CITY OF TALLAHASSEE

ANNUAL REPORT
TO
BONDHOLDERS

February 2012

City of Tallahassee
Elected Officials

John R. Marks, III
MAYOR

Andrew D. Gillum
MAYOR PRO TEM - COMMISSIONER

Gil Ziffer
COMMISSIONER

Nancy Miller
COMMISSIONER

Mark Mustian
COMMISSIONER

Administration

Anita Favors Thompson
CITY MANAGER

James O. Cooke, IV
CITY TREASURER-CLERK

James R. English
CITY ATTORNEY

Sam McCall
CITY AUDITOR

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

Financial Advisor
Public Financial Management
Orlando, Florida

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2011 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 2011 Annual Report to Bondholders can be found on the DAC website at www.dacbond.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 at www.talgov.com, as well as on the DAC site. The current auditors for the City are Carr, Riggs and Ingram, L.L.C., 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:

- $35,485,000 Energy System Revenue Bonds, Series 2010C, dated November 12, 2010;
- $122,280,000 Energy System Revenue Bonds, Series 2010B, dated November 12, 2010;
- $43,245,000 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;
- $203,230,000 Energy System Revenue Bonds, Series 2007, dated August 22, 2007;
- $128,920,000 Energy System Revenue Bonds, Series 2005, dated October 8, 2005;
- $17,680,000 Energy System Refunding Revenue Bonds, Series 2001, dated May 1, 2001;
- $143,800,000 Energy System Refunding Revenue Bonds, Series 1998A, dated November 1, 1998;
- $7,355,000 Airport System Revenue Refunding Bonds, Series 2004, dated August 31, 2004;
- $26,975,000 Capital Bonds, Series 2009, dated April 24, 2009;
- $9,400,000 Capital Bonds, Series 2008, dated December 11, 2008;
- $86,210,000 Capital Bonds, Series 2004, dated December7, 2004;
- $15,360,000 Capital Refunding Bonds, Series 2001, dated October 15, 2001;
- $117,015,000 Consolidated Utility System Revenue Bonds, Series 2010A, dated September 21, 2010;
- $25,820,000 Consolidated Utility System Revenue Bonds, Series 2010B, dated September 21, 2010;
- $164,460,000 Consolidated Utility System Revenue Bonds, Series 2007, dated November 8, 2007;
- $36,110,000 Consolidated Utility System Refunding Revenue Bonds, Series 2005, dated July 29, 2005; and
- $23,900,000 Consolidated Utility System Refunding Revenue Bonds, Series 2001, dated May 1, 2001.

The release of this report 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, 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
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8389
treasury@talgov.com

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EXECUTIVE SUMMARY

The City's Annual Report to Bondholders is designed to provide a reader, with no prior background, general information regarding the City and its debt. 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. Readers are encouraged to read the report in its entirety even though the City, by means of this executive summary, identifies only those events that it believes to be the most important that have occurred since the publication of the 2011 Annual Report to Bondholders.

Borrowing in Fiscal Year 2011

During fiscal year (FY) 2011, the City issued $122,280,000 Energy System Revenue Bonds Series 2010B (Series 2010B) and $35,485,000 in Energy System Revenue Bonds (Series 2010C). The Series 2010B bonds were issued under the Build America Bond program. The Series 2010B Build America Bonds were issued to finance the acquisition and construction of the Series 2010 Projects, and the Series 2010C Bonds were issued primarily to refund a portion of the outstanding Sunshine State Financing Commission loans. With the refinancing, the City has taken advantage of the current interest rate environment in order to fix the rate on outstanding variable rate debt.

Ratings

Certain of the City's outstanding bonds were issued with insurance to enhance the credit rating associated with the debt. In recent years, most of the monoline insurers have seen their credit ratings downgraded or withdrawn by various rating agencies. As a result, Tallahassee's underlying credit is often stronger than that of the surety. The insurer, if any and underlying credit are provided in the details of this document for each of the City's outstanding bonds.

Tallahassee's underlying ratings are summarized as follows:

	Moody's Investors Service, Inc.	Standard & Poors Rating Services	Fitch Ratings, Inc.
Capital Bonds	Aa3	NR	AA
Consolidated Utility System Bonds	Aa1	AA+	AA+
Energy System Bonds	Aa3	AA	AA-
Airport System Bonds	NR	NR	NR

Management Transition

Gary Herndon, City Treasurer-Clerk, retired from the City in April 2011. Jim Cooke served as interim City Treasurer-Clerk from May 2011 through January 2012 when he was appointed as City Treasurer-Clerk. Prior to his interim appointment, Mr. Cooke served as Deputy Treasurer-Clerk for eight years. Prior to joining the City, Mr. Cooke had 15-years of experience in public accounting.

Property Taxes and other 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, telecommunications, and business) 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 and agencies.

Declining property values resulting from economic conditions further exacerbated the decline in taxable values. The FY 2011 assessed property values for Tallahassee decreased by 1.7%. It is expected that property values will decline again for FY 2012. Additional declines will be mitigated by a constitutionally required CPI increase of 2.7% on most homesteaded properties.

The City Commission maintained the millage rate at 3.700 mills for FY 2011 the same as FY 2010. As a result of reduced property values, property taxes totaled $34,223,878 for FY 2011 after reaching a high of $35,630,000 in FY 2007. Property taxes provide 25% of general governmental revenues (including transfers).

As a result of the ongoing recession, revenues for the State of Florida budget have decreased in each of the last two years; however, this trend reversed itself in FY 2011, and the outlook for FY 2012 is a slight increase over FY 2011. Shared revenues were $13,165,350 in FY 2011.

Defeased Bonds

On December 1, 2011, the City defeased $6,000,000 of the 2004 Series Capital Bonds. By defeasing these bonds, the City effectively reduced debt service by approximately $900,000 per year for the next seven years.

Capital Bonds, Series 2001

On September 30, 2011, final payment was made on previously outstanding Capital Bonds, Series 2001.

Pension

Based on the City's most recent actuarial report, the City of Tallahassee Pension Plan was fully funded at September 30, 2009.

Rate Increases

Effective October 1, 2010, water rates were increased by 11%, the last of a series of scheduled increases approved by the City Commission in 2007. City Ordinance provides for automatic rate adjustments for the electric, natural gas and solid waste utilities effective October 1 of each year equal to the 12-month increase in the Consumer Price Index. Pursuant to the ordinance, electric, gas and solid waste rates were increased by 1.1% effective October 1, 2010. On October 1, 2011, rates for these utilities were increased by 3.8% based on the CPI change. Beginning October 1, 2012, City ordinance provides that the water and wastewater utilities will also be adjusted based on the CPI increase described above.

General Fund Transfer

Since FY 2005, the transfer levels for water, sewer, and solid waste have been set as a percentage of the prior three-year average of gross system revenues for each utility. The FY2011 percentages for water, sewer, and solid waste were 20%, 4.5% and .0075%, respectively. In FY 2005, the base for Electric Fund transfers was set at an amount comparable to 8.3 mills of kilowatt hour (kWh) retail sales. The transfer for the gas utility was set at a fixed annual amount of $2,323,000.

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. This new methodology is applied to water, sewer, solid waste, electric and gas. The FY 2012 utility transfer to the general fund is $34,437,385.

Sunshine State Governmental Financing Commission (SSGFC)

The Sunshine State Government Financing Commission (SSGFC or the Commission) was created in 1985 through 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.

In late 2010, the City issued $35,485,000 in Energy System Revenue Bonds (Series 2010C). These bonds were issued to refund a portion of the outstanding Sunshine State Financing Commission loans. With the refinancing, the City elected to take advantage of the historically low interest rate environment by fixing the rate on outstanding variable rate debt at low rates. The City redeemed an additional $4.5 million of outstanding variable rate debt with the Commission in June 2011.

The City had no debt outstanding under the program as of September 30, 2011 and maintains its membership on the Commission.

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, and www.dacbond.com the website of DAC.

The September 30, 2011 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 2011.

DAC

The DAC website hosts a variety of debt information. DAC acts as a disclosure dissemination agent for insurers 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 2011 report, 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. Information also includes multiple years' CAFR's.

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(s) searched are located you can customize your portfolio by checking the corresponding box and clicking *Add Checked Items to Portfolio.*

Contact

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City of Tallahassee
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Tallahassee, Florida 32301-1731
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THE CITY OF TALLAHASSEE

General

Tallahassee, the capital city of Florida, was incorporated in 1825, 20 years before Florida was admitted to the Union. The City is governed by a Mayor and four Commissioners elected at-large. The City Commission appoints the City Manager, the City Treasurer-Clerk, the City Attorney and the City Auditor. Collectively, the appointed officials are responsible for all administrative aspects of the government, with most falling under the purview of the City Manager.

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

The economy of Tallahassee is strongly oriented toward governmental and educational activities. The presence of the State Capital, two major universities, and a large community college help to shape Leon County's population as relatively young, well educated and affluent.

Population and Employment

The 2006 - 2010 American Community Survey Five-Year Estimates (the Survey) results show a racially diverse community, with minorities accounting for 36.4% of the Leon County population and 42.1% of the City population. The population is young, with a median age of 25.9. City of Tallahassee residents have historically attained a very high level of education. According to the Survey, 44.9% of area residents age 25 or older have completed at least four years of college, compared to 25.9% for the state. The 2010 median family income in Leon County is $66,157, compared to the national median family income of $62,982. Workers in management or professional occupations amount to 43.2% compared to 35.3% nationally.

The level of governmental employment has a stabilizing effect on the economy and helps to minimize unemployment. The 2011 preliminary unemployment rate was 8.2% for the City of Tallahassee and 8.0% for Leon County, as compared to the State's unemployment rate of 10.6%. The percentage of Leon County employees employed by local, state, and federal government is approximately 35% of the work force. The unemployment rate is one of many economic indicators utilized to evaluate the condition of the economy. In addition, due to governmental 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. According to the U.S. Census Bureau, Leon County's population increased by 36,035 people between the 2000 and the 2010 Census (1.4% per year on average). Population growth trends are presented in the following table:

POPULATION GROWTH

Year	Tallahassee	Unincorporated	Leon County
1950	27,237	24,353	51,590
1960	48,174	26,051	74,225
1970	71,897	31,150	103,047
1980	81,548	67,107	148,655
1990	124,773	67,720	192,493
2000	150,624	88,828	239,452
2010	181,376*	94,111	287,487
2015 projected	190,900	95,700	286,600
2020 projected	202,300	97,700	300,000
2025 projected	213,400	99,600	313,000
2030 projected	223,500	101,400	324,900
2035 projected	232,700	102,900	335,600

*New Census figure from 2010.

Recognizing the need to diversify the area's economy, the local government and the Chamber of Commerce are working closely together in concerted effort to attract additional employers to the area and to assist the expansion of existing local industries. The Economic Development Council of Tallahassee/Leon County markets 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.

