach projections. However, sales efforts in the commercial markets and residential conversions enabled the Utility to maintain stable sales during this period, and meet all its financial obligations. Compressed natural gas (CNG) sales increased by 20% in FY 2017, which is the seventh consecutive year that CNG sales continue to rise. These sales efforts as well as maintaining stable operations costs enable the Utility to maintain a positive revenue to expense ratio.

The Gas Utility continues to be a best management practices operational leader in the natural gas industry, and received its eighth consecutive flawless Florida Public Service Commission operational safety audit in 2017. Furthermore, the Gas Utility was again recognized by its peers in the American Public Gas Association with the Gold-level System Operational Achievement Recognition (SOAR) for excellence in operating its natural gas utility. To accomplish this mission, a forward thinking natural gas utility constantly strives to improve its operational capabilities, overcome challenges, and adapt to its changing environment. SOAR is comprised of four components: system integrity, system improvement, employee safety, and workforce development.

System integrity refers to the natural gas distribution system performing its overall intended function safely, efficiently and effectively – distributing energy to all customers without being degraded or impaired by its internal or external environment. System improvement refers to keeping the natural gas system well maintained and up-to-date through a self-improvement program that includes both an eye on the future through research and development, technology integration and a commitment to system improvement programs. Systems that exhibit excellence in employee safety and accountability for all employees, as well as tracking safety performance. Lastly, workforce development focuses on creative recruitment, training, education and development practices that provide a return on investment through increased employee loyalty, motivation, safety and productivity. This City's Gas Utility is the only utility to receive the Gold-level SOAR twice, and reinforces the Utility's commitment to continual improvement and overall excellence.

It looks like FY 2018's winter will again fall short of cold weather predictions, but should be cooler than the last couple of years. Therefore, the Utility should continue to maintain a positive revenue to expense ratio. Furthermore, the Gas Utility will continue to modify its approaches to meet the ever-changing needs of its current and future customers, meet federal and state regulatory rule adaptations, and maintain the reliability of the gas system.

Gas Rates

The Gas Utility's retail rate structure includes a base rate and a fuel recovery charge. The base rate is comprised of a fixed customer charge and a variable consumption charge. The base rate is designed to recover the operating expenses exclusive of fuel, plus scheduled transfers for debt service; renewal, replacement and investment; and a transfer to the City's general fund. The fuel recovery charge, officially called the Purchased Gas Recovery Charge (PGRC), is a pass-through recovery mechanism designed to recover fuel and other related costs on a dollar-for-dollar basis. In order to adjust rates over time to reflect the cost of service while avoiding undue rate shock, Section 21-400 of the Tallahassee Code of Ordinances requires an increase to gas base rates on October 1 of each year equal to the increase in the Consumer Price Index (CPI) for the 12 months ended the preceding March 31st. Pursuant to this ordinance, gas base rates were increased on October 1, 2017 by 2.4%.

SELECTED ENERGY SYSTEM STATISTICS

Electric System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ended September 30	2013	2014	2015	2016	2017
Residential					
Average Annual Customers	96,887	97,788	97,739	99,793	100,619
Energy Sales (MWh)	1,008,192	1,079,202	1,103,073	1,068,463	1,051,468
Average Annual Use Per Customer (kWh)	10,406	11,036	11,172	10,707	10,510
Average Annual Revenue per Customer	\$ 1,224	\$ 1,302	\$ 1,316	\$ 1,206	\$ 1,299
Commercial and Industrial					
Average Annual Customers	14,209	14,403	14,465	14,542	14,618
Energy Sales (MWh)	1,504,219	1,521,105	1,543,337	1,523,461	1,529,285
Average Annual Use Per Customer (kWh)	105,864	105,610	106,695	104,763	104,617
Average Annual Revenue Per Customer	\$ 9,110	\$ 9,067	\$ 9,563	\$ 8,972	\$ 8,588
Public Street Lighting					
Average Annual Customers	4,297	4,296	4,333	4,410	4,478
Energy Sales (MWh)	30,201	30,373	30,881	31,335	31,510
Average Annual Use Per Customer (kWh)	7,028	7,070	7,127	7,105	7,036
Average Annual Revenue per Customer	\$ 821	\$ 826	\$ 880	\$ 844	\$ 815
Total Sales to Ultimate Customers					
Average Annual Customers	115,393	116,487	117,536	118,745	119,719
Energy Sales (MWh)	2,542,612	2,630,580	2,677,292	2,623,259	2,612,262
Average Annual Use Per Customer (kWh)	22,034	22,583	22,813	22,092	21,820
Off System Sales					
Sales for Resale (MWh)	95,481	133,257	96,075	91,620	81,024
Total Sales (MWh)	2,638,093	2,763,937	2,773,366	2,714,878	2,693,286

Electric System - Selected Operating Costs and Ratios

For Fiscal Years Ended September 30	2013	2014	2015	2016	2017
Revenue per kWh					
Residential Customers	\$0.118	\$0.118	\$0.118	\$0.113	\$0.1101
Commercial and Industrial Customers	0.086	\$0.086	0.090	0.086	0.0821
Public Street Lighting	0.117	0.119	0.123	0.119	0.116
Expenses Per kWh					
Total Operating Expense per kWh	0.0852	0.0823	0.0817	0.0850	0.0813
Financial Ratios					
Debt to Total Assets	0.559	0.618	0.552	0.609	0.531
Operating Ratio	0.848	0.821	0.799	0.862	0.792
Current Ratio	4.648	5.485	5.468	4.822	4.562

Electric System - General Statistics

For Fiscal Years Ended September 30	2013	2014	2015	2016	2017
Generating Capacity (MW) (Summer)	794	746	746	746	746
Capacity Purchases (MW) (Summer)	11	-	-	-	-
Net System Energy Generated (MWh)	2,660,414	2,801,842	2,728,417	2,630,267	2,6327,054
Net Peak Demand (MW) Summer	543	565	600	597	598
Net Peak Demand (MW) Winter	480	574	556	511	533
Average Residential Monthly Bill (\$)	113	121	123	123	108
Number of Street Lights	18,040	18,049	18,188	18,710	18,825
Average Residential Monthly Bill (\$) per Service Point	102	109	110	100	96

Electric System - Summary of Projected Demand and Energy Requirements (MW)

For Fiscal Years Ending September 30	2018	2019	2020	2021	2022
Annual 60-Minute Peak Demand ⁽¹⁾					
Summer (MW)	604	603	602	601	602
Winter (MW)	553	559	563	567	570
Annual Energy Sales (GWh) ⁽²⁾	2,698	2,725	2,750	2,771	2,787
Sales to Talquin Customers Served by the City (GWh)	21	32	36	39	43
Purchases from Talquin (GWh)	11	9	8	6	5
Losses and Unaccounted for Energy (GWh)	148	150	151	152	153
Annual Energy System Requirements (GWh)	2,846	2,875	2,901	2,923	2,940
Annual System Load Factor ⁽³⁾	53.79%	54.43%	55.01%	55.52%	55.75%

(1) Includes estimated reduction in seasonal peak demands associated with demand-side management (DSM) program and coincident demand of approximately 5 MW associated with sales to Talquin.

(2) Includes estimated reduction in sales associated with DSM program.

(3) Equals Annual Energy Requirements divided by the product of peak demand multiplied by 8,760 hours.

Gas System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ended September 30	2013	2014	2015	2016	2017
Residential (firm)					
Average No. of Customers	26,737	27,380	27,742	28,176	28,955
Usage (Mcf)	636,421	702,362	707,456	622,303	556,086
Average Sales Per Customer (Mcf)	24	26	26	22	19
Non-residential (firm)					
Average No. of Customers	1,815	1,872	1,893	1,941	1,983
Usage (Mcf)	795,131	947,195	941,806	854,213	798,056
Average Sales Per Customer (Mcf)	438	506	498	440	402
Special Contract Interruptible					
Average No. of Customers	6	5	5	7	7
Usage (Mcf)	914,460	916,519	888,787	879,057	951,375
Average Sales Per Customer (Mcf)	152,410	183,304	177,757	125,580	135,911
Flexible Contract Interruptible					
Average No. of Customers		4	4	4	4
Usage (Mcf)	4	221,440	230,463	204,860	218,684
Average Sales Per Customer (Mcf)	207,960	55,360	57,616	51,205	54,671
	51,990				
Standard Interruptible					
Average No. of Customers	14	14	15	15	15
Usage (Mcf)	160,506	143,556	161,517	181,453	180,909
Average Sales Per Customer (Mcf)	11,465	10,254	11,139	12,097	12,061
Total Gas System					
Average No. of Customers	28,576	29,275	29,659	30,144	30,964
Usage (Mcf)	2,714,478	2,931,072	2,930,029	2,770,975	2,705,093
Average Sales Per Customer (Mcf)	95	100	99	92	87
Miles of Gas Lines	878	893	902	904	910
Heating Degree Days (HDD)	1,334	1,360	1,442	943	806

Gas System - Projected Sales Volumes in MCF*

For Fiscal Years Ending September 30	2018	2019	2020	2021	2022
Residential	769,400	768,400	775,000	775,000	775,000
Commercial	819,000	835,400	850,000	875,000	900,000
Contract Interruptible	870,652	870,652	888,000	900,000	950,000
Small Interruptible	199,042	199,042	160,000	200,000	210,000
Flexible Interruptible	189,434	189,434	230,000	220,000	230,000
Total	<u>2,847,528</u>	<u>2,862,928</u>	<u>2,903,000</u>	<u>2,970,000</u>	<u>3,065,000</u>

*Forecast prepared by the Gas System and reflects normalized weather.

Electric System Ten Largest Retail Customers

Fiscal Year Ended September 30, 2017

Percent of Total Retail Sales

Customers	Revenue	kWh	Revenue	kWh
Florida State University	\$ 18,056,534	276,691,044	7.37%	10.59%
State of Florida	10,173,581	130,425,060	4.15%	4.99%
City of Tallahassee	8,008,321	89,937,800	3.27%	3.44%
Florida A & M University	4,039,495	60,199,226	1.65%	2.30%
Tallahassee Memorial HealthCare	3,658,292	52,955,069	1.49%	2.03%
Leon County School Board	4,570,276	45,353,839	1.87%	1.74%
Leon County	2,355,982	29,877,589	0.96%	1.14%
Publix Markets	2,176,445	27,958,806	0.89%	1.07%
Wal-Mart	1,975,478	27,770,664	0.81%	1.06%
Federal Government	1,942,048	25,063,919	0.79%	0.96%
TOTAL	<u>\$ 56,596,553</u>	<u>766,233,015</u>	<u>23.17%</u>	<u>29.33%</u>

Gas System Five Largest Customers by Consumption

Fiscal Year Ended September 30, 2017

Percent of Total Retail Sales

Customers	Revenue	Gas Usage	Revenue	Gas Usage
Florida State University	\$ 2,486,790	488,124	9.65%	17.86%
St. Marks Powder, Inc.	1,114,845	257,421	4.71%	10.29%
Florida A & M University	750,535	151,742	3.04%	5.81%
Tallahassee Memorial HealthCare	842,815	130,317	3.65%	5.33%
Nopetro LLC	1,067,239	129,940	4.28%	4.80%
TOTAL	<u>\$ 6,242,164</u>	<u>1,157,543</u>	<u>25.14%</u>	<u>42.79%</u>

Electric Rates (effective 10/01/17)

Current ⁽¹⁾**Residential**

Customer Charge - Single Phase Service	\$7.59
Customer Charge - Three Phase Service	\$26.56
Energy Charge per kWh	\$0.07022

General Service Non - Demand

Customer Charge - Single Phase Service	\$10.32
Customer Charge - Three Phase Service	\$37.86
Energy Charge per kWh	\$0.05556

General Service Demand

Customer Charge	\$71.07
Demand Charge per kW	\$13.14
Energy Charge-The first 500 kWh per kW	\$0.02243
Excess kWh per kW @	\$0.00316

General Service Large Demand

Customer Charge	\$71.07
Demand Charge per kW	\$13.14
Energy Charge-The first 500 kWh per kW	\$0.02185
Excess kWh per kW @	\$0.00316

(1) A fuel and purchased power charge is also applied to all kWh sold.

Gas Rates (effective 10/01/17)

Current ⁽¹⁾**Residential**

Customer Charge (per month)	\$11.09
Energy Charge (per 100 cubic feet)	\$0.79144

Commercial

Customer Charge (per month)	\$19.83
Energy Charge (per 100 cubic feet)	\$0.61679

Commercial Small Interruptible

Customer Charge (per month)	\$175.03
Energy Charge (per 100 cubic feet)	\$0.25546

Commercial Interruptible

Customer Charge (per month)	\$262.56
Energy Charge (per 100 cubic feet)	\$0.19711

Commercial Large Interruptible

Customer Charge (per month)	\$262.56
Energy Charge (per 100 cubic feet)	\$0.09557

(1) A fuel charge is also applied to all 100 Cubic Feet sold.