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 substantially below the State of Florida and United States averages as shown in the table below:

AVERAGE ANNUAL UNEMPLOYMENT RATE

Year	Leon County	Florida	United States
2001	3.5	4.7	4.7
2002	4.3	5.7	5.8
2003	4.1	5.3	6.0
2004	3.7	4.7	5.5
2005	3.1	3.8	5.1
2006	2.7	3.3	4.6
2007	3.0	4.0	4.6
2008	4.4	6.2	5.8
2009	6.8	10.2	9.3
2010	8.2	11.5	9.6
2011 (p)	8.0	10.6	8.9

Source: Florida Agency for Workforce Innovation, Labor Market Statistics, Local Area Unemployment Statistics.

Trade and Service Area

As the largest city in north-central Florida, Tallahassee has naturally assumed the role as a regional trade center. Located just 20 miles south of the Georgia state line, this regional trading activity encompasses Leon County, as well as four south Georgia counties and eight surrounding north Florida counties. Tallahassee has over 45 shopping centers, and retail sales within Leon County account for over 65% of the retail sales made in the 13-county region. The retail and wholesale trade industry are an important aspect of the economy of the Tallahassee MSA, providing almost 13% of the employment with the services industry providing another 42%.

Education

In addition to being the Capital of Florida, Tallahassee is the site of two major state universities and a regional community college. Total enrollment in these institutions is over 70,000 students.

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. Fall 2011 enrollment totaled 41,710 students in its undergraduate and graduate colleges, schools, and divisions. FSU is nationally known for its outstanding programs in natural sciences, fine arts, business, law, and education. A medical school was created in 2000 with its first students admitted in 2001. In the Fall of 2011, 476 students were enrolled in the College of Medicine.

A second nationally known university in Tallahassee is the Florida Agricultural and Mechanical University (FAMU), which was founded in 1887 and is the home of the FAMU Rattlers. FAMU offers extensive undergraduate and graduate courses to nearly 13,000 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 15,000 students. TCC offers the same curriculum for college credit 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 its first University Partnership with Flagler College (Flagler) in the Fall of 2000, and has since partnered with Embry Riddle Aeronautical University in 2001, Barry University in 2003 and St. Leo University in 2006. In 2011, TCC ranked 9th among two-year institutions nationwide in the total number of associate degrees awarded. TCC students can pursue bachelor and graduate degrees on TCC's campus through the programs of its four University Partners.

GENERAL GOVERNMENT

Ad-Valorem Millage Rate

Property taxes can significantly impact the citizen's perception of economic success. The City's millage rate of 3.7000 mills is the lowest of the ten largest cities in Florida. However, not all of the comparable cities have implemented a separate fire service fee to cover the cost of fire protection as the City of Tallahassee has done.

		Millage Rates			
City	**2010 Population**	**2009**	**2010**	**2011**	**2012**
Miami	399,457	7.64	7.67	7.67	7.57
Tampa	335,709	5.73	5.73	5.73	5.73
St. Petersburg	244,769	5.91	5.91	5.91	5.91
Hialeah	224,669	6.54	6.54	6.54	6.54
Orlando	238,300	5.65	5.65	5.65	5.65
Tallahassee	**181,376**	**3.21**	**3.70**	**3.70**	**3.70**
Fort Lauderdale	165,521	4.12	4.12	4.12	4.11
Pembroke Pines	154,750	5.69	6.05	6.05	5.63
Hollywood	140,768	4.43	5.12	5.12	7.44

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

Revenue Considerations

Property taxes, which provide 25% of governmental revenues (including transfers), decreased in FY 2008 as a result of statutorily mandated millage rate roll-backs, in FY 2009 due to a constitutional amendment and in FY 2010 due to declining home values and economic conditions. The decrease from FY 2010 to 2011 was approximately 1.7%. Taxable values are expected to decrease again for FY 2012, which will likely result in a 3.3% reduction. Going forward, the total decline in property values will be mitigated to some extent by a constitutionally required increase in the values of most homesteaded property by a CPI rate of 2.7%. To partially compensate for the decrease in property values, the millage rate for FY 2010 was increased. The rate increase, coupled with declining assessed values, provided approximately the same amount of revenue in FY 2012 as budgeted for FY 2008. The millage rate was not decreased for FY 2011 or FY 2012.

Transfer Considerations

In FY 2005, the transfer levels for water, sewer, and solid waste were set as a percentage of the prior three-year average of gross system revenues for each utility. The FY 2011 percentages for water, sewer, and solid waste are 20%, 4.5% and .0075%, respectively. In FY 2005, the base for Electric Fund transfers was set at an amount comparable to 8.3 mills of kilowatt hour (kWh) retail sales. The transfer for the gas utility was set at a fixed annual amount of $2,323,000. The methodology for each of the water, sewer, solid waste, electric and gas utilities 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 FY 2012 utility transfer to the general fund is $34,437,385. Previous transfers from utilities to the General Fund totaled $33.3 million in FY 2009, $34.5 million for FY 2010 and $34.6 million in FY 2011.

Expense Considerations

General Fund expenses decreased by $34,000 in FY 2010 and then increased nearly $3 million in FY 2011 compared to the previous year. The increase is attributable to pay raises for both union and non-union employees on the expenditure side and additional state revenues and a new red light camera program on the revenue side.

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

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 fees (occupational license, etc.). Some funding is also received from state-shared revenues and grants from state and federal governments and agencies.

As previously discussed, a property tax roll-back and reduction is in place for FY 2008 and FY 2009, and a constitutional amendment implementing additional homestead and business exemptions, business caps on assessed value increases, and portability of certain homestead exemptions was approved by Florida voters in January 2008 effective for FY 2009. Although these actions reduce taxable values of homesteaded properties and establish restrictions on increased millage rates, provisions in the legislation allow for overriding millage caps by a super majority of the City Commission or by referendum.

Economic market corrections are expected to further impact general government revenue sources. Revenues for the State of Florida budget have decreased in each of the last two years; however, this trend reversed itself in FY 2011 and the outlook for FY 2012 is a slight increase over FY 2011.

Revenues for the business-type activities and certain governmental activities (permitting, recreational programs, etc.) come from user fees or service charges. The City has experienced a significant decrease in the volume of building-related fees due to economic conditions, which is expected to continue into FY 2012. To mitigate this, budgeted expenditures for this function have been significantly reduced and a fee increase of 30% was implemented for FY 2010. 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 in all of the utilities due to a combination of demand side management programs, decreased growth, and economic conditions. 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, 2011, was approximately $95 million.

Fiscal Year 2010 and 2011 Budget and Rates

The City is home to several state and federal offices in addition to two universities and a community college. These tax-free entities limit the taxable base to roughly 55% of the City's property value. The FY 2009 millage rate was increased slightly from 3.17 mills to 3.21 mills due to decreases in taxable value resulting from legislative reform. The rate was again increased in FY 2010 to 3.7000 mills due to declining property values. Even though values continued to decline in FY 2011 and FY 2012, the millage rate was not increased in either year. Continued discussion of property tax reform by the State Legislature in the form of another constitutional amendment to further cap growth of non-homesteaded property tax rates could result in additional impact to ad-valorem taxes. However, at the present time, the impact of this type of change would be minimal given that property values are not increasing. The City is monitoring this legislation and will adjust future years' budgets accordingly.

The City's FY 2012 Capital Budget is appropriated at $150.7 million with $37.2 million budgeted in the General Fund and $113.5 million in the Enterprise and other funds. Some of the capital projects include funding for park and stormwater improvements. The City has a five-year plan for capital improvements for all projects planned through FY 2016 that totals $773 million with appropriations made on an annual basis.

Selected General Government Statistics

Pledged Revenues (in 000s)

City of Tallahassee, Capital Bonds

For Fiscal Years Ending September 30	2007	2008	2009	2010	2011
Communication Services Tax	8,917	9,140	9,557	9,319	8,447
Half Cent Sales Tax	9,875	9,658	8,569	7,738	8,619
Guaranteed Entitlement	1,251	1,251	1,251	1,251	1,251
Total Revenue	20,043	20,049	19,377	18,308	18,317
Debt Service (with 2009 Capital Bonds)	7,676	7,672	8,170	10,014	10,471
Debt Service (without 2009 Capital Bonds)	7,676	7,672	7,734	8,008	8,007
Debt Service Coverage (with 2009 Capital Bonds)	2.61x	2.61x	2.37x	1.83x	1.75x
Debt Service Coverage (without 2009 Capital Bonds)	2.61x	2.61x	2.51X	2.29x	2.29x

2009 Capital bonds have a pledge to budget and appropriate and not a specific pledge on any revenues thus the reason for the split comparison.

Property Tax Levies and Collections (in 000s)

Fiscal Year	Total Assessed Valuation	Taxable Assessed Valuation	Levy	Collection	Percentage [1]
2002	11,101,846	5,892,235	18,927	18,172	96
2003	11,718,893	6,335,214	20,363	19,503	96
2004	12,561,990	6,734,959	24,988	24,053	96
2005	13,321,051	7,370,184	27,306	26,349	96
2006	14,983,276	8,600,518	31,875	30,191	95
2007	17,643,758	10,083,178	37,370	35,492	95
2008	19,251,581	11,162,814	35,416	33,592	95
2009	19,580,463	10,791,427	34,704	33,100	95
2010	17,774,239	9,919,935	36,704	35,114	96
2011	17,337,336	9,671,795	35,918	34,224	95

(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.

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Total	$26,975,000 Series 2009	$9,400,000 Series 2008	$86,210,000 Series 2004
2012	$ 10,469,450	$ 2,461,580	$ 1,389,660	$ 6,618,210
2013	10,464,816	2,461,664	1,389,592	6,613,560
2014	11,527,692	2,459,521	1,393,161	7,675,010
2015	11,523,515	2,460,060	1,390,195	7,673,260
2016	11,579,052	2,458,187	1,390,865	7,730,000
2017	10,133,810	2,458,810	-	7,675,000
2018	10,132,086	2,456,836	-	7,675,250
2019	9,025,541	1,353,041	-	7,672,500
2020	9,024,325	1,353,075	-	7,671,250
2021	9,027,559	1,351,809	-	7,675,750
2022	9,024,246	1,349,246	-	7,675,000
2023	9,023,791	1,350,291	-	7,673,500
2024	9,025,352	1,349,852	-	7,675,500
2025	1,347,929	1,347,929	-	-
2026	1,349,429	1,349,429	-	-
2027	1,349,260	1,349,260	-	-
2028	626,055	626,055	-	-
2029	625,279	625,279	-	-
2030	623,761	623,761	-	-
2031	626,408	626,408	-	-
TOTALS	**$136,529,353**	**$ 31,872,092**	**$ 6,953,471**	**$ 97,703,790**

$26,975,000
City of Tallahassee, Florida
Capital Bonds, Series 2009

Dated: April 24, 2009

Purpose

Private placement bonds 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 dated, and to pay for costs associated with the bond issue.