Energy System Debt Service Coverage (in 000s)

Fiscal Year Ended September 30	2013	2014	2015	2016	2017
Electric Operating Revenues					
Retail Sales	\$244,744	\$262,565	\$274,642	\$257,480	246,171
Sales for Resale	4,109	5,888	4,460	3,977	3,710
Other Operating Revenues	6,691	8,547	4,898	6,345	19,356
Transfers (to) from	<u>6,172</u>	<u>(2,980)</u>	<u>(7,318)</u>	<u>-</u>	<u>-</u>
Total Electric Operating Revenue	<u>261,716</u>	<u>274,020</u>	<u>276,682</u>	<u>267,802</u>	<u>269,237</u>
Electric Operating Expenses					
Fuel	97,569	108,161	103,974	85,688	80,210
Purchased Power	6,959	4,816	7,355	9,723	8,310
Other	<u>79,271</u>	<u>77,980</u>	<u>83,650</u>	<u>89,460</u>	<u>82,458</u>
Total Electric Operating Expenses	<u>183,799</u>	<u>190,957</u>	<u>194,979</u>	<u>184,871</u>	<u>170,978</u>
Net Electric Revenues	77,917	83,063	83,589	82,931	98,259
Non-Operating Revenues:					
Other Income & Deductions	<u>2,916</u>	<u>2,380</u>	<u>3,392</u>	<u>3,668</u>	<u>3,756</u>
Total Net Electric Revenues	<u>80,833</u>	<u>85,443</u>	<u>86,981</u>	<u>86,599</u>	<u>102,015</u>
Gas Operating Revenues					
Total Gas Operating Revenues	27,445	30,821	31,094	26,891	25,809
Gas Operating Expenses					
	<u>18,841</u>	<u>20,451</u>	<u>22,506</u>	<u>17,974</u>	<u>18,709</u>
Net Gas Revenues	8,604	10,370	8,588	8,917	7,100
Non-Operating Revenues	<u>189</u>	<u>113</u>	<u>181</u>	<u>240</u>	<u>227</u>
Total Net Gas Revenues	<u>8,793</u>	<u>10,483</u>	<u>8,769</u>	<u>9,157</u>	<u>7,327</u>
Total Available for Debt Service	<u>\$ 89,626</u>	<u>\$ 95,926</u>	<u>\$ 93,864</u>	<u>\$ 95,756</u>	<u>109,342</u>
Existing Debt Service	\$ 43,533	\$ 43,530	\$ 43,352	\$ 43,529	43,530
Coverage	2.06x	2.20x	2.16x	2.20x	2.51x

**ENERGY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE**

Summary of Remaining Debt Service Requirements

Bond Year			\$147,295,000	\$94,615,000	\$3,440,000	\$35,485,000	\$122,280,000	\$43,245,000	\$77,845,000
Ending		Total	Series 2017	Series 2015	Series 2011	Series 2010C	Series 2010B	Series 2010A	Series 2010
October 1									
2018	\$	43,018,735	\$ 11,745,409	\$ 8,546,000	\$ 1,178,151	\$ 3,197,563	\$ 7,298,893	\$ 1,894,900	\$ 9,157,819
2019		41,698,165	10,414,750	8,547,000	1,174,890	3,198,313	7,298,893	1,893,000	9,171,319
2020		41,900,975	10,554,750	8,547,500	-	4,444,313	7,298,893	1,890,950	9,164,569
2021		42,019,675	10,679,750	8,547,000	-	4,438,063	7,298,893	1,893,150	9,162,819
2022		42,531,925	11,189,750	8,545,000	-	4,243,813	7,298,893	9,184,400	2,070,069
2023		43,517,675	9,979,750	8,546,000	-	4,440,563	7,298,893	9,177,400	4,075,069
2024		43,514,375	8,299,000	8,544,250	-	4,453,813	7,298,893	9,173,600	5,744,819
2025		43,501,419	11,088,500	8,544,250	-	1,641,813	7,298,893	9,177,400	5,750,563
2026		43,497,819	11,668,500	8,540,250	-	1,064,613	7,298,893	9,178,000	5,747,563
2027		43,500,919	11,657,250	8,546,750	-	1,053,213	7,298,893	-	14,944,813
2028		43,536,269	11,707,250	8,542,500	-	1,055,813	7,298,893	-	14,931,813
2029		35,250,268	17,539,750	8,542,250	-	939,375	8,228,893	-	-
2030		34,553,132	16,914,750	8,540,000	-	-	9,098,382	-	-
2031		33,897,407	16,289,750	8,545,000	-	-	9,062,657	-	-
2032		30,613,205	16,664,750	5,691,000	-	-	8,257,455	-	-
2033		25,213,189	16,989,750	-	-	-	8,223,439	-	-
2034		24,966,786	16,764,750	-	-	-	8,202,036	-	-
2035		16,707,100	8,534,750	-	-	-	8,172,350	-	-
2036		23,453,429	7,638,750	-	-	-	15,814,679	-	-
2037		21,689,653	6,063,750	-	-	-	15,625,903	-	-
2038		35,665,938	-	-	-	-	35,665,938	-	-
2039		35,036,059	-	-	-	-	35,036,059	-	-
2040		<u>34,381,642</u>	-	-	-	-	<u>34,381,642</u>	-	-
TOTALS	\$	<u>823,665,759</u>	<u>242,385,409</u>	<u>125,314,750</u>	<u>2,353,041</u>	<u>34,171,268</u>	<u>276,057,256</u>	<u>53,462,800</u>	<u>89,921,235</u>

**ENERGY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
ALL BOND ISSUES
PRINCIPAL OUTSTANDING**

Summary of Remaining Debt Service Requirements

Bond Year									
Ending		\$147,295,000	\$94,615,000	\$3,440,000	\$35,485,000	\$122,280,000	\$43,245,000	\$77,845,000	
October 1	Total	Series 2017	Series 2015	Series 2011	Series 2010C	Series 2010B	Series 2010A	Series 2010	
2018	\$ 16,261,000	\$ 3,000,000	\$ 4,180,000	\$ 1,116,000	\$ 1,885,000	\$ -	\$ 230,000	\$ 5,850,000	
2019	17,082,000	3,200,000	4,390,000	1,142,000	1,980,000	-	235,000	6,135,000	
2020	18,110,000	3,500,000	4,610,000	-	3,325,000	-	240,000	6,435,000	
2021	19,130,000	3,800,000	4,840,000	-	3,485,000	-	250,000	6,755,000	
2022	20,595,000	4,500,000	5,080,000	-	3,465,000	-	7,550,000	-	
2023	22,535,000	3,515,000	5,335,000	-	3,835,000	-	7,845,000	2,005,000	
2024	23,580,000	2,010,000	5,600,000	-	4,040,000	-	8,155,000	3,775,000	
2025	24,655,000	4,900,000	5,880,000	-	1,430,000	-	8,485,000	3,960,000	
2026	25,785,000	5,725,000	6,170,000	-	910,000	-	8,825,000	4,155,000	
2027	26,980,000	6,000,000	6,485,000	-	935,000	-	-	13,560,000	
2028	28,355,000	6,350,000	6,805,000	-	975,000	-	-	14,225,000	
2029	21,475,000	12,500,000	7,145,000	-	900,000	930,000	-	-	
2030	21,855,000	12,500,000	7,500,000	-	-	1,855,000	-	-	
2031	22,310,000	12,500,000	7,880,000	-	-	1,930,000	-	-	
2032	20,160,000	13,500,000	5,420,000	-	-	1,240,000	-	-	
2033	15,780,000	14,500,000	-	-	-	1,280,000	-	-	
2034	16,335,000	15,000,000	-	-	-	1,335,000	-	-	
2035	8,905,000	7,520,000	-	-	-	1,385,000	-	-	
2036	16,110,000	7,000,000	-	-	-	9,110,000	-	-	
2037	15,240,000	5,775,000	-	-	-	9,465,000	-	-	
2038	30,070,000	-	-	-	-	30,070,000	-	-	
2039	31,235,000	-	-	-	-	31,235,000	-	-	
2040	32,445,000	-	-	-	-	32,445,000	-	-	
TOTALS	\$ 494,988,000	\$ 147,295,000	\$ 87,320,000	\$ 2,258,000	\$ 27,165,000	\$ 122,280,000	\$ 41,815,000	\$ 66,855,000	

\$147,295,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2017

Dated: July 20, 2017

Purpose

The net proceeds of the Series 2017 Bonds, together with certain other available funds, will be used to (i) refund on a current basis the portion of the City's outstanding Energy System Revenue Bonds, Series 2007 maturing on October 1 in the years 2018 through 2037 in the aggregate principal amount of \$175,690,000 (the Refunded Bonds), and (ii) pay certain costs of issuance related to the Series 2017 Bonds.

The Series 2007 Bonds were issued to finance the acquisition and construction of a combined cycle unit for Hopkins Unit No. 2, new transmission facilities, distribution facilities, general plant facilities and certain Gas System facilities.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with the Energy System Refunding Revenue Bonds, Series 2015, Energy System Refunding Revenue Bonds, Series 2011, Energy System Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010A and Energy System Refunding Revenue Bonds, Series 2010.

Bond Reserve

There are no debt service reserve requirements.

Form

\$147,295,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2018.

Agents

Registrar: US Bank, NA, Jacksonville, Florida
Paying Agent: US Bank, NA, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa3
Standard & Poor's: AA

Optional Redemption

The Series 2017 Bonds maturing on and prior to October 1, 2025 are not subject to redemption prior to maturity. The Series 2017 Bonds maturing on or after October 1, 2025 are subject to redemption prior to maturity on or after October 1, 2025 or on any date thereafter, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest to the redemption date on the principal amount, if any).

\$147,295,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2017

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	3.000%	\$ 3,000,000	\$ 8,745,409	\$ 11,745,409
2019	5.000%	3,200,000	7,214,750	10,414,750
2020	5.000%	3,500,000	7,054,750	10,554,750
2021	5.000%	3,800,000	6,879,750	10,679,750
2022	5.000%	4,500,000	6,689,750	11,189,750
2023	5.000%	3,515,000	6,464,750	9,979,750
2024	5.000%	2,010,000	6,289,000	8,299,000
2025	5.000%	4,900,000	6,188,500	11,088,500
2026	5.000%	5,725,000	5,943,500	11,668,500
2027	5.000%	6,000,000	5,657,250	11,657,250
2028	5.000%	6,350,000	5,357,250	11,707,250
2029	5.000%	12,500,000	5,039,750	17,539,750
2030	5.000%	12,500,000	4,414,750	16,914,750
2031	5.000%	12,500,000	3,789,750	16,289,750
2032	5.000%	13,500,000	3,164,750	16,664,750
2033	5.000%	14,500,000	2,489,750	16,989,750
2034	5.000%	15,000,000	1,764,750	16,764,750
2035	5.000%	7,520,000	1,014,750	8,534,750
2036	5.000%	7,000,000	638,750	7,638,750
2037	5.000%	<u>5,775,000</u>	<u>288,750</u>	<u>6,063,750</u>
TOTALS		<u>\$ 147,295,000</u>	<u>\$ 95,090,409</u>	<u>\$ 242,385,409</u>

\$94,615,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2015

Dated: August 11, 2015

Purpose

The net proceeds of the Series 2015 Bonds, together with certain other available funds, will be used to (i) refund on a current basis the portion of the City's outstanding Energy System Revenue Bonds, Series 2005 maturing on October 1 in the years 2016 through 2035 in the aggregate principal amount of \$107,240,000 (the Refunded Bonds), and (ii) pay certain costs of issuance related to the Series 2015 Bonds.

The Series 2005 Bonds were issued to fund the acquisition and construction of two 47 megawatt simple cycle combustion turbine units at the Hopkins station, extensions and improvements to electric transmission lines, electric distribution facilities and gas transmission and distribution facilities.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with the Energy System Refunding Revenue Bonds, Series 2011, Energy System Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010A, and Energy System Refunding Revenue Bonds, Series 2007.

Bond Reserve

There are no debt service reserve requirements.

Form

\$94,615,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2016.

Agents

Registrar: US Bank, NA, Jacksonville, Florida
Paying Agent: US Bank, NA, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa3
Standard & Poor's: AA

Optional Redemption

The Series 2015 Bonds maturing on and prior to October 1, 2023 are not subject to redemption prior to maturity. The Series 2015 Bonds maturing on or after October 1, 2024 are subject to redemption prior to maturity on or after October 1, 2023 or on any date thereafter, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest to the redemption date on the principal amount, if any).

\$94,615,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2015

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	5.000%	\$ 4,180,000	\$ 4,366,000	\$ 8,546,000
2019	5.000%	4,390,000	4,157,000	8,547,000
2020	5.000%	4,610,000	3,937,500	8,547,500
2021	5.000%	4,840,000	3,707,000	8,547,000
2022	5.000%	5,080,000	3,465,000	8,545,000
2023	5.000%	5,335,000	3,211,000	8,546,000
2024	5.000%	5,600,000	2,944,250	8,544,250
2025	5.000%	5,880,000	2,664,250	8,544,250
2026	5.000%	6,170,000	2,370,250	8,540,250
2027	5.000%	6,485,000	2,061,750	8,546,750
2028	5.000%	6,805,000	1,737,500	8,542,500
2029	5.000%	7,145,000	1,397,250	8,542,250
2030	5.000%	7,500,000	1,040,000	8,540,000
2031	5.000%	7,880,000	665,000	8,545,000
2032	5.000%	<u>5,420,000</u>	<u>271,000</u>	<u>5,691,000</u>
TOTALS		<u>\$ 87,320,000</u>	<u>\$ 37,994,750</u>	<u>\$ 125,314,750</u>

\$3,440,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bond, Series 2011

Dated: August 9, 2011

Purpose

The Series 2011 Bonds were issued to repay a portion of the outstanding principal amount of the Energy System Refunding Revenue Bonds, Series 2001.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with its Energy System Refunding Revenue Bonds, Series 2015, Energy System Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, and Energy System Refunding Revenue Bonds, Series 2007.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$3,440,000 Energy System Refunding Revenue Bonds, Series 2011 due October 1, 2019. These bonds were issued as a private placement. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2011.

Agents

Registrar: US Bank, NA, Jacksonville, Florida
Paying Agent: US Bank, NA, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa3
Standard & Poor's: AA
Fitch: AA-

Redemption Provisions

The Series 2011 Bond is subject to redemption prior to its maturity, at the option of the issuer, (i) in whole, but not in part, on any Debt Service Payment Date through the fifth anniversary of the date of closing or (ii) in whole on any date or in part on any Interest Payment Date after the fifth anniversary of the date of closing, at the redemption prices (expressed as a percentage of the principal amount of such Series 2011 Bond to be redeemed) set forth below, together with accrued interest to the date fixed for redemption.

<u>Redemption Period (Both Dates inclusive)</u>	<u>Redemption Price</u>
Date of Closing through the Fifth Anniversary	101%
After the Fifth Anniversary	100%

\$3,440,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2011

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	2.752%	\$ 1,116,000	\$ 62,151	\$ 1,178,151
2019	2.880%	<u>1,142,000</u>	<u>32,890</u>	<u>1,174,890</u>
TOTALS		<u>\$ 2,258,000</u>	<u>\$ 95,041</u>	<u>\$ 2,353,041</u>

\$35,485,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 2010C

Dated: November 22, 2010

Purpose

The Series 2010C Bonds were issued to (i) finance the acquisition and construction of improvements to the distribution, production plant, transmission line, substation and other modernization projects including telecommunications/fiber optics, bulk power feeders, new substations or modifications as well as transmission line reconductor and expansion, and (ii) refund \$33,855,000 of Refunded Sunshine State Loans.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with its Energy System Refunding Revenue Bonds, Series 2015, Energy System Refunding Revenue Bonds, Series 2011, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010, and Energy System Refunding Revenue Bonds, Series 2007.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$35,485,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semiannually on each April 1 and October 1, commencing April 1, 2011.

Agents

Registrar: US Bank, NA, Jacksonville, Florida
Paying Agent: US Bank, NA, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa3
Standard & Poor's: AA
Fitch: AA-

Optional Redemption

The Series 2010C Bonds maturing on or prior to October 1, 2020 are not subject to optional redemption prior to the maturity thereof. The Series 2010C Bonds maturing after October 1, 2020 may be redeemed prior to their stated dates of maturity at the option of the City, in such manner as the City shall determine, as a whole or in part at any time on or after October 1, 2020 and if in part, in any order of maturity selected by the City and by lot within a maturity if less than a full maturity is to be redeemed, at par, plus accrued interest to the redemption date.

\$35,485,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2010C

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	5.000%	\$ 1,885,000	\$ 1,312,563	\$ 3,197,563
2019	5.000%	1,980,000	1,218,313	3,198,313
2020	5.000%	3,325,000	1,119,313	4,444,313
2021	5.000%	3,485,000	953,063	4,438,063
2022	5.000%	3,465,000	778,813	4,243,813
2023	5.000%	3,835,000	605,563	4,440,563
2024	5.000%	4,040,000	413,813	4,453,813
2025	4.000%	1,430,000	211,813	1,641,813
2026	4.000%	910,000	154,613	1,064,613
2027	4.000%	935,000	118,213	1,053,213
2028	4.250%	975,000	80,813	1,055,813
2029	4.375%	<u>900,000</u>	<u>39,375</u>	<u>939,375</u>
TOTALS		<u>\$ 27,165,000</u>	<u>\$ 7,006,268</u>	<u>\$ 34,171,268</u>

\$122,280,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 2010B
(Federally Taxable Build America Bonds)

Dated: November 22, 2010

Purpose

The Series 2010B Bonds were issued to finance (i) the acquisition and construction of improvements to the distribution, production plant, transmission line, substation and other modernization projects including telecommunications/fiber optics, bulk power feeders, new substations or modifications as well as transmission line reconductor and expansion.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with its Energy System Refunding Revenue Bonds, Series 2015, Energy System Refunding Revenue Bonds, Series 2011, Energy System Revenue Bonds, Series 2010C, Energy System Refunding Revenue Bonds, Series 2010A, Energy System Refunding Revenue Bonds, Series 2010, and Energy System Refunding Revenue Bonds, Series 2007.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$122,280,000 Term Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semiannually on each April 1 and October 1, commencing April 1, 2011.

Agents

Registrar: US Bank, NA, Jacksonville, Florida
Paying Agent: US Bank, NA, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa3
Standard & Poor's: AA
Fitch: AA-

Optional Redemption

The Series 2010B Bonds are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2010B Bonds, or portions thereof, to be redeemed or (ii) the Discounted Value thereof, except for the purposes of calculating such Discounted Value, the Discounted Yield shall be equal to the Blended Treasury Yield plus 0.3%, plus unpaid accrued interest thereon to the redemption date. All calculations and determinations referred to in this subsection will be made by a financial advisor selected by City.

"Discounted Value" means, with respect to the Series 2010B Bonds of each maturity thereof to be redeemed, the sum of the amounts obtained by discounting all remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) on such Series 2010B

Bonds from their respective scheduled payment dates to the applicable redemption date, at a yield (computed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months) equal to the applicable Discount Yield.

“Blended Treasury Yield” means, with respect to the Series 2010B Bonds of each maturity to be redeemed, the yield computed by the linear interpolation of two Market Treasury Yields such that the theoretical maturity that corresponds to the interpolated Market Treasury of such maturity to be redeemed. The first Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no earlier than the date corresponding to the remaining average life of the Series 2010B Bonds of such maturity to be redeemed. Notwithstanding the foregoing, if the date that corresponds to the remaining average life of the Series 2010B Bonds of a particular maturity to be redeemed is later than the latest maturity of any actively traded U.S. Treasury security or U.S. Treasury index having such latest maturity.

“Market Treasury Yield” means, with respect to the Series 2010B Bonds, that yield, assuming semiannual compounding based upon a 360-day year consisting of twelve 30-day months, which is equal to: (i) the yield for the applicable maturity of an actively traded U.S. Treasury security, reported, as of 11:00 a.m., New York City time, on the Valuation Date on the display designated as “Page PX1” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in U.S. Treasury securities); or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation date or (iii) if the yields described in (i) and (ii) above are not reported as of such time or the yields reported as of such time are not ascertainable, the yield for the applicable maturity of an actively traded U.S. Treasury security shall be based upon the average of yield quotations for such security (after excluding the highest and lowest quotations) as of 3:30 p.m. New York City time, on the Valuation Date received from no less than five primary dealers in U.S. government securities selected by the City.

Each yield quotation for each actively traded U.S. Treasury security required in (i) and (iii) above shall be determined using the average of the bid and ask prices for that security.

“Valuation Date” means, with respect to the Series 2010B Bonds to be redeemed, the Business Day preceding the date on which notice of such redemption is given.

Extraordinary Optional Redemption. The Series 2010B Bonds are subject to redemption prior to their stated maturities, at the option of City, whole or in part on any date following the occurrence of an Extraordinary Event, at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2010B Bonds, or portions thereof, to be redeemed or (ii) the Discounted Value thereof, except that for purposes of calculating such Discounted Value, the Discount Yield shall be equal to the Blended Treasury Yield plus 1.00%, plus unpaid accrued interest thereon to the redemption date. All calculations and determinations referred to in this subsection will be made by a financial advisor selected by City.

“Extraordinary Event” means that a material adverse change has occurred to Section 54AA or Section 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 pertaining to “Build America Bonds”) or there is any guidance published by the IRS or the U.S. Treasury with respect to such Sections or any other determination by the IRS or the U.S. Treasury, which qualify to receive the 35% Direct Subsidy Payments from the U.S. Treasury, pursuant to which the City’s 35% Direct Subsidy Payments from the U.S. Treasury is reduced or eliminated.

Mandatory Redemption

The Series 2010B Bonds are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2029 and thereafter, at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

<u>October 1</u>	<u>Amount</u>
2029	\$930,000
2030	\$1,855,000
2031	\$1,930,000
2032	\$1,240,000
2033	\$1,280,000
2034	\$1,335,000
2035	\$1,385,000
2036	\$9,110,000
2037	\$9,465,000
2038	\$30,070,000
2039	\$31,235,000
2040	\$32,445,000

\$122,280,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2010B

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	5.969%	\$ -	\$ 7,298,893	\$ 7,298,893
2019	5.969%	-	7,298,893	7,298,893
2020	5.969%	-	7,298,893	7,298,893
2021	5.969%	-	7,298,893	7,298,893
2022	5.969%	-	7,298,893	7,298,893
2023	5.969%	-	7,298,893	7,298,893
2024	5.969%	-	7,298,893	7,298,893
2025	5.969%	-	7,298,893	7,298,893
2026	5.969%	-	7,298,893	7,298,893
2027	5.969%	-	7,298,893	7,298,893
2028	5.969%	-	7,298,893	7,298,893
2029	5.969%	930,000	7,298,893	8,228,893
2030	5.969%	1,855,000	7,243,382	9,098,382
2031	5.969%	1,930,000	7,132,657	9,062,657
2032	5.969%	1,240,000	7,017,455	8,257,455
2033	5.969%	1,280,000	6,943,439	8,223,439
2034	5.969%	1,335,000	6,867,036	8,202,036
2035	5.969%	1,385,000	6,787,350	8,172,350
2036	5.969%	9,110,000	6,704,679	15,814,679
2037	5.969%	9,465,000	6,160,903	15,625,903
2038	5.969%	30,070,000	5,595,938	35,665,938
2039	5.969%	31,235,000	3,801,059	35,036,059
2040	5.969%	<u>32,445,000</u>	<u>1,936,642</u>	<u>34,381,642</u>
TOTALS		<u>\$ 122,280,000</u>	<u>\$ 153,777,256</u>	<u>\$ 276,057,256</u>

\$43,245,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2010A

Dated: August 5, 2010

Purpose

The Series 2010A Bonds were issued to refund on a current basis the Series 1998A Bonds maturing on October 1, 2026 in the aggregate principal amount of \$40,050,000.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with its Energy System Refunding Revenue Bonds, Series 2015, Energy System Refunding Revenue Bonds, Series 2011, Energy System Refunding Revenue Bonds, Series 2010C, Energy System Refunding Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010, and Energy System Refunding Revenue Bonds, Series 2007.

Bond Reserve

The Reserve Requirement for the Series 2010A Bonds under the Series Resolution shall be the lesser of (i) the maximum Debt Service Requirement on the Series 2010A Bonds from time to time, (ii) 125% of the Average Annual Debt Service Requirement on such Series 2010A Bonds from time to time, or (iii) the maximum amount allowed under the Internal Revenue Code of 1986, as amended.

Form

\$43,245,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semiannually on each April 1 and October 1, commencing October 1, 2010.

Agents

Registrar:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's:	Aa3
Standard & Poor's:	AA
Fitch:	AA-

Optional Redemption

The Series 2010A Bonds maturing on or prior to October 1, 2020, are not subject to optional redemption prior to the maturity thereof. The Series 2010A Bonds maturing after October 1, 2020, are subject to redemption prior to maturity on or after October 1, 2020, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest on the principal amount, if any).

\$43,245,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010A

Summary of Remaining Debt Service Requirements

Bond Year	Ending	Interest			
October 1	Rate	Principal	Interest	Total	
2018	3.000%	\$ 230,000	\$ 1,664,900	\$ 1,894,900	
2019	3.000%	235,000	1,658,000	1,893,000	
2020	3.250%	240,000	1,650,950	1,890,950	
2021	3.500%	250,000	1,643,150	1,893,150	
2022	4.000%	7,550,000	1,634,400	9,184,400	
2023	4.000%	7,845,000	1,332,400	9,177,400	
2024	4.000%	8,155,000	1,018,600	9,173,600	
2025	4.000%	8,485,000	692,400	9,177,400	
2026	4.000%	<u>8,825,000</u>	<u>353,000</u>	<u>9,178,000</u>	
TOTALS		<u>\$ 41,815,000</u>	<u>\$ 11,647,800</u>	<u>\$ 53,462,800</u>	

\$77,845,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2010

Dated: April 22, 2010

Purpose

The Series 2010 Bonds were issued to refund on a current basis the Series 1998A Bonds maturing on October 1, 2016 through 2021, inclusive, and on October 1, 2028, and all of the outstanding Series 1998B Bonds.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with its Energy System Refunding Revenue Bonds, Series 2015, Energy System Refunding Revenue Bonds, Series 2011, Energy System Revenue Bonds, Series 2010C, Energy System Revenue Bonds, Series 2010B, Energy System Refunding Revenue Bonds, Series 2010A, and Energy System Refunding Revenue Bonds, Series 2007.

Bond Reserve

The Reserve Requirement for the Series 2010 Bonds under the Series Resolution shall be the lesser of (i) the maximum Debt Service Requirement on the Series 2010 Bonds from time to time, (ii) 125% of the Average Annual Debt Service Requirement on such Series 2010 Bonds from time to time, or (iii) the maximum amount allowed under the Internal Revenue Code of 1986, as amended.

Form

\$77,845,000 Serial Bonds, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semiannually on each April 1 and October 1, commencing October 1, 2010.

Agents

Registrar: US Bank, NA, Jacksonville, Florida
Paying Agent: US Bank, NA, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa3
Standard & Poor's: AA
Fitch: AA-

Optional Redemption

The Series 2010 Bonds maturing on or prior to October 1, 2020, are not subject to optional redemption prior to the maturity thereof. The Series 2010 Bonds maturing after October 1, 2020, are subject to redemption prior to maturity on or after October 1, 2020, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest on the principal amount, if any).

\$77,845,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	(1)	\$ 5,850,000	\$ 3,307,819	\$ 9,157,819
2019	5.000%	6,135,000	3,036,319	9,171,319
2020	5.000%	6,435,000	2,729,569	9,164,569
2021	5.000%	6,755,000	2,407,819	9,162,819
2022	-	-	2,070,069	2,070,069
2023	5.000%	2,005,000	2,070,069	4,075,069
2024	(2)	3,775,000	1,969,819	5,744,819
2025	5.000%	3,960,000	1,790,563	5,750,563
2026	5.000%	4,155,000	1,592,563	5,747,563
2027	5.000%	13,560,000	1,384,813	14,944,813
2028	(3)	<u>14,225,000</u>	<u>706,813</u>	<u>14,931,813</u>
TOTALS		<u>\$ 66,855,000</u>	<u>\$ 23,066,235</u>	<u>\$ 89,921,235</u>

(1) Bonds maturing 2018 are in two issues: \$1,400,000 at 3.50% interest rate and \$4,450,000 at 5.00% interest rate.