Security

The bonds are secured by a covenant to budget and appropriate in its annual budget an amount legally available from all non-ad valorem revenues of the City.

Form

$26,975,000 Capital Improvement Refunding Revenue Bonds Series 2009 due October 1, 2031. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2009.

Agents

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

Optional Redemption

The Series 2009 Bonds may be prepaid at the option of the City in whole, or in part, on any date, with 3-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 October 1	Interest Rate	Principal	Interest	Total
2012	3.710%	$ 1,585,000	$ 876,580	$ 2,461,580
2013	3.710%	1,645,000	816,664	2,461,664
2014	3.710%	1,705,000	754,521	2,459,521
2015	3.710%	1,770,000	690,060	2,460,060
2016	3.710%	1,835,000	623,187	2,458,187
2017	3.710%	1,905,000	553,810	2,458,810
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%	615,000	11,408	626,408
TOTALS		**$ 24,420,000**	**$ 7,452,092**	**$ 31,872,092**

$9,400,000
City of Tallahassee, Florida
Capital Bonds, Series 2008

Dated: December 11, 2008

Purpose

Private placement bonds 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 dated November 16, 1996, amended and restated on April 25, 2001, in the original principal amount of $18,200,000, and to pay for costs associated with the bond issue.

Security

The bonds are secured by a covenant to budget and appropriate in its annual budget an amount legally available from all non-ad valorem revenues of the City.

Form

$9,400,000 Capital Improvement Refunding Revenue Bonds Series 2008 due October 1, 2016. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2009.

Agents

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

Optional Redemption

The Series 2008 Bonds may be prepaid at the option of the City in whole, but not in part, on any scheduled payment date, at a prepayment price equal to 101% the principal amount thereof to be paid, plus accrued interest to the redemption date.

$9,400,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2008

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	3.410%	$ 1,175,000	$ 214,660	$ 1,389,660
2013	3.410%	1,215,000	174,592	1,389,592
2014	3.410%	1,260,000	133,161	1,393,161
2015	3.410%	1,300,000	90,195	1,390,195
2016	3.410%	1,345,000	45,865	1,390,865
TOTALS		**$ 6,295,000**	**$ 658,471**	**$ 6,953,471**

$86,210,000
City of Tallahassee, Florida
Capital Bonds, Series 2004

Dated: December 7, 2004

Purpose
To finance and refinance the acquisition, construction and equipping of certain capital improvements.

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; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund. The Bonds are secured on parity with the Capital Refunding Bonds, Series 2001.

Form
$86,210,000 Serial Bonds 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, 2005.

Agents

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

Ratings

Moody's:	Aa3 underlying
Fitch:	AA
Standard &Poors:	N/A

Call Provisions

Optional Redemption
The Series 2004 Bonds maturing on or prior to October 1, 2014 are not subject to optional redemption prior to maturity. The Series 2004 Bonds maturing after October 1, 2014 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, 2014 at a redemption price of 100% of the principal amount of the Series 2004 Bonds to be redeemed, plus accrued interest to the date of redemption.

Defeasance
In November 2008, the City of Tallahassee defeased $5 million.
In December 2011, the City of Tallahassee defeased $6 million.

$86,210,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2004

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	3.250%	$ 3,220,000	$ 3,398,210	$ 6,618,210
2013	(1)	3,320,000	3,293,560	6,613,560
2014	5.000%	4,535,000	3,140,010	7,675,010
2015	3.850%	4,760,000	2,913,260	7,673,260
2016	5.000%	5,000,000	2,730,000	7,730,000
2017	5.000%	5,195,000	2,480,000	7,675,000
2018	5.000%	5,455,000	2,220,250	7,675,250
2019	5.000%	5,725,000	1,947,500	7,672,500
2020	5.000%	6,010,000	1,661,250	7,671,250
2021	5.000%	6,315,000	1,360,750	7,675,750
2022	5.000%	6,630,000	1,045,000	7,675,000
2023	5.000%	6,960,000	713,500	7,673,500
2024	5.000%	7,310,000	365,500	7,675,500
TOTALS		**$ 70,435,000**	**$ 27,268,790**	**$ 97,703,790**

(1) Bonds maturing 2013 are in two issues: $830,000 at 3.50% interest rate and $3,500,000 at 5.00% interest rate.

$86,210,000

CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2004
(After December 2011 Defeasance)

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	3.250%	$ 2,540,000	$ 3,150,043	$ 5,690,043
2013	(1)	2,640,000	3,067,493	5,707,493
2014	5.000%	3,815,000	2,947,943	6,762,942
2015	3.850%	4,005,000	2,757,192	6,762,192
2016	5.000%	4,160,000	2,603,000	6,763,000
2017	5.000%	4,365,000	2,395,000	6,760,000
2018	5.000%	4,585,000	2,176,750	6,761,750
2019	5.000%	5,725,000	1,947,500	7,672,500
2020	5.000%	6,010,000	1,661,250	7,671,250
2021	5.000%	6,315,000	1,360,750	7,675,750
2022	5.000%	6,630,000	1,045,000	7,675,000
2023	5.000%	6,960,000	713,500	7,673,500
2024	5.000%	7,310,000	365,500	7,675,500
TOTALS		**$ 65,060,000**	**$ 26,190,920**	**$ 91,250,920**

(1) Bonds maturing 2013 are in two issues: $830,000 at 3.50% interest rate and $3,500,000 at 5.00% interest rate.

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 upon making findings that the addition of such utility functions will not impair the ability of the City to comply with such resolutions, and will not materially adversely affect the rights of the Holders of the Prior Obligations and the Bonds, respectively. 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 System (CUS) to create the Combined Energy System, for financing purposes only.

Anticipated financing needs for the Energy System through 2015 are:

Issue	Amount	Projected Date
Gas System Revenue	$ 12,000,000	2013
Electric System Revenue	$ 80,000,000	2015

Administration

The City has consolidated all of its utility operations under a single Assistant City Manager for Utilities Services. The Utility Services area consists of the Electric Utility, Underground Utility (formerly Water and Sewer Utility, Gas Utility and Stormwater Utility), Solid Waste Utility, and two support departments - Utility Business and Customer Services, and Energy Services. Each of the utility departments is responsible for operational aspects associated with its respective service areas. Utility Business and Customer Services and Energy Services provide support across the three utilities. Utility Business and Customer Services provides centralized support to all three operating utilities for services such as: billing, customer service, connect/disconnect, meter reading, safety and training, environmental, marketing, retail rate design, and utility locates/construction coordination. Energy Services provides administration of the City's Energy Risk Management Program, including: consolidated fuel management and acquisition services for the electric and gas utilities, fuel management and associated transportation services to other utilities on the open market, and the management of off-system purchases and sales of electric energy and capacity. In addition, Energy Services provides residential and commercial energy services, and account support and retail contracting functions. 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.

ENERGY SERVICES

The City's Energy Services Department (ESD) is comprised of two Divisions, the Wholesale Energy Services Division and the Retail Energy Services Division. The primary purpose of the Wholesale Energy Services Division is to manage the fuels and energy supply portfolios for the City's Electric and Gas Utilities (Energy System). Recently, focus has been placed on acquisition of energy from renewable resources. The City had a contract with Ecosphere for the purchase of 35 MW of renewable energy beginning in 2013. Due to the downturn in the economy, EcoSphere terminated the project and contract with the City of Tallahassee. ESD continues to pursue other alternative energy opportunities as they arise.

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 commits the City to purchase 4,000 MMBtu of natural gas daily for a period of 20 years at a discount to the market estimated to be $0.45/MMBtu. The discount is achieved through the use of a prepaid natural gas contract. This will result in savings to the customers of the electric and gas utilities of $657,000 annually or approximately $13 million dollars over the life of the contract. This supply will represent about 6% of our current requirements for the Electric and Gas Utilities. More recently, a 30-year Agreement began June 1, 2010 with Royal Bank of Canada (RBC) through MainStreet, providing natural gas supplies to the City. 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. The discount is achieved through the use of a prepaid natural gas contract. 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) but forecast to be about $35 million over the life of the contract. This supply will represent about 7% of current gas requirements for the Electric and Gas utilities. The ESD continues to pursue pre-pays and other opportunities for long term discounted fuel supplies.

In addition to the traditional roles of fuels and energy acquisition for the utilities, ESD performs marketing and trading of electricity and natural gas in the wholesale market. Historically, acquisitions of natural gas supply involved primarily the utilization of fixed price long-term and short-term forward physical contracts for electricity and natural gas with various energy companies and other utilities. In an effort to diversify the City's credit risk, the City began utilizing financial contracts for the purchase of natural gas on the New York Mercantile Exchange (NYMEX) and with various counterparties using the Over-the-Counter International Swap Dealers Association (ISDA) agreement. These instruments stabilize the City's budget and protect its customers against future adverse price movements. The City Commission established the Energy Risk Policy Committee (ERPC) for policy development and oversight purposes. 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 budgeted fuel and energy expense accounts for (NYMEX related) financial trades for the immediate 12-month period, and up to $30 million from the Electric Operating Reserve for financial trades 13 months into the future and beyond that are consistent with the approved policy, pre-established market risk tolerances, and the City's budgetary or 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 our risk management consultant.

The City's Energy Risk Management Program identifies, measures, monitors, manages, controls, 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, ESD will adhere to the approved policy and will also continue operating under the following guidelines:

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

ESD's Wholesale Division purchases fuel oil to hedge against volatile natural gas prices and provides back-up fuel supply in case of natural gas interruptions. Transportation for natural gas is arranged through long-term contracts with Florida Gas Transmission and Southern Natural Gas. When available, ESD re-markets excess capacity in the secondary market to help reduce the City's total transportation costs. Oil is acquired mostly through short-term contracts, and deliveries are made by barge or truck. The Wholesale Division also hedges motor fuels on behalf of other City Departments. ESD purchases diesel fuel oil for StarMetro and both diesel and gasoline for Fleet consumption. ESD's role in hedging the cost of commodities consumed by the City is likely to continue to expand in the future.

The ESD Retail Energy Services Division includes Energy Conservation and Customer Services functions that are responsible for direct services to customers. In February 2008, the City Commission adopted a Demand Side Management (DSM) plan that identifies several programs and strategies designed to achieve aggressive demand and energy savings throughout the community. Current demand reduction targets include 50 MW by 2012 and a total of 135 MW by 2020. To help achieve these goals the City contracted with a DSM Program Manager in June 2010 to develop and deploy a combination of automated commercial demand response, residential smart thermostats, and a variety of demand reduction and energy efficiency measures. Supporting the demand response efforts is an award of $8.9 million from the U.S. Department of Energy (DOE) under the Smart Grid Investment Grant program. The award, which was received in April 2010, also provides for enhanced electric transmission and distribution capabilities. In addition, the City received a second DOE award, in September 2009, for $1.78 million under the Energy Efficiency and Conservation Block Grant program. With this funding the City has enhanced its energy audit program, implemented new financial incentives for energy efficiency and demand reduction, developed new innovative rate options that take advantage of the City's emerging smart grid infrastructure, and will be providing energy retrofits for City buildings, installation of LED streetlights and a demonstration of new solar water heating technologies.