(2) Bonds maturing 2024 are in two issues: \$1,085,000 at 4.125% interest rate and \$2,690,000 at 5.00% interest rate.

(3) Bonds maturing 2028 are in two issues: \$710,000 at 4.375% interest rate and \$13,515,000 at 5.00% interest rate.

\$23,478,378
CITY OF TALLAHASSEE, FLORIDA
Master Equipment Lease Purchase Agreement (AMI Loans)
Energy System

Dated: 2007 and 2009

Purpose

The Master Lease Purchase Agreement was utilized to fund the acquisition of Smart Energy Metering and Management Systems, consisting of meters and communication devices, to create a network of approximately 220,000 electric, gas and water meters.

Security

The rental payments are to be made only from lessee's legally available revenues appropriated on an annual basis (covenant to budget and appropriate).

Purchase Option

Upon payment in full of all rental payments then due and all other amounts then owing under the lease, and the payment of \$1.00 to lessor.

Lessor: Banc of America

\$20,735,220
CITY OF TALLAHASSEE, FLORIDA - ENERGY
MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT - 1
BANC OF AMERICA PUBLIC CAPITAL CORPORATION

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	3.9459%	\$ 1,502,696	\$ 453,434	\$ 1,956,130
2019	3.9459%	1,562,576	393,554	1,956,130
2020	3.9459%	1,624,842	331,288	1,956,130
2021	3.9459%	1,689,589	266,541	1,956,130
2022	3.9459%	1,756,916	199,214	1,956,130
2023	3.9459%	1,826,926	129,204	1,956,130
2024	3.9459%	<u>1,899,726</u>	<u>56,404</u>	<u>1,956,130</u>
TOTALS		<u>\$ 11,863,271</u>	<u>\$ 1,829,639</u>	<u>\$ 13,692,910</u>

\$2,743,158
CITY OF TALLAHASSEE, FLORIDA - ENERGY
MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT - 2
BANC OF AMERICA PUBLIC CAPITAL CORPORATION

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	4.590%	\$ 251,430	\$ 15,958	\$ 267,388
2019	4.590%	<u>158,380</u>	<u>4,285</u>	<u>162,665</u>
TOTALS		<u>\$ 409,810</u>	<u>\$ 20,243</u>	<u>\$ 430,053</u>

**CITY OF TALLAHASSEE, FLORIDA
AMI LOANS - ENERGY
CONSOLIDATED LEASE PAYMENTS**

Bond Year		\$20,735,220	\$2,743,158
Ending		AMI LOAN	AMI LOAN 2
October 1	Total		
2018	\$ 2,223,518	\$ 1,956,130	\$ 267,388
2019	2,118,795	1,956,130	162,665
2020	1,956,130	1,956,130	-
2021	1,956,130	1,956,130	-
2022	1,956,130	1,956,130	-
2023	1,956,130	1,956,130	-
2024	1,956,130	1,956,130	-
TOTALS	<u>\$ 14,122,963</u>	<u>\$ 13,692,910</u>	<u>\$ 430,053</u>

CONSOLIDATED UTILITY SYSTEMS

The Consolidated Utility Systems refers to three of the City's enterprise funds, grouped together primarily for the purpose of debt financing. The Systems are defined herein as the Utility System (the Water System and the Sewer System) and the Stormwater Drainage System.

While the City's Water System and Sewer System comprise two separate utilities for accounting and rate setting purposes, operationally they are very similar and are under the direction of the same General Manager. Billing, rate setting and, to some extent, territory served are determined in a similar manner for each system.

The City has exclusive authority to provide water and sewer services to all customers within the corporate City limits. In addition, the City is a provider of water and sewer services to portions of Leon County (the "County") and, to a limited degree, in Wakulla County. The City's Stormwater Drainage System covers the 103.37 square miles within the City limits.

Other Service Providers

Talquin Electric Cooperative (Talquin), a member-owned utility, has been providing limited water and sanitary sewer services to specific developments in the unincorporated areas of the County since 1963. According to Florida Department of Environmental Protection (DEP) records, Talquin owns ten water systems within the County, with total design capacity of 13.4 million gallons per day (mgd). Talquin also owns four sewer systems in the County and is permitted for approximately 1.8 mgd of wastewater. A local drilling company owns six water systems with design capacity of 2.1 mgd. There are seven very small sanitary sewer systems with total capacity of 1.1 mgd.

Water Quality Division

The City of Tallahassee Underground Utilities and Public Infrastructure Department – Water Operations Section operates and maintains its own water-quality testing laboratory (the "Laboratory") in compliance with Section 403.850, Florida Statutes, and the "Florida Safe Drinking Water Act". The Laboratory is certified under the National Environmental Laboratory Accreditation Program administered through the Florida Department of Health's Environmental Certification Program, Chapter 64E, and FAC. The Laboratory performs compliance environmental testing for the City's public drinking water facilities and the T.P. Smith Water Reclamation Facility, as well as contracting laboratory services for other City departments, neighboring communities and other community-related laboratory services. The Laboratory has a high level of sophistication, providing for the testing of complex organic, inorganic, and microbiological organisms.

The Water Quality Division also administers: 1) the Cross Connection Control Program, mandated by DEP, which identifies and prevents potential contamination sources to the Public Water System, 2) the Aquifer Protection Program, which is administered under a joint agreement between the County and the City and is designed to prevent contamination to the area's drinking water source, and 3) the Industrial Pretreatment Program, which monitors and regulates the introduction of certain substances into the Sewer System to protect the wastewater treatment facility.

The Water Quality Division supports the Utility System through the use of a Supervisory Control and Data Acquisition System (SCADA). SCADA remotely monitors and controls water production wells and elevated storage tanks, maintaining optimal pressure and availability of potable water. The SCADA system also monitors the sewer pumping stations and controls operations in some of the larger stations. In a lesser role, the Water Quality Division assists and provides similar services to other City departments and assets, such as the Stormwater Drainage

System, assisting in investigations and in identifying potential discharges not in compliance with the National Pollution Discharge Elimination System (NPDES).

In order to assure continuous support of City of Tallahassee services, the laboratory is in the process of designing a new facility and making a determination as to whether it will proceed with construction of a new building near the current site or attempt to acquire recently available building space for the relocation of the facility. The existing laboratory building, built in the early 1970's and renovated several times, has exceeded its life expectancy and is no longer suitable for laboratory operations. Construction/relocation of the new laboratory facility is expected to start in the Spring or Summer of 2018.

Rate Setting

The City Commission is vested with the sole authority to establish water, sewer and stormwater rates for the facilities and other services afforded by the Systems, subject to Section 180.191, Florida Statutes. This provision establishes a limitation on the differential that may be charged customers outside of the municipal boundaries.

Pursuant to the Resolution, rates and charges for the Utility System will not be changed except upon the recommendation of a Qualified Independent Consultant. The City retains a number of vendors to assist the City in performing the rate studies for the Utility System and for various other utility matters. The City does not retain a Qualified Independent Consultant to assist in setting rates for the Stormwater Drainage System. The Commission establishes stormwater drainage fees based on an amount deemed sufficient to cover the Stormwater Drainage System's projected operational, maintenance and capital improvements.

The City's financing policy is to fund general government services from various fees and charges, entitlements from other governmental agencies, taxes, and transfers from utility revenues. The City has established a targeted transfer from its various utilities to help fund these general government services. These transfer requirements are a factor in setting the City's Utility System rates and charges. There is no transfer requirement with respect to the Stormwater Drainage System.

In order to ensure that rates and charges are sufficient to meet the rate covenant as set forth in the Resolution and to provide adequate revenues to fund the Utility System's Five-Year Capital Improvement Program (the "Five-Year Capital Improvement Program") and other system requirements, the City has established a process of reviewing the water and sewer rates and charges for the Utility System. The Commission approves rates through adoption of a rate ordinance after advertising and conducting public hearings. Historically, the ordinance implementing the findings of the rate study and the public hearing process has provided, to the extent needed, changes in the rates for the first, second, and third year of the study period. Rates are also adjusted annually on October 1 based on changes in the CPI.

Water and Sewer Rates

In May 2005, the County and the City executed a new Water and Sewer Franchise Agreement (the "Franchise Agreement") that grants the City the exclusive water and/or sewer franchise for all remaining un-franchised areas in the unincorporated area of the County. The Franchise Agreement includes criteria that require undeveloped property to connect to the City's Water System and Sewer System if available within specified distances.

In March 2006, the City approved a change to its ordinance that provides for Water and Sewer rates to be automatically adjusted annually on October 1, by an amount equal to the positive percentage change in the Consumer Price Index (CPI). Accordingly, Water and Sewer rates were adjusted upward on October 1, 2017 by 2.4% to reflect the change in CPI.

Early in 2017, the City engaged the services of a third-party engineering firm to conduct an in-depth analysis of factors impacting the business model of the Water and Sewer Systems, to assess the adequacy of existing rates to meet current and future capital project funding requirements and to maintain adequate debt service coverage.

The analysis determined that two primary drivers are creating the need for rate increases, which are necessary to fund the repair and replacement of some of our aging infrastructure. Those are: the need for major capital expenditures in accordance with the FY 2018 – 2022 Capital Improvement Program and, declining water sales and water usage per customer in recent years due to the success of conservation measures implemented several years ago. The rate study was completed in late October, 2017.

In short, the rate study recommendations have proposed that Water and Sewer rates should be increased by 5% in January of 2018 (in addition to the CPI increase in October 2017). Additionally, increases of 4.7% will take place in January of 2019 and 2020 as well for Water rates, and increases of 2.1% will take place in January of 2019 and 2020 for Sewer rates. These proposed rate increases were adopted by the City Commission on January 31, 2018 with an effective date of February 1, 2018.

These rate increases will ensure that we will be able to fully fund our Renewal, Replacement and Improvement Fund at internal policy levels, minimize borrowing and still remain very competitive when comparing our rates to other Water Systems and other Advanced Wastewater Treatment Systems across the state.

Financial Update

For the Water Utility, operating revenues rose from \$32.1 million in FY 2016 to \$32.3 million in FY 2017, while operating income was reduced from \$4.6 million in FY 2016 to approximately \$1.8 million in FY 2017. For the Wastewater System, operating revenues increased from about \$53 million in FY 2016 to \$55 million in FY 2017. Operating income, however, declined from \$4.5 million in FY 2016 to \$3.8 million in FY 2017. Once again, both utilities maintained their transfers to the General Fund in accordance with the City's financing policy.

Water and Sewer System Development Charges

The City has in place System Development Charges to fund a portion of the capital costs associated with growth for both the Water System and the Sewer System. In April 2006, the System Development Charge for the Water System (the "Water System Development Charges") was increased to \$630 per residential equivalent unit within the incorporated area, and for the Sewer System (the "Sewer System Development Charges") was increased to \$3,000 within the incorporated area for the same standard residential connection. For customers located outside the City limits, these System Development Charges are increased by 50% in Leon County and in Wakulla County. The System Development Charges were not included as part of the most recent (2017) rate study and remain unchanged.

Rebates to Developers

The City provides for the rebate of on-site costs (costs incurred within the boundaries of a development project) to developers in the case of certain approved developments within the City where water and sewer lines are financed and installed by the developer to the City's specifications. This policy is designed to encourage developers to install water and sewer lines at the initial stage of a development, thereby providing additional customers for the City, and as a means of preventing the much higher future cost associated with retrofitting existing

developments with either water or sewer mains. It also encourages annexation into the City. The on-site rebate must be approved in advance by the City and is limited to the maximum limit. The maximum limit is \$1,200 per residential equivalent unit for sewer lines and \$600 per residential equivalent unit for water lines. Further, the rebate is paid to the developer only as the customers are connected to the Utility System and will be discontinued after 20 years even if the developer has not received full reimbursement. The on-site rebates are not applicable to commercial and multi-family residential developments. Ten percent of each of the actual reimbursement amounts as calculated for each residential equivalent connection is paid to the City's Affordable Housing Trust Fund.

With respect to both Water and Sewer Master Plan Projects, off-site line extension costs (meaning costs incurred outside the development area) that are within City limits are funded directly by the City. However, should a developer desire off-site line extensions that are not within the Master Planning period or when funding is not available, the developer will be allowed to fund the extension and will be reimbursed as funds become available.

Development projects *outside* the City limits are defined as "scheduled" and "unscheduled" projects. Scheduled projects are those that are part of the Master Plan and may be funded by the developer if funds are not available at the time the service extension is required. As before, the developer will be reimbursed when funds become available.

The City has an ordinance that addressed the treatment of "unscheduled" Water and Sewer projects that are outside the City limits in different ways, such as feasibility studies of possible implementation of special water and sewer districts, which may or may not involve developer rebates, depending on the nature and scope of the projects.

WATER SYSTEM

General

The City owns, operates and maintains the Water System, which currently serves approximately 84,000 service points (metered customers) and is comprised of 27 water supply wells, 8 elevated storage tanks with a combined capacity of 5.2 million gallons, approximately 1,200 miles of water mains, and 6,759 fire hydrants. Twenty-one of the 27 wells are equipped with standby generators or engines that provide pumping capacity during emergency situations. The wells have aggregate total production capacity of approximately 76 mgd. The wells vary in depth from 190 - 483 feet and extend into the Floridan Aquifer, which is a series of consolidated water-bearing strata that underlies the state of Florida and portions of Georgia, Alabama and South Carolina. The Floridan Aquifer is one of the most abundant groundwater sources in the world.

The Water System provides treated water to all developed areas of the City and certain contiguous unincorporated urbanized areas of Leon County. The City also provides water service to the City of St. Marks and portions of Wakulla County.

Consumptive Use Permit (CUP)

Ground water from the Upper Floridan Aquifer (UFA) is the sole source of potable water supply for Tallahassee and the surrounding area. With an estimated flow of 130 billion gallons annually, the UFA offers an abundant source of drinking water for the community. The City of Tallahassee public water supply is the single largest withdrawal in the region, with a total of approximately 9.9 billion gallons pumped in 2017 or approximately 7.4% of the total available water supply. A significant portion of this water is returned to the aquifer as treated wastewater effluent applied through spray irrigation at the City's Southeast Farm.

The withdrawal of ground water for public supply is regulated by the Northwest Florida Water Management District (NWFWM) via the Consumptive Use Permitting program. The City continues to operate in full compliance with the permit issued by the NWFWM in 2016. The permit duration is 20 years, and is scheduled to expire on February 1, 2036. The permit allows for the annual average daily withdrawal of groundwater of 33.7 MGD. In 2017, the City's annual average daily withdrawal was 27.14 MGD, and the most recent three-year average is 26.92 MGD.

Current Planning and Major Capital Projects

The Water Master Plan Update (WMPU) has been completed and was adopted by the City Commission on January 27, 2016. Based on the WMPU evaluation of the City's downtown water system, approximately \$14 million will be needed through the year 2022 for upgrades, rehabilitation, and replacement of existing aging pipes and water valves.

In 2017, the City continued to make significant progress towards the implementation of the recommendations presented in the Water Master Plan. Such progress included the continued progress toward construction of a new drinking water well in the Summerbrooke neighborhood, completion of site plan designs for a new potable water storage tank in the northwest distribution area, and preparations for a water main relocation and upgrade along a major thoroughfare within the City in advance of an FDOT construction project in the same corridor.

Advanced Metering Infrastructure (AMI)

A significant portion of the Water Capital Improvement Program comprises the Smart Grid project team's efforts to implement Advanced Metering Infrastructures. The AMI program has resulted in each existing gas and water meter being outfitted with a radio module to provide for remote automated reading of gas, water, and electric metered services. All electric meters were completely swapped out and, also provide remote capability and interval data.

The AMI program eliminates the costs and liabilities associated with manual reading of meters, as well as provides detailed consumption data for all three metered services. The AMI program enhances customer service by allowing a service representative to remotely poll a water meter at a specific location and review recent and past consumption history to verify a reading. The system allows for the eventual creation of a proactive water leak detection process.

WASTEWATER SYSTEM

General

The City owns, operates, and maintains a sanitary sewer system (the “Sewer System”) that serves the City and portions of the County. The Sewer System currently consists of one treatment plant and one screening facility having a combined treatment design capacity of 26.5 MGD, 4,000-acre spray field, 1.2 MGD public access reuse facility, approximately 908 miles of gravity mains, 108 pumping stations, and approximately 140 miles of force (pressurized) main. There are more than 72,000 sewer service points (customers).

All houses and buildings within the City limits situated on property within 200 feet of any completed sewer line or any future sewer line when constructed are required to be connected to the Sewer System and are required by City ordinance to physically connect to the Sewer System when any evidence of septic tank failure occurs. In addition, connection to the Sewer System is required for any developments within the City limits with four or more residential units. All customers of the Sewer System are required to connect to the Water System if it is available or provide metering of their water well if not connected to the Water System.

Treatment Plants

The City operates two sewage treatment plants (the “Plants”): the Thomas P. Smith Treatment Plant (“TPS Plant”) and the Lake Bradford Road Wastewater Treatment Plant (“LBR Plant”). Permitting of these plants is carried out by the Florida Department of Environmental Protection (DEP). The operational permits (the “DEP Operations Permits”) for the TPS Plant set forth certain general and specific conditions, effluent limitations and disposal requirements. These five-year permits extend through May 2018. While the City submitted its application for renewal in December 2017, DEP has indicated that if the permit has not been renewed by May, 2018, DEP will extend the permit administratively until such time as DEP has been able to fully review the application. Sampling, monitoring, and reuse water restrictions is set in the DEP Operating Permits, which include permitted flow, pH, chlorine residual, total suspended solids (TSS), Biochemical Oxygen Demand (BOD), Total Nitrogen, Phosphorus and fecal coliform. The biosolids generated by the Sewer System are required to be treated and disposed of as set out by the DEP Operating Permits. In addition, the EPA has regulatory authority over biosolids in the State of Florida.

The TPS Plant consists of advanced wastewater treatment facilities with a total capacity of 26.5 MGD. The treatment facility has made over \$227 million of improvements to meet a new Florida Department of Environmental Regulation permit requirement that reduces nutrients down to very low levels. In addition, a deep bed filtration system was installed with additional chlorination capacity to treat its water to public access reuse standards. The TPS Plant also has new sludge digestion, dewatering, and drying facilities to produce Class AA biosolids that are sold to wholesale distributors or large commercial customers for use as fertilizers and soil conditioners.

Note that the LBR Plant is currently offline. There are no plans to renew the five-year permit at the next permit renewal cycle for the LBR Plant. The plant will be demolished and the site used for another purpose which will be determined in the future. Any future capacity needs will be constructed at the TPS facility. It is anticipated that we will not exceed the capacity at the TPS facility until after 2030. The TPS permit also includes the Southwest Spray Field (located on the TPS site) and the Southeast Spray Field located on Tram Road.

Advanced Wastewater Treatment Improvements

Earlier DEP permits, as modified, included upgrading the TPS plant to advanced wastewater treatment (AWT) standards, including reduced nitrogen levels and reliable production of class AA biosolids.

The City has completed construction of the Capital Improvement Program for the TPS AWT and Biosolids improvements. The work consisted of three major phases or work packages (WP): (WP1) was the liquids upgrades, (WP2) was the solids upgrades, and (WP3) was the BNR upgrades. WP2 was further broken down into three sub packages: 2A – Solids Dewatering, 2B – Solids Digestion, and 2C – Biosolids Drying. WP3 was also broken down into 3A – Early Electrical and Structural, and 3B – Aeration Train Upgrades. As depicted in the table below, all have been completed:

<u>Work Package</u>	<u>Start Date</u>	<u>Completion Date</u>
1	Completed	April 2011
2A	Completed	August 2011
2B	Completed	March 2012
2C	Completed	January 2013
3A	Completed	August 2012
3B	Completed	March 2015

All of these WP's have been placed into service. The City budgeted and spent \$227 million for the AWT improvements project. The City implemented sewer rate increases effective April 2008, January 2009 and October 2010 to support the bond financing for the project. Rate increases were . Funding for the project was provided by the proceeds of bond issuances in 2007 and 2010. In November 2017, the City issued Consolidated Utility Systems Refunding Bonds, Series 2017 in the amount of \$115,060,000 which fully refunded the remaining amounts due on the 2007 bonds.

Master Sewer Plan and Master Treatment Plan

The 2035 Master Sewer Plan includes a Capital Improvement Program (CIP) which focuses on capacity and operational improvements. The planning period for these improvements is from 2015 to 2035, with an estimated cost of \$36.2 million. It is anticipated the funding for these improvements will be generated from revenues based on rates recently proposed as the result of a comprehensive rate analysis (discussed in the next section). The proposed phasing of these improvements will allow funding to be available for the other programs and costs in the utility system's sewer collection/transmission budget. The FY 2017 appropriation for Master Sewer Plan implementation was \$2.26 million. Planned spending for our five-year Capital Improvement Program directed toward our Master Sewer Plan implementation is approximately \$6.4 million.

Sewer System Recent Capital Improvement Projects

During 2017, the City continued upgrades and replacements of sewage pumping stations, and replaced hundreds of sewer services in advance of roadway resurfacing projects. A system-wide evaluation of the clay gravity sewer system was initiated in 2011 using a closed-circuit television (CCTV) inspection process to identify piping infrastructure that requires rehabilitation or replacement. Significant projects identified as a result of the inspection process will be included in future Capital budgets for implementation. Additional projects undertaken during the past year included the clean out and refurbishment of Digester #3 and the installation of an

additional bar screen at the Plant's headworks for increased reliability during high flow events. Furthermore, we have initiated a preliminary pre-design report for the resource recovery of phosphorous and nitrogen.

Environmental Management System

The City received certification in August 2007 from the International Organization for Standardization (ISO) for the Environmental Management System (ISO 14001 EMS). This certification was issued by a global certifying body known as NSF International Strategic Registrations (NSF) and affirms that the City's EMS meets ISO 14001. This international standard establishes a framework and criteria for a management system that allows an organization to analyze, control and reduce the environmental impact of its activities, products and services and operate with greater efficiency and control. In 2015, this standard for EMS was revised and now places a greater emphasis on leadership and the integration of environmental management into the core business process of the organization in order to achieve environmental performance and outcomes. The standard also recognizes that organizations such as ours can control and influence the way we provide products, services and activities through a sound approach to the way we plan, design, construct, operate and maintain our assets. Our organization was the first utility worldwide to receive certification from NSF to the new standard, and our last five annual surveillance audits by NSF have indicated no issues of non-conformance.

Asset Management (AM)

This program is a coordinated effort throughout Underground Utilities. Programs are established to evaluate and maintain the infrastructure and critical assets of the City. The established AM programs are for Water, Wastewater, Stormwater and Natural Gas utilizing leading edge technology such as the Pipeline Observation System Management (POSM), Geographical Information System (GIS) and Computerized Work Management Systems (CWMMS). These systems are used to inspect, manage the repair, evaluate replacement, and plan the maintenance of the City's critical infrastructure. An additional program was fully implemented for the wastewater treatment plant and over 100 wastewater pumping stations to complement the ongoing AM program. The program incorporates the framework of the Environmental Management System (EMS) into a sustainable continuous improvement programs. This program is designed to safeguard the \$227 million investment by bondholders in the upgrade of the Thomas P. Smith Water Reclamation Facility and to meet Advanced Wastewater Treatment (AWT) standards as well as protect the critical assets of the distributed system.

The AM plan has five elements that embody "best practices". They are asset criticality, service levels, asset condition, planned maintenance, and business case evaluations. Asset criticality is used to evaluate how assets impact organizational performance and support various maintenance decision-making models. Service level describes the necessary measures and performance of the system or assets to meet operational goals. The condition assessment provides a numerical rating to allow for the qualitative and quantitative evaluation of an asset by its reliability, operational performance, and physical deterioration. Planned maintenance is a scheduled service visit carried out to ensure that an asset is performing correctly and to avoid any unscheduled breakdown or downtime. Business case evaluation is a methodology that provides a framework for evaluating alternative solutions for capital projects or set of projects, and scrutinizing those against a list of criteria that go beyond the typical financial and environmental consideration that also include community and social value benefits.

STORMWATER MANAGEMENT SYSTEM

The City operates and maintains the Stormwater Drainage System (i.e., a network of pipes, channels, and stormwater management facilities) to serve the City's incorporated limits. The Stormwater Drainage System consists of approximately 432 stormwater management facilities, 26,692 drainage structures, 412 miles of enclosed storm drains, 224 miles of roadside ditches, 56 miles of minor to medium outfall ditches, and 24 miles of major outfall canals.

The operation, maintenance and expansion of the Stormwater Drainage System are funded through a stormwater utility fee. The stormwater utility fee method of funding is more equitable than an ad-valorem tax assessment for two reasons. First, the community-wide cost of managing stormwater runoff is more closely related to the amount of runoff generated from a property than it is to the taxable value of a property. The runoff generated from a property is closely associated with its impervious area, so the City uses impervious area as the basis for the storm water fee. Property taxes would only be poorly correlated to runoff, if at all. The second reason the stormwater utility fee method of funding is used is that over half of the property on the tax rolls in the City is tax-exempt. If the Stormwater Drainage System were funded through property taxes, the owners of these tax-exempt properties would not contribute any part of the cost of managing runoff despite their generating a large portion of the demand for services.

Management Discussion of Operations

During FY 2017, the actual operating revenue from the stormwater utility fee was \$17.7 million. Operating expenditures were \$12.6 million and the stormwater replacement, renewal and improvement transfer (RR&I) totaled \$4.3 million, bringing total fund uses to \$16.9 million. For the fiscal year, the Stormwater Fund had a surplus of \$849,933. This was a result of revenues coming in 0.8% above budget and expenditures coming in 4% lower than estimates. In accordance with the financing policy, the surplus was transferred to the RR&I fund.

The Stormwater Drainage System is operated on a full cost recovery basis with associated revenues and expenditures accounted for within the Stormwater Fund. In FY 2017, the budget for maintenance activities was approximately \$7.7 million. In addition to maintenance, a major portion of annual revenue goes to capital improvements to improve and expand the physical Stormwater Drainage System. The FY 2018 – FY 2022 Five-Year Capital Improvement Program includes 26 projects with the reinvestment of Stormwater revenue into the local economy and further improvement of our infrastructure. The total cost of these projects is approximately \$42 million. At this time, no debt funding is anticipated for any ongoing or future stormwater projects.

During FY 2017 the base stormwater fee was \$8.01 per ERU per month. As of October 1, 2017, this fee increased from \$8.01 to \$8.18 by the percentage change in the Consumer Price Index (CPI), as per City resolution, which will generate a projected FY 2018 annual revenue of \$17.1 million for residential and nonresidential service accounts only. The total budgeted revenue including other miscellaneous accounts is \$17.9 million. An ERU is the amount of impervious area associated with a typical single-family unit. This has been determined statistically to be 1,990 square feet. In these terms, then, the base monthly stormwater fee can be considered to be \$8.18 per residence. Nonresidential land uses typically have substantially more impervious surface than do residential uses. To determine the stormwater fee for a non-residential parcel, the actual impervious area on the site is measured. The total impervious area is then divided by the ERU base area (1,990 square feet). The resulting multiple number of ERU's is then multiplied by the base monthly fee (\$8.18 per ERU) to get the monthly fee for that specific non-residential site.