Energy Services continues to offer various incentives under the Energy Smart PLUS (e+) program 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 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 customers to sell excess power back to the City;
- 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 assistance for energy efficiency improvements, and related customer services;
- Customer Retention/Key Accounts programs that establish and maintain communication with high-use utility customers, including development and administration of long-term contracts; and
- The Gas Sales program and associated employees transferred to the Underground Utilities Department in early FY 2009. The Gas Sales program promotes the gas system's residential and non-residential customer growth as well as fuel switching to achieve DSM savings.

ELECTRIC SYSTEM

The City owns, operates and maintains an electric generation, transmission and distribution system that presently supplies electric power and energy to 114,094 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, 2011, the City sold 2,740,602 MWh of electric energy to ultimate customers and 108,208 MWh to other utilities and received total operating revenues of approximately $326,171,252. The City experienced modest growth in customers of 0.5% from 113,535 in FY 2010 to 114,094 in FY 2011, while retail sales decreased slightly during FY 2011 to 2,740,602 MWh, a reduction of 0.2% over FY 2010. The City's ten-year forecasts project an average annual growth in customers of approximately 1.6% and an average annual growth in retail energy sales of 1% when including 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 326 MW (winter rating). The Purdom Station includes a 250 MW class advanced combined cycle generating unit added in 2000. The current installed capacity at the Arvah B. Hopkins Generating Station (the Hopkins Station) is 544 MW (winter rating). The Hopkins Station includes the repowered Unit 2 which was converted from a conventional steam unit to a combined cycle unit in 2008. The C.H. Corn Hydroelectric Plant (the C.H. Corn Station) consists of three generating units with a total capacity of 11 MW. In 1977, the City acquired a 1.3333% (11 MW) undivided ownership interest in Crystal River Unit No. 3 (CR-3), a nuclear plant operated and owned in part by Florida Power Corporation (now Progress Energy - Florida). The City transferred its ownership interest in CR-3 and the decommissioning trust account balance to Florida Power on October 1, 1999. The terms of the transfer included purchasing equivalent replacement electric capacity (11.4 MW) from Florida Power at a delivered price of $42 per MWh through December 31, 2007, escalating at CPI thereafter until 2016.

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 Energy Management System/Supervisory Control and Data Acquisition (EMS/SCADA) system, 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 initial phases of deployment of a comprehensive "Smart Grid Program", these initiatives have already improved system reliability, efficiency, and customer service.

Based on the decisions made by the City Commission during the past five years, key strengths of the City's power supply portfolio that address current concerns with climate change and resource efficiency while addressing near term resource requirements are:

- With completion of the Hopkins Repowering in 2008, the weighted average age of 76% of the City's natural gas generating fleet is seven and one-half years and the weighted average heat rate of that portion of the natural gas generating fleet is 8,052 btu/kwh;
- The City's Demand Side Management (DSM) program will delay the need for additional power supply resources to meet reserve margins until at least 2020; and
- The DSM program will increase the City's load factor approximately 6% over a ten-year time frame, and the efficiency of the generating fleet, coupled with the Energy

Risk Management Program and contracted renewable resources, will provide competitive, environmentally responsible production costs.

In addition to these initiatives, the City continues to monitor changes in the electric utility industry to position itself for the various forms of regulation and legislative initiatives. The electric base rate reduction strategy (1994 - 2001) and the accrual of operating reserves have 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 $94.9 million at September 30, 2011 with $22.5 million of this amount committed to supporting financial trades through the City's Energy Risk Management Program. While the City's residential base rates are among the lowest in Florida; the volatility of the fuels markets and the City's dependence on natural gas as a fuel for its generating units have continued to make fuels and energy risk management a key strategy to remaining competitive. 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.

Power Supply Resource Additions

In October of 2005, the City Commission approved the first phase of the Hopkins Unit 2 (HP2) repowering to convert HP2 from a 238 MW conventional steam generating unit to a 296 MW combined cycle generating unit. This conversion was accomplished by installing a new General Electric 7FA combustion turbine/generator and a Nooter/Eriksen heat recovery steam generator. The existing HP2 boiler and auxiliaries were retired, and the steam turbine/generator and auxiliaries have been reused. This decision to move forward with this project was based on the fuel savings associated with the ~30% improvement in unit net heat rate (efficiency). The projected commercial operations date was June 1, 2008, and the unit achieved commercial operations on natural gas on June 2, 2008. Performance and environmental testing was conducted on the unit following commercial operations and the unit met all performance targets and environmental requirements. All work was substantially completed in March, 2010. However, the project remained open to allow for testing and analysis to determine if minor modifications were needed. All activities have been fully completed and no further work is anticipated. The project was budgeted at $156 million and the final cost was $143.6 million.

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). Under the terms of the PP8 LTSA, GE performs all of the scheduled preventative maintenance work on the City's Purdom Unit 8 combustion and steam turbine/generators for a fixed cost. The LTSA incorporates availability and heat rate guarantees, including liquidated damages and bonus provisions, for each of the six years. These damages and bonus provision are capped at $500,000 per year. The LTSA also provides for discounts for any additional parts or services needed outside the scope of the agreement and caps the rate of increase for these parts and services to published indices with an absolute cap of 7.5% per year. Entering into this agreement ensures the City that the required support and parts will be available for continued operation of Unit 8. With the repowering of Hopkins Unit 2 (HP2), the City has purchased another GE 7FA combustion turbine, similar to the PP8 combustion turbine/generator. The City has entered into a modified LTSA with GE to include the HP2 7FA. The modified LTSA was fully executed in March of 2008.

The modified LTSA between the City and GE provides for the following major changes to the PP8 LTSA.

- Extends the PP8 term to 18 years or 114,000 fired hours (3rd major inspection);
- Adds the HP2 combustion turbine generator to the LTSA for a term of 12-years of 96,000 fired hours (2nd major inspection);
- Includes compressor and rotor coverage as "Planned Maintenance". This means GE is responsible for the planned maintenance on these components (the prior PP8 LTSA has these items as extra work); and
- Includes provisions for GE to compensate the City up to $1 million per year per unit for compressor or rotor failures.

Future Power Supply Resources

The City's DSM portfolio is projected to significantly reduce future load and energy requirements and as such has delayed any capacity need until 2020. Notwithstanding the absence of capacity need, the City has continued to pursue opportunities to diversify its power supply portfolio and, in anticipation of federal climate change legislation, reduce its carbon footprint. Toward this end the City negotiated renewable energy purchases with Biomass Gas & Electric (BG&E) and Ecosphere, formerly Renewable Fuels Tallahassee (RFT). BG&E and Ecosphere have since rescinded their respective contracts, terminating all obligations of the City.

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 are three significant areas of uncertainty that represent potential near-term risk to the City: climate change legislation, adoption of Renewable Portfolio Standards (RPS), 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 aggressive 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 until 2020. However, implementation of the portfolio has proceeded more slowly than anticipated in the IRP study, and uncertainty remains about how responsive the City's customers will be to adopting 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.

Environmental

The City's Electric Utility operates under numerous state and federal environmental laws, rules and regulations. The United States Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP) are the main environmental regulatory agencies that the City interacts with on these laws, rules and regulations. The City's Electric Utility is in compliance with all its current operating permits. All required environmental permits are current or have been applied for in a timely manner.

Under the Clean Air Interstate Rule (CAIR), a cap and trade program for NOx and SO_2 was established in 2006, which requires the City to reduce NOx emissions annually and during ozone season (May 1 to September 30). The program allocates the City a number of allowances on a yearly basis and requires facilities to acquire additional NOx allowances, if necessary, to comply with the program's target reductions in NOx and SO_2. Additional NOx annual and NOx ozone season allowances for 2011 were requested and received from the pool of New Unit Setasides that the FDEP manages. The City has held a sufficient number of allowances to meet the annual and ozone season requirements for the past few years.

On August 2, 2010, the Clean Air Transport Rule (CATR or Transport Rule), a rule that replaces the CAIR program, was proposed. The new Transport Rule was in response to the decision of the United States Court of Appeals for the District of Columbia Circuit ("DC Circuit") to vacate and then remand CAIR.

The Transport Rule, now named the Cross State Air Pollution Rule (CSAPR), was finalized in late summer 2011 with a start date of January 1, 2012. At the time, CSAPR proposed further reductions in emissions of NOx and SO2 than CAIR. According to the finalized CSAPR legislation, the State of Florida would only have to participate in one of the two previously regulated time periods (ozone season versus annual and ozone season).

EPA paired existing data, such as heat input and emissions data, with assumptions of each utility's operations, fuel use and emission unit control devices to propose allocations for 2012 to 2014 ozone season NOx allowances. At that particular time, the City of Tallahassee was projected to have an insufficient number of allowances, particularly if future years' operations were similar to the City's past operation of its fleet of electric generating units. In part, this shortfall of allowances was due to EPA's failure to acknowledge the repowering of Unit 2 at Hopkins. One of the baseline years used in EPA's allocation model was 2008, during which, Unit 2A did not commence commercial operation until June that year.

Recently, the federal courts issued a stay of CSAPR, with hearings expected to start in April 2012. Meanwhile CAIR was reinstated. It is too early to project the exact impact this court case will have on the City's participation in either program (CAIR, CSAPR), but all indications point to the City needing to purchase the necessary NOx allowances in the near future. Current projections have allowances retailing for $6,500 a ton. Future projections of the City's NOx allowances show the need to purchase no less than 50-allowances (tons of NOx).

The City's operations are subject to continuing environmental regulation, and are currently operating in compliance with all environmental permits that the City currently holds:

Water: The City is operating in compliance with all of the NPDES permit conditions for both facilities. However, the Hopkins Permit was issued with an Administrative Order (AO) attached to it due to removal of the Copper Mixing Zone (MZ) from the previous permit. The MZ had provided relief from the Water Quality Standard (WQS) limit for copper. Currently, we have an interim limit of 50 ppb, however, we will have to be in compliance with the WQS limit for copper before the expiration of the NPDES permit. This limit varies depending on the hardness of the receiving water (Beaver Creek), but it could range anywhere from 2.85 ppb to as high as 30.5 ppb.

To achieve compliance with the WQS limit for copper, the City has conducted a metal translator study and depending on the final result of the study provided the necessary relief from the WQS limit for copper through a dissolved copper limit instead of a total recoverable limit. A minor permit revision is being submitted to FDEP to insert the final permit limit of 50 ppb in the NPDES permit and close out the Administrative Order.