The Stormwater Drainage System has approximately 80,213 customers (94,665 service locations). While approximately 88% of the customer accounts base is residential, the 12%

nonresidential customer accounts base generates approximately 54% of the annual revenue. This again reflects the higher density of impervious area on the nonresidential sites.

Pollution from stormwater is referred to as “non-point source pollution” because it originates from rainwater simply running off the land where it picks up a variety of pollutants. This is to be contrasted to “point sources” such as an industrial plant discharge pipe, or a municipal sewage treatment plant discharging into a stream.

Due to its ubiquitous nature, non-point source (stormwater) pollution is very difficult to manage, but the US EPA and Florida DEP have a variety of programs and regulations to implement a systematic approach to reduce stormwater pollution. Total maximum daily load (TMDL) regulations are one such example. These rules are aimed at entities that operate storm sewer systems (e.g. cities, counties, universities, state highway departments, etc.) and will limit the amount of pollution that can be discharged from storm sewers. That will in turn require that those entities take steps to regulate private property discharging into their systems and will also require the construction of infrastructure to try to remove pollutants that get in the water from older areas that were constructed before modern regulations were in effect.

Another example is the recently adopted Florida Numeric Nutrient Criteria rule, which regulates the amount of nutrients (primarily nitrogen and phosphorous) that can be in lakes, streams and springs. Once again, this will require cities and counties to develop both structural and non-structural techniques to try to comply with these limits. Structural methods involve the construction of ponds and other treatment systems to remove pollutants before the stormwater runoff reaches downstream waters (lakes and streams). Non-structural methods include programs such as public education and regulations such as fertilizer ordinances to try to prevent nutrients from getting into the water. As local waters are assessed in the next few years using the new criteria, one can expect that stormwater regulatory compliance will continue to be more complicated and more expensive in the coming decade. Tallahassee is fortunate to have already taken steps to develop a funding source for stormwater pollution reduction.

SELECTED CONSOLIDATED UTILITY SYSTEMS STATISTICS

Water System

Fiscal Year Ended September 30	2013	2014	2015	2015	2017
Miles of Water Mains	1,203	1,206	1,212	1,200	1206
Plant Capacity	74	74	76	76	74
Daily Average Consumption (MGD) ⁽¹⁾	26	26	26	27	26
Residential					
Average Number of Customers ⁽²⁾	68,687	68,677	68,679	69,934	69,300
Average Number of Service Points ⁽³⁾	74,472	74,653	74,801	75,334	75,887
Water Sold (000 gallons)	4,686,482	4,768,240	4,649,514	4,721,223	4,768,240
Average Sales Per Service Point (gallons)	62,929	63,782	62,158	62,670	65,146
Commercial					
Average Number of Customers ⁽²⁾	6,908	6,865	6,761	6,776	6,809
Average Number of Service Points ⁽³⁾	8,623	8,732	8,753	8,791	8,896
Water Sold (000 gallons)	3,808,340	4,033,290	3,890,740	3,985,085	4,201,744
Average Sales Per Service Point (gallons)	441,417	461,898	444,521	453,314	472,327

(1) Daily Average Consumption represents water produced, not a representation of amounts billed.

(2) Number of customers reflects bill recipients. Customer number represents actual values.

(3) Service points reflect meters in service. Multiple service points may be consolidated into a single bill. Therefore, service points are greater than customers billed.

Sewer System

Fiscal Year Ended September 30	2013	2014	2015	2016	2017
Miles of Sanitary Sewers	1,042	1,046	1,048	1,038	1,047
Annual Flow-Millions of Gallons	6,363	5,938	5,110	6,526	6,300
Daily Average Treatment (MGD)	17.80	16.27	16.74	17.85	17.27
Rainfall (fiscal year totals)	61.53	58.21	57.78	65.36	51.99
Gallons Treated Per Customer	89,402	92,028	85,388	90,466	96,463
Average Number of Service Points					
Residential	64,818	64,985	65,081	65,608	66,047
Commercial	6,355	6,455	6,475	6,524	6,567
Rated Capacity (MGD)	31	27	27	27	27

Water Rates (Effective October 1, 2017)

Monthly Rate:

Customer Charge 6.68/month

Usage Charges:

Residential

First 7,000 gallons \$1.62/1,000 gallons

Next 13,000 gallons \$2.21/1,000 gallons

Additional gallons \$2.79/1,000 gallons

Commercial

Up to monthly usage allowance \$1.62/1,000 gallon

Additional gallons \$1.93/1,000 gallons

Irrigation

Up to monthly usage allowance \$1.62/1,000 gallons

Additional gallons \$2.79/1,000 gallons

Monthly Minimum Charge:

Nominal Meter Size (inches)	Amount
5/8 or Smaller	\$ 10.89
1	\$ 27.09
1 1/2	\$ 54.14
2	\$ 86.71
3	\$ 173.21
4	\$ 270.58
6	\$ 541.12
8	\$ 865.76

Sewer Rates (Effective October 1, 2017)

Monthly Minimum Charge:

Nominal Meter Size (inches)	Amount
5/8 or Smaller	\$ 17.59
1	\$ 43.97
1 1/2	\$ 87.91
2	\$ 140.68
3	\$ 281.32
4	\$ 439.55
6	\$ 879.11
8	\$1,406.61

Monthly Usage Charge:

Usage Charge Per 1000 Gallons Per Month \$ 5.620

Water System Ten Largest Customers by Consumption (as of September 30, 2017)

Customer	Water Usage (cgals)	Billed Amount	Percentage of Revenues
Florida State University	3,504,176	\$ 786,812	2.91%
State of Florida	2,410,515	581,012	2.15%
City of Tallahassee	1,767,171	545,509	2.01%
Florida A & M University	1,529,998	366,193	1.35%
Tallahassee Memorial HealthCare	1,295,493	299,939	1.11%
Leon County	895,992	228,841	0.84%
Leon County School Board	852,903	229,211	0.85%
Federal Government	813,534	171,554	0.63%
Capital Regional Medical Center	348,641	72,467	0.27%
Blairstone Apartments	<u>274,853</u>	<u>54,068</u>	<u>0.20%</u>
TOTAL	<u>13,693,276</u>	<u>\$ 3,335,506</u>	<u>12.32%</u>

Sewer System Ten Largest Customers by Consumption (as of September 30, 2017)

Customer	Sewer Usage (cgals)	Billed Amount	Percentage of Revenues
Florida State University	2,213,587	\$ 1,519,025	3.66%
State of Florida	1,449,787	1,073,762	2.40%
Florida A & M University	1,277,042	878,041	2.11%
Federal Government	814,390	526,300	1.35%
Tallahassee Memorial HealthCare	708,334	442,327	1.17%
Leon County	701,277	480,094	1.16%
Leon County School Board	554,632	464,603	0.92%
City of Tallahassee	478,636	386,017	0.79%
Blairstone Apartments	255,115	144,779	0.42%
Publix	<u>188,218</u>	<u>129,888</u>	<u>0.31%</u>
TOTAL	<u>8,641,018</u>	<u>\$ 6,044,835</u>	<u>14.30%</u>

Consolidated Utility Systems Debt Service Coverage (in 000s)

Fiscal Year Ended September 30	2013	2014	2015	2016	2017
Operating Revenues					
Water	\$ 26,539	\$ 28,759	\$ 29,828	\$ 32,098	32,339
Sewer	<u>51,351</u>	<u>52,219</u>	<u>53,090</u>	<u>52,835</u>	<u>55,120</u>
Total Operating Revenues	<u>77,890</u>	<u>80,978</u>	<u>82,918</u>	<u>84,933</u>	<u>87,459</u>
Operating Expenses					
Water	20,373	18,282	18,830	22,276	25,352
Sewer	<u>30,803</u>	<u>32,664</u>	<u>33,599</u>	<u>32,225</u>	<u>34,201</u>
Total Operating Expenses	<u>51,176</u>	<u>50,946</u>	<u>52,429</u>	<u>54,501</u>	<u>59,553</u>
Net Operating Revenue	26,714	29,176	30,489	30,432	27,906
Gross Stormwater Revenue	17,324	17,689	17,664	17,417	18,371
Other Revenue	<u>527</u>	<u>397</u>	<u>505</u>	<u>713</u>	<u>769</u>
Total Available for Debt Service excluding system charge	<u>44,565</u>	<u>47,262</u>	<u>48,658</u>	<u>48,562</u>	<u>47,046</u>
System Development Charges ⁽¹⁾	2,132	2,133	1,011	1,445	1,456
Total Pledged Revenue Available for Debt Service	<u>\$ 46,697</u>	<u>\$ 49,395</u>	<u>\$ 49,669</u>	<u>\$ 50,007</u>	<u>\$ 48,502</u>
Existing Debt Service	\$ 22,949	\$ 22,947	\$ 22,818	\$ 24,525	\$ 24,563
Coverage	2.03x	2.15x	2.18x	2.04x	1.97x

(1) The maximum amount that can legally be pledged to make debt service payments is \$2.673 million.

**CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
CONSOLIDATED DEBT SERVICE**

Bond Year		\$ 115,060,000	\$ 44,255,000	\$ 117,015,000	\$ 25,820,000	\$23,900,000
Ending	Total	Series 2017	Series 2015	Series 2010A	Series 2010B	Series 2001
October 1						
2018	\$ 22,640,530	\$ 9,506,128	\$ 2,530,250	\$ 6,084,303	\$ 2,293,800	\$ 2,226,050
2019	22,298,803	9,134,000	2,560,250	6,084,303	2,294,200	2,226,050
2020	22,615,803	9,133,250	3,982,750	6,084,303	3,415,500	-
2021	22,748,303	9,133,500	4,108,000	6,084,303	3,422,500	-
2022	21,005,009	9,134,250	2,366,707	6,084,303	3,419,750	-
2023	20,455,596	9,135,000	1,820,543	6,084,303	3,415,750	-
2024	21,193,813	9,135,250	2,559,011	6,084,303	3,415,250	-
2025	20,359,792	9,134,500	1,723,239	6,084,303	3,417,750	-
2026	22,922,303	9,132,250	4,288,000	6,084,303	3,417,750	-
2027	22,915,803	9,133,000	4,283,500	9,499,303	-	-
2028	22,864,981	9,136,000	4,287,750	9,441,231	-	-
2029	22,797,830	9,130,500	4,285,000	9,382,330	-	-
2030	22,788,848	9,131,250	4,345,250	9,312,348	-	-
2031	24,643,788	9,137,250	4,405,000	11,101,538	-	-
2032	24,608,014	9,132,500	4,473,750	11,001,764	-	-
2033	22,708,804	9,131,750	2,685,500	10,891,554	-	-
2034	22,702,408	9,134,000	2,787,500	10,780,908	-	-
2035	22,696,804	9,133,250	2,899,250	10,664,304	-	-
2036	22,684,981	9,128,750	3,009,750	10,546,481	-	-
2037	22,670,168	9,129,750	3,118,500	10,421,918	-	-
2038	21,745,354	-	-	21,745,354	-	-
2039	21,403,805	-	-	21,403,805	-	-
2040	21,054,122	-	-	21,054,122	-	-
TOTALS	<u>\$ 514,525,659</u>	<u>\$ 183,036,128</u>	<u>\$ 66,519,500</u>	<u>\$ 232,005,682</u>	<u>\$ 28,512,250</u>	<u>\$ 4,452,100</u>

**CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
ALL BOND ISSUES
PRINCIPAL OUTSTANDING**

Bond Year											
Ending		\$	115,060,000	\$	44,255,000	\$	117,015,000	\$	25,820,000	\$	23,900,000
October 1	Total		Series 2017		Series 2015		Series 2010A		Series 2010B		Series 2001
2018	\$ 8,320,000	\$	4,680,000	\$	400,000	\$	-	\$	1,240,000	\$	2,000,000
2019	7,465,000		3,615,000		450,000		-		1,290,000		2,110,000
2020	8,140,000		3,795,000		1,895,000		-		2,450,000		-
2021	8,655,000		3,985,000		2,115,000		-		2,555,000		-
2022	8,165,000		4,185,000		1,300,000		-		2,680,000		-
2023	8,205,000		4,395,000		1,000,000		-		2,810,000		-
2024	9,050,000		4,615,000		1,485,000		-		2,950,000		-
2025	8,945,000		4,845,000		1,000,000		-		3,100,000		-
2026	10,930,000		5,085,000		2,590,000		-		3,255,000		-
2027	11,470,000		5,340,000		2,715,000		3,415,000		-		-
2028	11,995,000		5,610,000		2,855,000		3,530,000		-		-
2029	12,530,000		5,885,000		2,995,000		3,650,000		-		-
2030	13,150,000		6,180,000		3,205,000		3,765,000		-		-
2031	15,665,000		6,495,000		3,425,000		5,745,000		-		-
2032	16,425,000		6,815,000		3,665,000		5,945,000		-		-
2033	15,360,000		7,155,000		2,060,000		6,145,000		-		-
2034	16,135,000		7,515,000		2,265,000		6,355,000		-		-
2035	16,950,000		7,890,000		2,490,000		6,570,000		-		-
2036	17,800,000		8,280,000		2,725,000		6,795,000		-		-
2037	18,690,000		8,695,000		2,970,000		7,025,000		-		-
2038	18,715,000		-		-		18,715,000		-		-
2039	19,350,000		-		-		19,350,000		-		-
2040	20,010,000		-		-		20,010,000		-		-
TOTALS	\$ 302,120,000	\$	115,060,000	\$	43,605,000	\$	117,015,000	\$	22,330,000	\$	4,110,000

\$115,060,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Refunding Revenue Bonds, Series 2017

Dated: November 29, 2017

Purpose

The net proceeds of the Series 2017 Bonds, together with certain other available funds, will be used to (i) refund on a current basis the portion of the City's outstanding Consolidated Utility Systems Revenue Bonds, Series 2007 maturing on October 1 in the years 2018 through 2037 in the aggregate principal amount of \$143,435,000 (the Refunded Bonds), and (ii) pay certain costs of issuance related to the Series 2017 Bonds.