Another rule that needs to be followed very closely, which may have significant impacts on the operations of the two generating stations, TP Smith WWRF and the City's Municipal Separate Sewer System Permit (MS4), if it is promulgated by the FDEP, is the proposed Numeric Nutrient Criteria Rule (NNCR). The proposed NNCR is still being litigated but if it is adopted by FDEP at its current form, it will negatively affect the ability of municipalities of using re-use water (TP Smith and Purdom currently use re-use water in their respective permits). Also, it would require additional capital expenditures from the stormwater department to reduce the total nitrogen and total phosphorous loadings in their MS4 discharges.

Air: The City continues to monitor developments in new air pollution regulations that could impact operations at the two power generating plants. Additionally, the City will renew the

Title V Air Operation Permits for both generating plants. Applications for said permit renewals are due by May 28, 2012.

The EPA has proposed new regulations to address hazardous air pollutant (HAPs) emissions from electric utility steam generating units, as well as concerns from Best Available Retrofit Technology (BART) requirements that are designed to reduce emissions specifically from large sources that, due to age, were exempted from currently promulgated new source performance standards. The City is expected to retire Unit 7 at the Purdom facility prior to December 31, 2013, in order to comply with the requirements of the BART Rule without the need to install any additional and costly control equipment.

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 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). In November 2010, an optional residential time-of-use rate (referred to as Nights and Weekends pricing) was introduced as a 2,000 customer pilot. Under this rate schedule, the non-fuel energy charge and the ECRC vary by time of day. The program is fully subscribed and is expected to become permanent in April 2012.

Electric rate revenues are composed of two categories: energy cost recovery revenues (often referred to as fuel cost of ECRC recovery), 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.

Currently the City's rates are below the average for all Florida electric utilities. The City continues to place emphasis on managing the cost of fuel and purchased power passed on to its customers through the ECRC. Due to the declining cost of natural gas, ECRC rates were lowered in October 2010, April 2011 and October 2011. The City actively manages its fuel supply and energy supply portfolio to minimize the impact of natural gas price volatility and virtually eliminate counterparty credit risk by utilizing the City's Energy Risk Management Policy and Procedures that govern all trading activity. In addition to competitive rates, the City also offers a Preferred Customer Electric Service Agreement to our largest 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 allows for an increase to electric base rates on October 1 of each year equal to the most recently available 12-month change in the Consumer Price Index. Pursuant to this ordinance, base rates were increased on October 1, 2010 by 1.1% and on October 1, 2011 by 3.8%. It is the City's policy to transfer any excess revenues to electric system reserves and similarly use electric system reserves to make up any shortfalls. In FY 2010 excess revenues of approximately $7 million were transferred to reserves.

For FY 2011, a $20 million revenue deficit was projected and approved to be funded from system reserves. Due to a combination of higher sales and lower expenses than anticipated, the actual transfer was lower than expected, at $8.6 million.

In 2011, the City engaged SAIC, Inc. (formerly known as R.W. Beck) to perform a rate study covering the five-year period FY 2012 through FY 2016. The SAIC's Final Draft Phase I

Report dated May 11, 2011 identified a need to increase base rates above the expected CPI adjustment beginning in FY 2012. In September of 2011, the City Commission made the decision to raise base rates in FY 2012 by the CPI adjustment of 3.8% as scheduled, and to utilize reserves to fund any under recovery of base rate revenue during that period. The Commission authorized the use of up to an additional $17.7 million for a FY 2012 revenue shortfall. The actual amount that may be needed will be dependent on sales and expenses incurred in FY 2012. It is expected that the rate study will be reviewed again in the summer of 2012.

Since 2008, the City has experienced a reduction in cost for natural gas as the market price for natural gas has declined. As a result of this decline, the City has been able to reduce the overall cost for electricity by approximately 28%. As of February 2012, the City's residential cost for electricity (1,000 kwh) is $116.80 and is less than the statewide average.

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 2011 are $56.5 million with the total five-year plan totaling $321.7 million. Funding sources include charges to customers (1%), existing and future bond funds (53%) and deposits to the renewal and replacement fund (46%). Budgeted Electric Utility funding includes $6.2 million in FY 2010 for Smart Metering. The aggregate budgeted funding for Smart Metering is $41.5 million of which $22.5 million is for the Electric Utility. In addition, there is an aggregate of $61.3 million in the five-year capital budget for Demand Side Management and energy efficiency programs. The Capital Improvement Program includes conceptual plans for the construction of two additional simple cycle combustion turbine (CT) units to be programmed in 2015. The City estimates the direct construction costs of the two additional LM-6000 PC Sprint units and related transmission and fuel storage facilities to be about $74 million, or approximately $763 per kW. These CT units are included in the Capital Improvement Program to address electric transmission deficiencies in the southeast region of the City's service territory. If a less expensive solution is identified, the City expects that the lower cost alternative will be implemented. At the current time, the City is seeking permission from the U.S. Forest Service for a special use permit to allow a new 230 kV transmission line to be installed connecting the Hopkins facility with the eastern portion of the service territory. (See discussion in Transmission and Distribution Section). This 230 kV transmission line will provide the requisite voltage system support and defer the need for the additional capacity.

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. Progress to date and relevant statistics associated with this initiative are as follows:

- Approximately 2,150 demand metered electric accounts are eligible. These accounts represent around 2,500 demand-metered service points;
- Eligible customers comprise nearly 90% of the annual revenue from all non-

residential classes on the City's electric system. About 50% of electric retail revenue comes from the non-residential classes;

- Of the City's 20 largest Electric Utility customers, 18 have executed PCES Agreements; and
- Overall, 287 demand-metered utility customers have executed PCES Agreements.

Transmission and Distribution

The City's existing transmission system includes approximately 186-circuit miles of transmission lines that are operated at voltages of 230 kV and 115 kV. The 115 kV transmission network forms a 115 kV loop that extends around and through the City limits. The Electric System has substations at 23-locations, one each at the Hopkins and Purdom stations, 18-bulk power substations, one transmission substation and two 12.47 kV distribution step-down substations. At the 18-bulk power substations the power is transformed from the transmission voltage of 115 kV to the distribution network voltage of 12.47 kV. 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 Florida Power doing business as Progress Energy at five locations on its system and with The Southern Company (Southern) and its operating affiliates at one location.

The City continues to expand its distribution, transmission and substation facilities to meet the system-load growth and reliability requirements. Over the next five years, the City's capital budget includes plans to add three new substations to the electric system, refurbish and expand capacity at two existing substations, and replace one temporary substation with a permanently located substation. New distribution circuits from each of these substations will relieve loading on existing circuits and increase system reliability. Plans also include adding an auto-transformer with associated 230kV bus work at two substations that are to be expanded.

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. Recent contingency analysis indicated that additional transmission facilities are needed in the future to address projected limitations related to the transfer of power from the west side of the system (Hopkins Plant) to loads on the east side. Several alternatives were reviewed to address this concern. The best decision to address this concern is to construct an eastern 230kV transmission loop around the City electric system. The first phase will be to construct a new 230kV line from the southwest side of Tallahassee to the southeast side of Tallahassee. Once complete, two existing 115kV lines will be upgraded to 230kV to complete the loop. The route for the first phase is planned to primarily traverse the Apalachicola National Forest. The Electric Utility has been working with the U.S. Forest Service (USFS) to obtain a Special Use Permit for this route. Permission for this route is expected to be granted by late April of this year. Construction on the project will begin later in the year. The line is expected to be energized by the end of this year. One auto-transformer on the north end of the loop has been installed and is in operation. An auto-transformer for the south end of the loop has been ordered and will be installed during the construction this year. Future plans also include purchasing and installing an additional auto-transformer with associated 230kV bus work at one substation located in the middle of the 230kV loop within the next few years.

THE GAS SYSTEM

The City owns, operates and manages a natural gas distribution system, which currently provides firm and interruptible gas service to approximately 26,730 customers in Leon County and the surrounding counties of Wakulla and Gadsden.

The Gas Utility management team is responsible for administration, engineering, sales/marketing and field operations of the City's Gas System activities, including sales and marketing, 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: Southern Natural Gas and Florida Gas Transmission. The Gas Utility operates four main gate stations that are strategically located throughout Tallahassee, Florida and Midway, Florida, has approximately 850 miles of main and employees 34 full-time employees who maintain and operate the gas system. The Gas Utility's annual system sales for FY 2011 were 2,696,220 Mcf, annual revenues exceeded $34 million and the number of service connections at the end of the fiscal year was 27,810.

Financial Results

The challenges faced by the economic downturn in the housing market continued through 2011. Since new housing growth remains stagnant, the Gas Utility continued its marketing and sales efforts to retrofit existing customers from other fuel sources to natural gas. Even in this weakened economy, some new construction was occurring in both the business and residential sectors, and we made sure that all new construction developers knew the economic and environmental benefits of natural gas. Due to these marketing and sales efforts, the City of Tallahassee Gas Utility achieved the highest customer growth for the State of Florida for two consecutive years.

Fiscal year 2011 revenues exceeded expenses by over $1 million and non-fuel expenses decreased by 1% in FY 2011 compared to FY 2010. The next effect is a FY 2011 surplus of $1,138,772. Furthermore, the Gas Utility transferred $2.323 million 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 totaling $26,493,280 that consists of funding for high pressure system upgrade projects, 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 improves customer services. Approximately 80% of the capital budget appropriations are geared towards system expansion and the remaining 20% are allocated to upgrading the distribution system, enhancing system integrity, as well as providing funding for alternative fuel initiatives, system automation, and smart metering initiatives. 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.

Management Discussion of Operations

The Gas Utility has continued to reduce operational expenses and improve efficiency by enhancing work methods and increasing the use of work management technology. We continue to improve best work methods and infuse technology in day-to-day operations to improve customer service. These efforts lead to a high customer retention rate.

The Gas Utility continues to refine its residential conversion program, and in 2011 was a major partner in the City's award winning Neighborhood Reach Program. The Gas Utility worked with the Community Redevelopment Agency, Energy Services, and local gas plumbers to provide low-income families the ability to switch out their electric and propane water heaters with the more economical and energy efficient natural gas water heaters. This conversion was at no cost to the Neighborhood Reach participants. Approximately 30% of the Gas Utility's existing residential conversions were as a result of our involvement in this program.

Last year the Gas Utility partnered with the Leon County School System (LCSS) in the establishment of their first compressed natural gas (CNG) fueling station. LCSS currently has 14 buses operating on natural gas. The school system has ordered 30 additional buses, which will begin operation in 2012; the school system is committed to replacing its entire bus fleet with CNG vehicles. This year, the Gas Utility continued to promote and pursue CNG as a fuel choice by enhancing its partnership with the LCSS and also partnering with a local CNG company, Nopetro, in the planning and preparation of Leon County's first public CNG station, which will be open to the public in August of 2012.

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.

Selected Energy System Statistics

Electric System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ended September 30	2007	2008	2009	2010	2011
Residential					
Average Annual Customers	93,258	94,406	94,803	95,111	95,681
Energy Sales (MWh)	1,093,440	1,059,465	1,047,163	1,128,804	1,133,280
Average Annual Use Per Customer (kWh)	11,725	11,222	11,046	11,868	11,844
Average Annual Revenue per Customer	**$ 1,627**	**$ 1,628**	**$ 1,665**	**$ 1,555**	**$ 1,504**
Commercial and Industrial					
Average Annual Customers	14,136	14,255	14,195	14,113	14,115
Energy Sales (MWh)	1,604,234	1,604,760	1,585,051	1,588,044	1,576,644
Average Annual Use Per Customer (kWh)	113,486	112,575	111,663	112,523	111,700
Average Annual Revenue Per Customer	**$ 12,745**	**$ 13,109**	**$ 13,464**	**$ 11,506**	**$ 10,985**
Public Street Lighting					
Average Annual Customers	4,443	4,341	4,324	4,312	4,298
Energy Sales (MWh)	29,704	29,881	30,421	30,409	30,678
Average Annual Use Per Customer (kWh)	6,686	6,883	7,035	7,052	7,138
Average Annual Revenue per Customer	**$ 935**	**$ 992**	**$ 783**	**$ 924**	**$ 906**
Total Sales to Ultimate Customers					
Average Annual Customers	111,836	113,002	113,323	113,535	114,094
Energy Sales (MWh)	2,727,377	2,694,106	2,662,634	2,747,257	2,740,602
Average Annual Use Per Customer (kWh)	**24,662**	**23,841**	**23,496**	**24,197**	**24,021**
Off System Sales					
Sales for Resale (MWh)	30,723	31,257	130,157	91,382	108,288
Total Sales (MWh)	**2,758,101**	**2,725,363**	**2,792,791**	**2,838,640**	**2,848,890**

Electric System - Selected Operating Costs and Ratios

For Fiscal Years Ended September 30	2007	2008	2009	2010	2011
Revenue per kWh					
Residential Customers	0.139	0.145	0.151	0.131	0.127
Commercial and Industrial Customers	0.112	0.116	0.121	0.102	0.098
Public Street Lighting	0.140	0.144	0.111	0.131	0.127
Expenses Per kWh					
Total Operating Expense per kWh	0.1021	0.1201	0.1043	0.1026	0.0894
Financial Ratios					
Debt to Total Assets	0.635	0.643	0.626	0.586	0.647
Operating Ratio	0.889	0.888	0.799	0.775	0.778
Current Ratio	4.202	4.510	3.507	5.819	5.400

Electric System - General Statistics					
For Fiscal Years Ended September 30	2007	2008	2009	2010	2011
Generating Capacity (MW) (Summer)	744	812	794	794	794
Capacity Purchases (MW) (Summer) (1)	11	11	11	11	11
Net System Energy Generated (MW)	2,312,775	2,325,306	2,657,425	2,639,322	2,798,795
Net Peak Demand (MW) Summer	621	587	605	633	590
Net Peak Demand (MW) Winter	528	526	579	601	584
Average Residential Monthly Bill ($)	148	149	153	143	138
Number of Street Lights	17,168	17,497	17,670	17,971	17,998

Electric System - Summary of Projected Demand and Energy Requirements (MW)					
For Fiscal Years Ending September 30	2012	2013	2014	2015	2016
Annual 60-Minute Peak Demand (1)					
Summer - MW	586	576	562	550	540
Winter - MW	549	547	543	540	536
Annual Energy Sales - GWh (2)	2,714	2,723	2,726	2,727	2,727
Sales to Talquin Customers Served by the City - GWh	23	24	24	24	24
Purchases from Talquin	24	24	24	25	25
Losses and Unaccounted for Energy - GWh	161	162	162	162	153
Annual Energy System Requirements - GWh	2,875	2,864	2,888	2,889	2,889
Annual System Load Factor (3)	56.01%	56.76%	58.66%	59.96%	61.07%

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

Gas System - Sales to Ultimate Customers, by Customer Class					
For Fiscal Years Ended September 30	2007	2008	2009	2010	2011
Residential (firm)					
Average No. of Customers	24,443	24,753	24,759	25,227	24,939
Usage (Mcf)	630,125	617,233	642,902	745,138	710,240
Average Sales Per Customer (Mcf)	26	25	26	30	28
Non-residential (firm)					
Average No. of Customers	1,661	1,669	1,663	1,697	1,407
Usage (Mcf)	694,375	689,177	686,135	738,382	752,451
Average Sales Per Customer (Mcf)	418	413	413	435	535
Special Contract					
Average No. of Customers	6	6	6	6	4
Usage (Mcf)	595,408	724,275	822,034	839,445	854,338
Average Sales Per Customer (Mcf)	99,235	120,713	137,006	139,907	213,585
Flexible Contract					
Average No. of Customers	4	4	4	4	4
Usage (Mcf)	245,092	237,055	220,904	211,318	199,732
Average Sales Per Customer (Mcf)	61,273	59,264	55,226	52,830	49,933
Interruptible					
Average No. of Customers	16	15	15	16	15
Usage (Mcf)	150,126	170,730	177,598	265,015	179,460
Average Sales Per Customer (Mcf)	9,383	11,382	11,840	16,563	11,964
Total Gas System					
Average No. of Customers	26,130	26,447	26,447	26,948	26,369
Usage (Mcf)	2,315,126	2,438,470	2,549,572	2,792,202	2,696,220
Average Sales Per Customer (Mcf)	89	92	96	104	102
Miles of Gas Lines	806	818	834	850	860
Heating Degree Days (HDD)	1,456	1,389	1,605	1,964	1,801

Gas System - Projected Sales Volumes in MCF*					
For Fiscal Years Ending September 30	2012	2013	2014	2015	2016
Residential	740,262	746,032	753,887	761,426	769,040
Commercial	695,492	698,383	701,274	708,287	715,370
Contract Interruptible	618,137	618,137	618,137	618,139	624,320
Small Interruptible	188,093	188,093	188,093	188,093	188,093
Flexible Interruptible	249,874	249,874	249,874	249,874	249,874
Total	**2,491,858**	**2,500,519**	**2,511,265**	**2,525,819**	**2,546,697**

*Forecast prepared by the Gas System and reflects normalized w eather.

Electric System Ten Largest Retail Customers

Fiscal Year Ended September 30, 2011

Customers	Revenue	kWh	Percent of Total Retail Sales Revenue	Percent of Total Retail Sales kWh
Florida State University	$ 20,824,721	245,717,335	6.88%	8.97%
State of Florida	15,731,680	166,844,371	5.19%	6.09%
City of Tallahassee	9,597,184	92,880,127	3.17%	3.39%
Florida A & M University	5,808,641	67,874,119	1.92%	2.48%
Leon County School Board	4,253,813	49,683,616	1.40%	1.81%
Tallahassee Memorial HealthCare	5,429,243	49,064,784	1.79%	1.79%
Wal-Mart	2,627,844	29,576,221	0.87%	1.08%
Publix Markets	2,794,146	29,515,778	0.92%	1.08%
Leon County	2,579,177	27,146,523	0.85%	0.99%
Federal Government	2,555,382	26,121,029	0.84%	0.95%
TOTAL	**$ 72,201,831**	**784,423,903**	**23.83%**	**28.63%**

Gas System Five Largest Customers by Consumption

Fiscal Year Ended September 30, 2011

Customers	Revenue	Gas Usage	Percent of Total Retail Sales Revenue	Percent of Total Retail Sales Gas Usage
Florida State University	$ 4,133,598	498,064	12.10%	18.47%
St Marks Powder, Inc.	1,571,492	244,076	4.60%	9.05%
Florida A & M University	1,475,265	172,466	4.32%	6.40%
Tallahassee Memorial HealthCare	1,275,037	134,726	3.73%	5.00%
Peavy & Son Construction Co.	806,561	63,957	2.36%	2.37%
TOTAL	**$ 9,261,953**	**1,113,289**	**27.11%**	**41.29%**

Electric Rates (effective 10/01/11)

	Current (1)
Residential	
Customer Charge - Single Phase Service	$6.63
Customer Charge - Three Phase Service	$23.22
Energy Charge per kWh	$0.06137
General Service Non - Demand	
Customer Charge - Single Phase Service	$8.30
Customer Charge - Three Phase Service	$30.42
Energy Charge per kWh	$0.04464
General Service Demand	
Customer Charge	$55.30
Demand Charge per kW	$10.23
Energy Charge-The first 500 kWh per kW	$0.01745
Excess kWh per kW @	$0.00245
General Service Large Demand	
Customer Charge	$55.30
Demand Charge per kW	$10.23
Energy Charge-The first 500 kWh per kW	$0.01701
Excess kWh per kW @	$0.00245

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

Gas Rates

Residential	
Customer Charge (per month)	$9.60
Energy Charge (per 100 cubic feet)	$0.68567
Commercial	
Customer Charge (per month)	$17.19
Energy Charge (per 100 cubic feet)	$0.53435
Commercial Small Interruptible	
Customer Charge (per month)	$151.65
Energy Charge (per 100 cubic feet)	$0.22131
Commercial Interruptible	
Customer Charge (per month)	$227.48
Energy Charge (per 100 cubic feet)	$0.17076
Commercial Large Interruptible	
Customer Charge (per month)	$227.48
Energy Charge (per 100 cubic feet)	$0.08280

(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	2007	2008	2009	2010	2011
Electric Operating Revenues					
Retail Sales	$331,365	$353,939	$345,680	$317,798	$303,473
Sales for Resale	3,591	3,185	6,836	5,086	5,080
Other Operating Revenues	11,180	11,440	12,149	11,469	6,303
Transfers (to) from	-	-	-	-	8,668
Total Electric Operating Revenue	346,136	368,564	364,665	334,353	323,524
Electric Operating Expenses					
Fuel	185,069	197,300	212,677	177,857	160,268
Purchased Power	34,289	39,009	14,093	13,533	9,707
Other	62,335	61,247	64,533	67,563	75,118
Total Electric Operating Expenses	281,693	297,556	291,303	258,953	245,093
Net Electric Revenues	64,443	71,008	73,362	75,400	78,431
Non-Operating Revenues:					
Other Income & Deductions	124	3,763	1,336	3,159	2,644
Total Net Electric Revenues	**64,567**	**74,771**	**74,698**	**78,559**	**81,075**
Gas Operating Revenues					
Total Gas Operating Revenues	32,334	34,815	39,280	36,163	33,564
Gas Operating Expenses	27,502	29,159	32,500	28,785	26,306
Net Gas Revenues	4,832	5,656	6,780	7,378	7,258
Non-Operating Revenues	315	330	159	263	208
Total Net Gas Revenues	5,147	5,986	6,939	7,641	7,466
Total Available for Debt Service	**$ 69,714**	**$ 80,757**	**$ 81,637**	**$ 86,200**	**$ 88,541**
Existing Debt Service	$ 28,692	$ 33,695	$ 33,686	$ 32,716	$ 42,623
Coverage	2.43x	2.40x	2.42x	2.63x	2.08x