The Series 2007 Bonds were issued to pay the cost of construction of a new preliminary treatment facility at the Lake Bradford Road Wastewater Treatment Plant, and the design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant.

Security

The Bonds are secured by a pledge of and lien on the Net Revenues of the City's Utility System, and the Gross Revenues of the City's Stormwater Drainage System on a parity with the City's Consolidated Utility System Refunding Revenue Bonds, Series 2015, Consolidated Utility Systems Revenue Bonds, Series 2010A, Consolidated Utility Systems Revenue Bonds, Series 2010B and Consolidated Utility Systems Refunding Revenue Bonds, Series 2001.

Bond Reserve

There are no debt service reserve requirements.

Form

\$115,060,000 Serial Bonds due October 1, 2037, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable on each April 1 and October 1, commencing April 1, 2018.

Agents

Registrar: US Bank National Association, Jacksonville, Florida
Paying Agent: US Bank National Association, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Fitch: AA+
Standard & Poor's: AA

Optional Redemption

The Series 2017 Bonds maturing on or prior to October 1, 2024 are not subject to redemption prior to maturity. The Series 2017 Bonds maturing after October 1, 2024 are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time on or after October 1, 2024, in the order directed by the City, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, without premium, and in the event that less than all of such Series 2017 Bonds of any maturity are called for redemption, the particular Series 2017 Bonds of such maturity to be redeemed shall be selected by lot.

\$115,060,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
REFUNDING REVENUE BONDS, SERIES 2017

Summary of Remaining Debt Service Requirements

Bond Year	Ending	Interest			
October 1	Rate	Principal	Interest	Total	
2018	5.000%	\$ 4,680,000	\$ 4,826,128	\$ 9,506,128	
2019	5.000%	3,615,000	5,519,000	9,134,000	
2020	5.000%	3,795,000	5,338,250	9,133,250	
2021	5.000%	3,985,000	5,148,500	9,133,500	
2022	5.000%	4,185,000	4,949,250	9,134,250	
2023	5.000%	4,395,000	4,740,000	9,135,000	
2024	5.000%	4,615,000	4,520,250	9,135,250	
2025	5.000%	4,845,000	4,289,500	9,134,500	
2026	5.000%	5,085,000	4,047,250	9,132,250	
2027	5.000%	5,340,000	3,793,000	9,133,000	
2028	5.000%	5,610,000	3,526,000	9,136,000	
2029	5.000%	5,885,000	3,245,500	9,130,500	
2030	5.000%	6,180,000	2,951,250	9,131,250	
2031	5.000%	6,495,000	2,642,250	9,137,250	
2032	5.000%	6,815,000	2,317,500	9,132,500	
2033	5.000%	7,155,000	1,976,750	9,131,750	
2034	5.000%	7,515,000	1,619,000	9,134,000	
2035	5.000%	7,890,000	1,243,250	9,133,250	
2036	5.000%	8,280,000	848,750	9,128,750	
2037	5.000%	8,695,000	434,750	9,129,750	
TOTALS		<u>\$115,060,000</u>	<u>\$ 67,976,128</u>	<u>\$183,036,128</u>	

\$44,255,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Refunding Revenue Bonds, Series 2015

Dated: September 30, 2015

Purpose

The proceeds of the Series 2015 Bonds will be used to (i) pay the cost of acquisition and construction of certain capital improvements to the City’s Utility System, (ii) refund the Series 2005 Bonds, and (iii) pay certain costs of issuance in connection with the issuance of Series 2015 Bonds.

A portion of the proceeds of the Series 2015 Bonds is being used to acquire and construct, or reimburse the City for prior expenditures with respect to, certain capital improvements to the City’s Utility System consisting of master sewer plan improvements, pumping station replacements, a central SCADA system upgrade, advanced wastewater treatment program improvements, pump station 12 force main improvements, master water plan improvements, water minor line extensions and other associated improvements (collectively, the “Series 2015 Project”).

Security

The Bonds are secured by a pledge of and lien on the Net Revenues of the City’s Utility System, and the Gross Revenues of the City’s Stormwater Drainage System on a parity with the City’s Consolidated Utility Systems Revenue Bonds, Series 2010A, Consolidated Utility Systems Revenue Bonds, Series 2010B, Consolidated Utility Systems Revenue Bonds, Series 2007 and Consolidated Utility Systems Revenue Bonds, Series 2001.

Bond Reserve

There are no debt service reserve requirements.

Form

\$44,255,000 Serial Bonds due October 1, 2035, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable on each April 1 and October 1, commencing April 1, 2016.

Agents

Registrar:	US Bank National Association, Jacksonville, Florida
Paying Agent:	US Bank National Association, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Fitch:	AA+
Standard & Poor’s:	AA+

Optional Redemption

The Series 2015 Bonds maturing on or after October 1, 2024 are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time on or after October 1, 2023, in the order directed by the City, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, without premium, and in the event that less than all of such Series 2015 Bonds of any maturity are called for redemption, the particular Series 2015 Bonds of such maturity to be redeemed shall be selected by lot.

\$44,255,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
Refunding Revenue Bonds, Series 2015

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	5.000%	\$ 400,000	\$ 2,130,250	\$ 2,530,250
2019	5.000%	450,000	2,110,250	2,560,250
2020	5.000%	1,895,000	2,087,750	3,982,750
2021	5.000%	2,115,000	1,993,000	4,108,000
2022	(1)	2,300,000	1,887,250	4,187,250
2023	(1)	2,485,000	1,797,250	4,282,250
2024	5.000%	2,590,000	1,698,000	4,288,000
2025	5.000%	2,715,000	1,568,500	4,283,500
2026	5.000%	2,855,000	1,432,750	4,287,750
2027	5.000%	2,995,000	1,290,000	4,285,000
2028	5.000%	3,205,000	1,140,250	4,345,250
2029	5.000%	3,425,000	980,000	4,405,000
2030	5.000%	3,665,000	808,750	4,473,750
2031	5.000%	2,060,000	625,500	2,685,500
2032	5.000%	2,265,000	522,500	2,787,500
2033	5.000%	2,490,000	409,250	2,899,250
2034	5.000%	2,725,000	284,750	3,009,750
2035	5.000%	<u>2,970,000</u>	<u>148,500</u>	<u>3,118,500</u>
TOTALS		<u>\$ 43,605,000</u>	<u>\$ 22,914,500</u>	<u>\$ 66,519,500</u>

(1) \$1,000,000 of the principal maturities bear interest at 2.5%; the remaining maturities bear interest at 5%.

\$117,015,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Revenue Bonds, Series 2010A
(Federally Taxable Build America Bonds)

Dated: September 21, 2010

Purpose

The Series 2010A Bonds were issued to pay the cost of (i) plan, design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant, to include a new biosolids building and equipment and improvements to reduce effluent nitrogen, and other changes to accommodate nutrient removal, and (ii) Water System improvements, including but not limited to water line relocations, water main upgrades, well renovations, replacements and upgrades and building improvements.

Security

The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility Systems Refunding Revenue Bonds, Series 2015, Consolidated Utility Systems Revenue Bonds, Series 2010B Bonds, Consolidated Utility Systems Revenue Bonds, Series 2007 Bonds, and Consolidated Utility Systems Revenue Bonds, Series 2001 Bonds.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$117,015,000 Serial Bonds due October 1, 2040, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2010.

Agents

Registrar:	US Bank National Association, Jacksonville, Florida
Paying Agent:	US Bank National Association, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's:	Aa1
Standard & Poor's:	AA+
Fitch:	AA+

Optional Redemption

The Series 2010A Bonds are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time, in the order directed by the City and in the event that less than all of such Series 2010A Bonds of any maturity are called for redemption, the particular Series 2010A Bonds of such maturity to be redeemed shall be selected as described below under "*Partial Redemption of Series 2010A Bonds*" at a redemption price equal to the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is equal to the greater of: (1) the Issue Price (as defined below) (but not less than 100%) of the principal amount of the Series 2010A Bonds to be redeemed, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010A Bonds to be redeemed, not

including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A Bonds are to be redeemed, discounted to the date on which the Series 2010A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below), plus 25-basis points, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date.

"Issue Price" shall mean 100% of the Series 2010A Bonds to be redeemed.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2010A Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity, excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than for 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2010A Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The redemption price of Series 2010A Bonds to be redeemed pursuant to the *Optional Redemption* provision described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense to calculate such redemption price. The Registrar and the City may conclusively rely on such determination of redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance. The Series 2010A Bonds are subject to optional redemption at the option of the City prior to their stated maturities in whole or in part at any time, in the order directed by the City and in the event that less than all of such Series 2010A Bonds of any maturity are called for redemption, the particular Series 2010A Bonds of such maturity to be redeemed at a redemption price equal to the Make-Whole Redemption Price. The Make-Whole Redemption Price is equal to the greater of any order of maturity selected by the City and by lot within a maturity if less than full maturity is to be redeemed, at par, plus accrued interest to the redemption date.

Extraordinary Optional Redemption

The Series 2010A Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the City and in the order directed by the City, in whole or in part at any time upon the occurrence of an Extraordinary Event (as defined below), from any source of available funds, and in the event that less than all of such Series 2010A Bonds of any maturity are called for redemption, the particular Series 2010A Bonds of such maturity to be redeemed shall be selected as described below under "*Partial Redemption of Series 2010A Bonds*," at a redemption price equal to the Extraordinary Redemption Price (as defined below).

The "Extraordinary Redemption Price" is equal to the greater of: (1) the Issue Price (as described above) (but not less than 100%) of the principal amount of the Series 2010A Bonds to be redeemed, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date; or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010A Bonds to be redeemed to the maturity date of such Series 2010A Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A Bonds are to be redeemed, discounted to the date on which the Series 2010A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day

months, at the Treasury Rate (described above) plus 100-basis points, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date. An "Extraordinary Event" will have occurred if a material adverse change has occurred to Sections 54AA or 6431 of the Code (as such Sections were added by the ARRA pertaining to Build American Bonds) pursuant to which the City's 35% Direct Subsidy Payments from the United States Department of the Treasury is reduced or eliminated. The redemption price of Series 2010A Bonds to be redeemed pursuant to the Extraordinary Optional Redemption provision described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense to calculate such redemption price. The Registrar and the City may conclusively rely on such determination of redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Mandatory Redemption

The Series 2010A Bonds maturing on October 1, 2030 are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2027 and thereafter, at redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

<u>Year</u>	<u>Amount</u>
2027	\$3,415,000
2028	\$3,530,000
2029	\$3,650,000
2030 (final maturity)	\$3,765,000

The Series 2010A Bonds maturing on October 1, 2040 are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2031 and thereafter, at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

<u>Year</u>	<u>Amount</u>
2031	\$5,745,000
2032	\$5,945,000
2033	\$6,145,000
2034	\$6,355,000
2035	\$6,570,000
2036	\$6,795,000
2037	\$7,025,000
2038	\$18,715,000
2039	\$19,350,000
2040 (final maturity)	\$20,010,000

Pursuant to the provisions of the Bond Resolution, the Registrar has been instructed to apply mandatory sinking fund redemption payments in the manner set forth under "*Partial Redemption of the Series 2010A Bonds*" herein.

Partial Redemption of Series 2010A Bonds. If less than all of the Series 2010A Bonds of a particular maturity are called for optional redemption as set forth under "*Optional Redemption*" above, extraordinary optional redemption as set forth under "*Extraordinary Optional Redemption*" above, or mandatory redemption as set forth under "*Mandatory Sinking Fund Redemption*" hereof,

the City has directed the Registrar to treat as a return of principal on the Series 2010A Bonds within such maturity as a Pro Rata Pass-Through Distribution of Principal (as hereinafter defined); provided, however, that so long as the Series 2010A Bonds are held in book-entry form, the redemption of the Series 2010A Bonds as a Pro Rata Pass-Through Distribution of Principal shall be effected by the Registrar pursuant to the rules or procedures of DTC or any successor securities depository. Such payments are subject to rules and procedures of DTC and none of the City, the Underwriters or any affiliate thereof can provide assurance that DTC, the direct and indirect DTC participants or any other intermediaries will be able to allocate redemptions of the Series 2010A Bonds of a particular maturity among the Holders of the Series 2010A Bonds on such a pro rata basis. In any case, the Registrar will be directed to pay such amounts to the Holders of the Series 2010A Bonds using any method as it deems fair and appropriate, including by lot where required by DTC's governing procedures; however, it is the intent of the City that principal is paid to the Holders of the Series 2010A Bonds under the Pro Rata Pass-Through Distribution of Principal.

"Pro Rata Pass-Through Distribution of Principal" means a return of principal to Holders of the Series 2010A Bonds in an amount derived from applying a fraction to the amount of Series 2010A Bonds owned by a Holder of Series 2010A Bonds where the numerator is equal to the principal amount of the Series 2010A Bonds to be redeemed and the denominator is equal to the original principal amount of the Series 2010A Bonds of such maturity being redeemed.

\$117,015,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
SERIES 2010A BABS

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	5.200%	\$ -	\$ 6,084,303	\$ 6,084,303
2019	5.200%	-	6,084,303	6,084,303
2020	5.200%	-	6,084,303	6,084,303
2021	5.200%	-	6,084,303	6,084,303
2022	5.200%	-	6,084,303	6,084,303
2023	5.200%	-	6,084,303	6,084,303
2024	5.200%	-	6,084,303	6,084,303
2025	5.200%	-	6,084,303	6,084,303
2026	5.200%	-	6,084,303	6,084,303
2027	5.068%	3,415,000	6,084,303	9,499,303
2028	5.068%	3,530,000	5,911,231	9,441,231
2029	5.068%	3,650,000	5,732,330	9,382,330
2030	5.068%	3,765,000	5,547,348	9,312,348
2031	5.218%	5,745,000	5,356,538	11,101,538
2032	5.218%	5,945,000	5,056,764	11,001,764
2033	5.218%	6,145,000	4,746,554	10,891,554
2034	5.218%	6,355,000	4,425,908	10,780,908
2035	5.218%	6,570,000	4,094,304	10,664,304
2036	5.218%	6,795,000	3,751,481	10,546,481
2037	5.218%	7,025,000	3,396,918	10,421,918
2038	5.218%	18,715,000	3,030,354	21,745,354
2039	5.218%	19,350,000	2,053,805	21,403,805
2040	5.218%	<u>20,010,000</u>	<u>1,044,122</u>	<u>21,054,122</u>
TOTALS		<u>\$ 117,015,000</u>	<u>\$ 114,990,682</u>	<u>\$ 232,005,682</u>

\$25,820,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Revenue Bonds, Series 2010B

Dated: September 21, 2010

Purpose

The Series 2010B Bonds were issued to pay the cost of (i) plan, design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant, to include a new biosolids building and equipment and improvements to reduce effluent nitrogen, and other changes to accommodate nutrient removal and (ii) Water System improvements, including but not limited to water line relocations, water main upgrades, well renovations, replacements and upgrades and building improvements.

Security

The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility Systems Refunding Revenue Bonds, Series 2015, Consolidated Utility Systems Revenue Bonds, Series 2010A Bonds, Consolidated Utility Systems Revenue Bonds 2007 Bonds, and Consolidated Utility Systems Revenue Bonds, Series 2001 Bonds.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$25,820,000 Serial Bonds due October 1, 2040, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2010.

Agents

Registrar:	US Bank National Association, Jacksonville, Florida
Paying Agent:	US Bank National Association, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's:	Aa1
Standard & Poor's:	AA+
Fitch:	AA+

Optional Redemption

The Series 2010B Bonds maturing on October 1, 2021 or thereafter may be redeemed prior to their stated dates of maturity at the option of the City, in such manner as the City shall determine, as a whole or in part at any time on or after October 1, 2020 and if in part, in any order of maturity selected by the City and by lot within a maturity if less than a full maturity is to be redeemed, at par, plus accrued interest to the redemption date.

\$25,820,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
REVENUE BONDS, SERIES 2010B

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	4.000%	\$ 1,240,000	\$ 1,053,800	\$ 2,293,800
2019	3.000%	1,290,000	1,004,200	2,294,200
2020	4.000%	2,450,000	965,500	3,415,500
2021	5.000%	2,555,000	867,500	3,422,500
2022	5.000%	2,680,000	739,750	3,419,750
2023	5.000%	2,810,000	605,750	3,415,750
2024	5.000%	2,950,000	465,250	3,415,250
2025	5.000%	3,100,000	317,750	3,417,750
2026	5.000%	<u>3,255,000</u>	<u>162,750</u>	<u>3,417,750</u>
TOTALS		<u>\$ 22,330,000</u>	<u>\$ 6,182,250</u>	<u>\$ 28,512,250</u>

\$164,460,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Revenue Bonds, Series 2007
(Refunded on November 29, 2017)

Dated: November 21, 2007

Purpose

The Series 2007 Bonds were issued to pay the cost of construction of a new preliminary treatment facility at the Lake Bradford Road Wastewater Treatment Plant, and the design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant.

Security

The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility Systems Refunding Revenue Bonds, Series 2015, Consolidated Utility Systems Revenue Bonds, Series 2010A, Consolidated Utility Systems Revenue Bonds, Series 2010B, and Consolidated Utility Systems Revenue Bonds, Series 2001.

Bond Reserve

Reserve Requirement, with respect to the Series 2007 Bonds, shall mean the lesser of (i) the maximum Senior Lien Debt Service Requirement on the Series 2007 Bonds occurring in any year, (ii) 125% of Average Annual Senior Lien Debt Service Requirement on the Series 2007 Bonds, and (iii) the maximum amount as shall not adversely affect the exclusion of interest on the Series 2007 Bonds from the gross income of the holders thereof for purposes of Federal income taxation.

Form

\$164,460,000 Serial Bonds due October 1, 2037, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2010.

Agents

Registrar:	US Bank National Association, Jacksonville, Florida
Paying Agent:	US Bank National Association, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's:	Aa1
Fitch:	AA+
Standard & Poor's:	AA+

Optional Redemption

The Series 2007 Bonds maturing on and prior to October 1, 2017 are not subject to optional redemption. The Series 2007 Bonds maturing after October 1, 2017 are subject to optional redemption at the option of the City, in such manner as the City shall determine, as a whole, or in part at any time on or after October 1, 2017 and if in part, in any order of maturity selected by the City and by lot within a maturity if less than full maturity is to be redeemed, at par, plus accrued interest to the redemption date.

Mandatory Redemption

The Series 2007 Bonds maturing on October 1, 2032 are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2028 and thereafter, at redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

<u>Year</u>	<u>Amount</u>
2028	\$7,035,000
2029	\$7,385,000
2030	\$7,755,000
2031	\$8,145,000
2032 (final maturity)	\$8,550,000

The Series 2007 Bonds maturing on October 1, 2037 are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2033 and thereafter, at redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

<u>Year</u>	<u>Amount</u>
2033	\$8,975,000
2034	\$9,425,000
2035	\$9,895,000
2036	\$10,390,000
2037 (final maturity)	\$10,910,000

\$164,460,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
REFUNDING REVENUE BONDS, SERIES 2007
(Refunded on November 29, 2017)

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2018	5.000%	\$ 4,430,000	\$ 7,026,425	\$ 11,456,425
2019	5.000%	4,655,000	6,804,925	11,459,925
2020	4.400%	4,885,000	6,572,175	11,457,175
2021	4.500%	5,100,000	6,357,235	11,457,235
2022	4.500%	5,330,000	6,127,735	11,457,735
2023	4.600%	5,570,000	5,887,885	11,457,885
2024	4.600%	5,825,000	5,631,665	11,456,665
2025	4.700%	6,095,000	5,363,715	11,458,715
2026	5.000%	6,380,000	5,077,250	11,457,250
2027	5.000%	6,700,000	4,758,250	11,458,250
2028	5.000%	7,035,000	4,423,250	11,458,250
2029	5.000%	7,385,000	4,071,500	11,456,500
2030	5.000%	7,755,000	3,702,250	11,457,250
2031	5.000%	8,145,000	3,314,500	11,459,500
2032	5.000%	8,550,000	2,907,250	11,457,250
2033	5.000%	8,975,000	2,479,750	11,454,750
2034	5.000%	9,425,000	2,031,000	11,456,000
2035	5.000%	9,895,000	1,559,750	11,454,750
2036	5.000%	10,390,000	1,065,000	11,455,000
2037	5.000%	<u>10,910,000</u>	<u>545,500</u>	<u>11,455,500</u>
TOTALS		<u>\$143,435,000</u>	<u>\$ 85,707,010</u>	<u>\$229,142,010</u>

\$23,900,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Refunding Revenue Bonds, Series 2001

Dated: May 15, 2001

Purpose

The Series 2001 Bonds were issued to refund the following outstanding bonds: (i) \$245,000 of the Series 1991A Bonds; (ii) \$1,435,000 of the Series 1991B Bonds; and (iii) \$23,040,000 of the Series 1994 Bonds.

Security

The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility Systems Refunding Revenue Bonds, Series 2015, Consolidated Utility Systems Revenue Bonds, Series 2010A, Consolidated Utility Systems Revenue Bonds, Series 2010B Bonds, and Consolidated Utility Systems Revenue Bonds, Series 2007.

Bond Reserve

Reserve Requirement, with respect to the Series 2001 Bonds, shall mean the lesser of (i) the maximum Senior Lien Debt Service Requirement on the Series 2001 Bonds occurring in any year, (ii) 125% of Average Annual Senior Lien Debt Service Requirement on the Series 2001 Bonds, and (iii) the maximum amount as shall not adversely affect the exclusion of interest on the Series 2001 Bonds from the gross income of the holders thereof for purposes of Federal income taxation.

Form

\$23,900,000 Serial Bonds due October 1, 2019, all fully registered. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2001.

Agents

Registrar:	US Bank, NA, Jacksonville, Florida
Paying Agent:	US Bank, NA, Jacksonville, Florida
Trustee:	US Bank, NA, Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida
Insurance:	FGIC

Ratings at issuance

Moody's:	Aa1 underlying
Fitch:	AA+ underlying
Standard & Poor's:	AA+ underlying

Optional Redemption

The Series 2001 Bonds are not subject to redemption prior to maturity.

\$23,900,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
REFUNDING REVENUE BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Bond Year	Interest			
Ending	Rate	Principal	Interest	Total
October 1				
2018	5.500%	\$ 2,000,000	\$ 226,050	\$ 2,226,050
2019	5.500%	<u>2,110,000</u>	<u>116,050</u>	<u>2,226,050</u>
TOTALS		<u>\$ 4,110,000</u>	<u>\$ 342,100</u>	<u>\$ 4,452,100</u>

\$6,491,622
CITY OF TALLAHASSEE, FLORIDA
Master Equipment Lease Purchase Agreement (AMI Loans)
Water System

Dated: 2007 and 2009

Purpose

The Master Lease Purchase Agreement was utilized to fund the acquisition of Smart Energy Metering and Management Systems, consisting of meters and communication devices, to create a network of approximately 220,000 electric, gas and water meters.

Security

The rental payments are to be made only from lessee's legally available revenues appropriated on an annual basis (covenant to budget and appropriate).

Purchase Option

Upon payment in full of all rental payments then due and all other amounts then owing under the lease, and the payment of \$1.00 to lessor.

Lessor: Banc of America

\$14,564,780
CITY OF TALLAHASSEE, FLORIDA - WATER
MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT - 1
BANC OF AMERICA PUBLIC CAPITAL CORP.

Summary of Remaining Lease Payments

Bond Year	Interest				
Ending	Rate	Principal	Interest	Total	
October 1	Rate				
2018	3.9459%	\$ 1,055,520	\$ 318,500	\$ 1,374,019	
2019	3.9459%	1,097,580	276,439	1,374,019	
2020	3.9459%	1,141,317	232,702	1,374,019	
2021	3.9459%	1,186,796	187,223	1,374,019	
2022	3.9459%	1,234,088	139,931	1,374,019	
2023	3.9459%	1,283,265	90,755	1,374,019	
2024	3.9459%	1,334,400	39,619	1,374,019	
TOTALS		<u>\$ 8,332,967</u>	<u>\$ 1,285,170</u>	<u>\$ 9,618,136</u>	

\$1,926,842
CITY OF TALLAHASSEE, FLORIDA - WATER
MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT - 2
BANC OF AMERICA PUBLIC CAPITAL CORP.

Summary of Remaining Lease Payments

Bond Year	Interest				
Ending	Rate	Principal	Interest	Total	
October 1	Rate				
2018	4.590%	\$ 176,609	\$ 11,209	\$ 187,818	
2019	4.590%	111,249	3,010	114,259	
TOTALS		<u>\$ 287,858</u>	<u>\$ 14,219</u>	<u>\$ 302,077</u>	

**CITY OF TALLAHASSEE, FLORIDA
AMI LOANS - WATER
CONSOLIDATED LEASE PAYMENTS**

Bond Year		\$14,564,780	\$1,926,842
Ending		AMI LOAN	AMI LOAN 2
October 1	Total		
2018	\$ 1,561,837	\$ 1,374,019	\$ 187,818
2019	1,488,278	1,374,019	114,259
2020	1,374,019	1,374,019	-
2021	1,374,019	1,374,019	-
2022	1,374,019	1,374,019	-
2023	1,374,019	1,374,019	-
2024	<u>1,374,019</u>	<u>1,374,019</u>	<u>-</u>
TOTALS	<u>\$ 9,920,213</u>	<u>\$ 9,618,136</u>	<u>\$ 302,076</u>

OTHER DEBT FINANCING

Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the “Commission”) was created in 1985 through an interlocal agreement between the City of Tallahassee and the City of Orlando, Florida. Subsequently, other Florida governments joined the Commission, including 13 additional cities and four counties. The Commission was created to provide active and more sophisticated debt issuers the opportunity to work together to create low cost, flexible financing instruments. While the City does not have any remaining debt outstanding with the Commission, the City continues to have a representative on its Board of Directors.

Conduit Issues, Non-Profit Organizations

The City has also acted as a conduit for the issuance of bonds for three non-profit organizations in the City: Tallahassee Memorial HealthCare, Inc., Florida State University Schools, Inc., and Tallahassee Community College Foundation, Inc. Tallahassee Memorial HealthCare, Inc. currently has two bond issues outstanding for which the City has acted as a conduit. Florida State University Schools, Inc. has one Lease Revenue bond issue outstanding.

- As of September 30, 2017, there were four series of Health Facilities Revenue Refunding Bonds outstanding. The original issue amounts totaled \$357,890 million, and the outstanding balance is \$355,370,000; and
- As of September 30, 2017, there was one Lease Revenue Bond outstanding. The original issue amount totaled \$18.1 million, and the outstanding balance is \$11,604,201.

Conduit Issues, Industrial Development and Industrial Revenue Bonds

From time to time the City also acts as a conduit issuer for private industries in the issuance of Industrial Development Revenue Bonds. On August 15, 2011, additional conduit bonds were issued as \$5,400,000 City of Tallahassee, Florida Industrial Revenue Bonds (SunnyLand Solar, LLC Project), Series 2011. Under the terms of the bond, the entity on whose behalf the bonds are issued (Tallahassee Economic Partners, LLC) is solely responsible for their repayment with no resulting liability on behalf of the City.

- As of September 30, 2017, the outstanding balance on the Series 2011 Industrial Revenue Bonds is \$5,119,970.