ENERGY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE

Bond Year Ending October 1	Total	$ 3,440,000 Series 2011	$ 35,485,000 Series 2010C	$ 122,280,000 Series 2010B	$ 43,245,000 Series 2010A	$ 77,845,000 Series 2010	$ 203,230,000 Series 2007	$ 128,920,000 Series 2005	$ 17,680,000 Series 2001	$ 143,800,000 Series 1998 A
2012	$ 43,530,592	$ 102,304	$ 2,755,413	$ 7,298,893	$ 1,895,575	$ 3,777,244	$ 12,364,150	$ 8,448,050	$ 1,373,100	$ 5,515,863
2013	43,532,665	102,315	2,753,163	7,298,893	1,891,675	3,777,244	12,264,650	8,550,875	1,378,975	5,514,875
2014	43,529,842	102,817	2,748,413	7,298,893	1,895,825	3,777,244	12,268,400	8,545,425	1,376,275	5,516,550
2015	43,533,221	103,296	3,031,163	7,298,893	1,892,625	3,777,244	12,360,150	8,444,475	1,110,275	5,515,100
2016	43,533,026	102,751	3,206,913	7,298,893	1,891,325	9,157,244	12,270,150	8,545,475	1,060,275	-
2017	43,530,180	1,163,205	3,200,163	7,298,893	1,890,950	9,167,644	12,261,900	8,547,425	-	-
2018	43,531,015	1,169,515	3,197,563	7,298,893	1,894,900	9,157,819	12,266,150	8,546,175	-	-
2019	43,530,915	1,169,065	3,198,313	7,298,893	1,893,000	9,171,319	12,251,900	8,548,425	-	-
2020	43,598,800	-	4,444,313	7,298,893	1,890,950	9,164,569	12,249,650	8,550,425	-	-
2021	43,595,310	-	4,438,063	7,298,893	1,893,150	9,162,819	12,253,400	8,548,985	-	-
2022	43,595,235	-	4,243,813	7,298,893	9,184,400	2,070,069	12,252,400	8,545,660	-	-
2023	43,597,335	-	4,440,563	7,298,893	9,177,400	4,075,069	10,056,400	8,549,010	-	-
2024	43,596,285	-	4,453,813	7,298,893	9,173,600	5,744,819	8,379,650	8,545,510	-	-
2025	43,583,109	-	1,641,813	7,298,893	9,177,400	5,750,563	11,169,500	8,544,940	-	-
2026	43,583,319	-	1,064,613	7,298,893	9,178,000	5,747,563	11,750,000	8,544,250	-	-
2027	43,581,669	-	1,053,213	7,298,893	-	14,944,813	11,737,750	8,547,000	-	-
2028	43,578,519	-	1,055,813	7,298,893	-	14,931,813	11,745,500	8,546,500	-	-
2029	36,317,268	-	939,375	8,228,893	-	-	18,606,750	8,542,250	-	-
2030	36,245,382	-	-	9,098,382	-	-	18,603,250	8,543,750	-	-
2031	36,208,157	-	-	9,062,657	-	-	18,600,500	8,545,000	-	-
2032	36,169,705	-	-	8,257,455	-	-	19,362,000	8,550,250	-	-
2033	36,139,939	-	-	8,223,439	-	-	19,373,000	8,543,500	-	-
2034	36,114,036	-	-	8,202,036	-	-	19,367,500	8,544,500	-	-
2035	36,088,850	-	-	8,172,350	-	-	19,369,500	8,547,000	-	-
2036	36,056,429	-	-	15,814,679	-	-	20,241,750	-	-	-
2037	35,864,653	-	-	15,625,903	-	-	20,238,750	-	-	-
2038	35,665,938	-	-	35,665,938	-	-	-	-	-	-
2039	35,036,059	-	-	35,036,059	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-
TOTALS	**$ 1,136,467,452**	**$ 4,015,268**	**$ 51,866,496**	**$ 285,468,972**	**$ 64,820,775**	**$ 123,355,099**	**$ 373,664,700**	**$ 204,914,855**	**$ 6,298,900**	**$ 22,062,388**

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

Dated: August 9, 2011

Purpose

Private placement bonds to repay a portion of the outstanding principal amount of the Energy System Refunding Revenue Bonds, Series 2001 $3,355,000, and to pay for costs associated with the bond issue.

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 1998A, Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005, Energy System Revenue Bonds, Series 2007 and Energy System Refunding Revenue Bonds, Series 2010, Energy System Refunding Revenue Bonds, Series 2010A, Energy System Revenue Bonds, Series 2010B (Federally Taxable-Build America Bond) and Energy System Revenue Bonds, Series 2010C.

Form

$3,440,000 Energy System Refunding Revenue Bonds, Series 2011 due October 1, 2019. 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

Moody's:	AA3
Standard & Poors:	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.

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

Notice of such redemption shall be mailed, postage prepaid, to the Original Purchaser at least 15-days prior to the date of redemption.

$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
2012	5.000%	$ 9,000	$ 93,304	$ 102,304
2013	5.000%	21,000	81,315	102,315
2014	5.000%	22,000	80,817	102,817
2015	5.000%	23,000	80,296	103,296
2016	5.000%	23,000	79,751	102,751
2017	4.000%	1,084,000	79,205	1,163,205
2018	5.000%	1,116,000	53,515	1,169,515
2019	5.000%	1,142,000	27,065	1,169,065
TOTALS		**$ 3,440,000**	**$ 575,268**	**$ 4,015,268**

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

Dated: November 22, 2010

Purpose

The Series 2010C Bonds are being issued to (i) finance the acquisition and construction of the Series 2010 Project as described herein, (ii) refund the Refunded Sunshine State Loans, as described herein, and (iii) pay certain costs of issuance in connection with the Series 2010 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 1998A, Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2010A, Energy System Revenue Bonds, Series 2010B.

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

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

Call Provisions

Optional Redemption

The Series 2010C Bonds maturing on or prior to 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.

$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
2012	5.000%	$ 1,045,000	$ 1,710,413	$ 2,755,413
2013	5.000%	1,095,000	1,658,163	2,753,163
2014	5.000%	1,145,000	1,603,413	2,748,413
2015	5.000%	1,485,000	1,546,163	3,031,163
2016	5.000%	1,735,000	1,471,913	3,206,913
2017	4.000%	1,815,000	1,385,163	3,200,163
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%	900,000	39,375	939,375
TOTALS		**$ 35,485,000**	**$ 16,381,496**	**$ 51,866,496**

$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 are being issued to (i) finance the acquisition and construction of the Series 2010 Project as described herein, and (ii) pay certain costs of issuance in connection with the Series 2010 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 1998A, Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2010A, Energy System Revenue Bonds, Series 2010C.

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

Moody's:	AA3
Standard & Poors:	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:

October 1	Amount
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
2012	5.969%	$ -	$ 7,298,893	$ 7,298,893
2013	5.969%	-	7,298,893	7,298,893
2014	5.969%	-	7,298,893	7,298,893
2015	5.969%	-	7,298,893	7,298,893
2016	5.969%	-	7,298,893	7,298,893
2017	5.969%	-	7,298,893	7,298,893
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%	32,445,000	1,936,652	34,381,652
TOTALS		**$ 122,280,000**	**$ 197,570,624**	**$ 319,850,624**

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

Dated: July 23, 2010

Purpose

The Series 2010A Bonds are being issued to (i) refund on a current basis the Refunded Bonds, (ii) fund a deposit to the Reserve Fund in the amount of the debt service requirement applicable to the Series 2010A Bonds, and (iii) pay certain costs of issuance in connection with the Series 2010A 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 2010, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 1998A.

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

Moody's:	AA3
Standard & Poors:	AA
Fitch:	AA-

Call Provisions

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 on or after October 1, 2021, 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 October 1	Interest Rate	Principal	Interest	Total
2012	2.000%	$ 195,000	$ 1,700,575	$ 1,895,575
2013	3.000%	195,000	1,696,675	1,891,675
2014	4.000%	205,000	1,690,825	1,895,825
2015	3.000%	210,000	1,682,625	1,892,625
2016	2.500%	215,000	1,676,325	1,891,325
2017	2.750%	220,000	1,670,950	1,890,950
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%	8,825,000	353,000	9,178,000
TOTALS		**$ 43,055,000**	**$ 21,765,775**	**$ 64,820,775**

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

Dated: April 7, 2010

Purpose

The Series 2010 Bonds are being issued to (i) refund on a current basis the Refunded Bonds, (ii) fund a deposit to the Reserve Fund in the amount of the debt service requirement applicable to the Series 2010 Bonds, and (iii) pay certain costs of issuance in connection with the Series 2010A 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 2010A, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 1998A.

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

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

Call Provisions

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 on or after October 1, 2021, 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
2012		$ -	$ 3,777,244	$ 3,777,244
2013		-	3,777,244	3,777,244
2014		-	3,777,244	3,777,244
2015		-	3,777,244	3,777,244
2016	(1)	5,380,000	3,777,244	9,157,244
2017	(2)	5,610,000	3,557,644	9,167,644
2018	(3)	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	(4)	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		14,225,000	706,813	14,931,813
TOTALS		**$ 77,845,000**	**$ 45,510,099**	**$ 123,355,099**

(1) Bonds maturing 2016 are in two issues: $2,470,000 at 3.00% interest rate and $2,910,000 at 5.00% interest rate.

(2) Bonds maturing 2017 are in two issues: $2,045,000 at 3.50% interest rate and $3,565,000 at 5.00% interest rate.

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

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

$203,230,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 2007
Dated: October 1, 2007

Purpose
To fund a portion of the costs of construction of certain capital improvements to the City's Electric System and Gas System, to fund the debt service requirement applicable to the Series 2007 Bonds, and to pay certain costs of issuance in connection with the Series 2007 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 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2005, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 1998A.

Form
$203,203,000 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, 2006.

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

Ratings
Moody's:	Aa3 underlying
Fitch:	AA- underlying
Standard & Poors:	AA underlying

Redemption Provisions
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, 2018 are subject to redemption prior to maturity on or after October 1, 2017, 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).

Mandatory Redemption

The Series 2007 Bonds maturing on October 1, 2027 will be subject to mandatory redemption by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2026 and on each October 1 thereafter in the following principal amounts in the year specified:

Year	Amount
2026	$4,245,000
2027 (final maturity)	$4,445,000

The Series 2007 Bonds that mature on October 1, 2032, will be subject to mandatory redemption by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2028 and on each October 1 thereafter in the following principal amounts in the year specified:

Year	Amount
2028	$4,675,000
2029	$11,770,000
2030	$12,355,000
2031	$12,975,000
2032 (final maturity)	$14,380,000

The Series 2007 Bonds that mature on October 1, 2037, will be subject to mandatory redemption by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2033 and on each October 1 thereafter in the following principal amounts in the year specified:

Year	Amount
2033	$15,110,000
2034	$15,860,000
2035	$16,655,000
2036	$18,360,000
2037 (final maturity)	$19,275,000

$203,230,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2007

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	5.000%	$ 2,690,000	$ 9,674,150	$ 12,364,150
2013	5.000%	2,725,000	9,539,650	12,264,650
2014	5.000%	2,865,000	9,403,400	12,268,400
2015	5.000%	3,100,000	9,260,150	12,360,150
2016	5.000%	3,165,000	9,105,150	12,270,150
2017	5.000%	3,315,000	8,946,900	12,261,900
2018	5.000%	3,485,000	8,781,150	12,266,150
2019	5.000%	3,645,000	8,606,900	12,251,900
2020	5.000%	3,825,000	8,424,650	12,249,650
2021	5.000%	4,020,000	8,233,400	12,253,400
2022	5.000%	4,220,000	8,032,400	12,252,400
2023	5.000%	2,235,000	7,821,400	10,056,400
2024	4.500%	670,000	7,709,650	8,379,650
2025	5.000%	3,490,000	7,679,500	11,169,500
2026	4.640%	4,245,000	7,505,000	11,750,000
2027	4.640%	4,445,000	7,292,750	11,737,750
2028	4.710%	4,675,000	7,070,500	11,745,500
2029	4.710%	11,770,000	6,836,750	18,606,750
2030	4.710%	12,355,000	6,248,250	18,603,250
2031	4.710%	12,970,000	5,630,500	18,600,500
2032	4.710%	14,380,000	4,982,000	19,362,000
2033	4.750%	15,110,000	4,263,000	19,373,000
2034	4.750%	15,860,000	3,507,500	19,367,500
2035	4.750%	16,655,000	2,714,500	19,369,500
2036	4.750%	18,360,000	1,881,750	20,241,750
2037	4.750%	19,275,000	963,750	20,238,750
TOTALS		**$ 193,550,000**	**$ 180,114,700**	**$ 373,664,700**

$128,920,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 2005

Dated: October 1, 2005

Purpose
To fund certain capital improvements to the City's Electric System and Gas System, to fund the debt service requirement applicable to the Series 2005 Bonds, and to pay certain costs of issuance in connection with the Series 2005 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 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2007, Energy System Refunding Revenue Bonds, Series 2001, and Energy System Revenue Bonds, Series 1998A.

Form
$128,920,000 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, 2006.

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

Ratings
Moody's:	Aa3 underlying
Fitch:	AA- underlying
Standard & Poors:	AA underlying

Redemption Provisions
Optional Redemption
The Series 2005 Bonds maturing on and prior to October 1, 2015 are not subject to optional redemption. The Series 2005 Bonds maturing on after October 1, 2016 are subject to redemption prior to maturity on or after October 1, 2015, 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).

Mandatory Redemption

The Series 2005 Bonds maturing on October 1, 2035 will be subject to mandatory redemption by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2031 and on each October 1 thereafter in the following principal amounts in the year specified:

Year	Amount
2031	$6,695,000
2032	$7,035,000
2033	$7,380,000
2034	$7,750,000
2035 (final maturity)	$8,140,000

$128,920,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2005

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	4.500%	$ 2,715,000	$ 5,733,050	$ 8,448,050
2013	(2)	2,940,000	5,610,875	8,550,875
2014	(3)	3,065,000	5,480,425	8,545,425
2015	4.000%	3,100,000	5,344,475	8,444,475
2016	(4)	3,325,000	5,220,475	8,545,475
2017	(5)	3,490,000	5,057,425	8,547,425
2018	5.000%	3,655,000	4,891,175	8,546,175
2019	4.375%	3,840,000	4,708,425	8,548,425
2020	4.400%	4,010,000	4,540,425	8,550,425
2021	4.500%	4,185,000	4,363,985	8,548,985
2022	4.500%	4,370,000	4,175,660	8,545,660
2023	5.000%	4,570,000	3,979,010	8,549,010
2024	4.600%	4,795,000	3,750,510	8,545,510
2025	4.600%	5,015,000	3,529,940	8,544,940
2026	5.000%	5,245,000	3,299,250	8,544,250
2027	5.000%	5,510,000	3,037,000	8,547,000
2028	5.000%	5,785,000	2,761,500	8,546,500
2029	5.000%	6,070,000	2,472,250	8,542,250
2030	5.000%	6,375,000	2,168,750	8,543,750
2031	5.000%	6,695,000	1,850,000	8,545,000
2032	5.000%	7,035,000	1,515,250	8,550,250
2033	5.000%	7,380,000	1,163,500	8,543,500
2034	5.000%	7,750,000	794,500	8,544,500
2035	5.000%	8,140,000	407,000	8,547,000
TOTALS		**$ 119,060,000**	**$ 85,854,855**	**$ 204,914,855**

$17,680,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2001

Dated: May 1, 2001

Purpose
To refund a portion of the City's outstanding Consolidated Utility System Revenue Bonds attributable to the Gas System to allow the Gas System to become part of the City's combined Energy System.

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 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2005, and Energy System Revenue Bonds, Series 1998A.

Form
$14,325,000 Serial Bonds, $3,355,000 5.00% Term 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 semiannually 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
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida
Insurance:	Ambac

Ratings
Moody's:	Aa3 underlying
Fitch:	AA- underlying
Standard & Poors:	AA underlying

Call Provisions
Optional Redemption

The Series 2001 Bonds maturing on or prior to October 1, 2016, are not subject to optional redemption prior to the maturity thereof. The Series 2001 Bonds maturing October 1, 2019, are subject to redemption prior to maturity on or after October 1, 2011, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) during the following redemption periods at the following redemption prices (plus accrued interest on the principal amount, if any):

Redemption period (both sides inclusive)	Redemption Prices
October 1, 2011 through September 30, 2012	101%
October 1, 2012 and thereafter	100%

$17,680,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	5.500%	$ 1,075,000	$ 298,100	$ 1,373,100
2013	5.500%	1,140,000	238,975	1,378,975
2014	5.500%	1,200,000	176,275	1,376,275
2015	5.500%	1,000,000	110,275	1,110,275
2016	5.500%	1,005,000	55,275	1,060,275
TOTALS		**$ 5,420,000**	**$ 878,900**	**$ 6,298,900**

$143,800,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 1998A

Dated: November 1, 1998

Purpose

To refund the City's outstanding Electric System Revenue Bonds, Series 1992B and its Sunshine State Financing Commission loan dated April 10, 1997 and to fund certain transmission and distribution capital improvements to the City's Electric System.

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 2010A, Energy System Refunding Revenue Bonds, Series 2010, Energy System Revenue Bonds, Series 2007, Energy System Revenue Bonds, Series 2005, and Energy System Refunding Revenue Bonds, Series 2001.

Form

$64,970,000 Serial Bonds, $19,940,000 4.75% Term Bonds due October 1, 2021, $40,050,000 4.75% Term Bonds due October 1, 2026, and $18,840,000 5.00% Term Bonds due October 1, 2028, 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, 1999.

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:	FSA

Ratings

Moody's:	Aa3 underlying
Fitch:	AA- underlying
Standard & Poors:	AA underlying

Call Provisions

Optional Redemption

The Series 1998A Bonds maturing prior to October 1, 2016 are not subject to optional redemption prior to the maturity thereof. The Series 1998A Bonds maturing on or after October 1, 2016, are subject to redemption prior to maturity on or after October 1, 2008, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) during the following redemption periods at the following redemption prices (plus accrued interest on the principal amount, if any):

Redemption period (both dates inclusive)	Redemption Prices
October 1, 2008 through September 30, 2009	101%
October 1, 2009 and thereafter	100%

Mandatory Redemption

The Series 1998A Bonds that mature on October 1, 2021 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2019 and on each October 1 thereafter in the following principal amounts in the years specified:

Year	Amount
2019	$6,345,000
2020	$6,640,000
2021 (final maturity)	$6,955,000

The Series 1998A Bonds that mature on October 1, 2026 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2022 and on each October 1 thereafter in the following principal amounts in the years specified:

Year	Amount
2022	$7,290,000
2023	$7,630,000
2024	$7,990,000
2025	$8,370,000
2026 (final maturity)	$8,770,000

The Series 1998A Bonds that mature on October 1, 2028 will be subject to mandatory redemption, by operation of Amortization Installments, in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2027 and on October 1, 2028 in the following principal amounts in the years specified:

Year	Amount
2027	$9,195,000
2028 (final maturity)	$9,645,000

Special Mandatory Redemption

In the event the City sells or disposes of all or a portion of the Energy System and such sale or disposition will, in the opinion of Bond Counsel, absent a redemption of all or a portion of the Series 1998A Bonds, adversely affect the exclusion of interest on the Series 1998A Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998A Bonds shall be subject to a special mandatory redemption at the prices (expressed as a percentage of par) set forth below, plus accrued interest to the redemption date; provided that with respect to Series 1998A Bonds maturing in the years 2007 and 2008 and the years 2010 through and including 2015, such price shall be the greater of the prices set forth below or the accreted values shown in Appendix I of the Series 1998A Official Statement plus accrued interest to the redemption date. In the event less than all of the Series 1998A Bonds are subject to such special mandatory redemption, the City shall select the Series 1998A Bonds to be subject to redemption in such a manner, as it shall so determine. In the event the Series 1998A Bonds are subject to optional redemption as described above, the City may utilize such optional redemption provisions in lieu of the Special Mandatory Redemption.

$143,800,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 1998A

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	5.250%	$ 4,495,000	$ 1,020,863	$ 5,515,863
2013	5.250%	4,730,000	784,875	5,514,875
2014	5.250%	4,980,000	536,550	5,516,550
2015	5.250%	5,240,000	275,100	5,515,100
TOTALS		**$ 19,445,000**	**$ 2,617,388**	**$ 22,062,388**

CONSOLIDATED UTILITY AND STORMWATER DRAINAGE SYSTEMS

The Consolidated Utility and Stormwater Drainage System refers to two of the City's utilities and one of its special revenue 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 103.10 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 12-water systems within the County, with total design capacity of 11.6 million gallons per day (mgd). Talquin also owns 4 sewer systems in the County and is permitted for approximately 1 mgd of wastewater. A local drilling company owns 6-water systems with design capacity of 1.5 mgd. There are 8 very small sanitary sewer systems with total capacity of 0.14 mgd.

Water Quality Division

The City of Tallahassee Underground Utilities 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 has become 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 drinking water facilities and the wastewater treatment plants. 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: the Cross Connection Control Program, mandated by DEP, which identifies and prevents potential contamination sources to the Water System; the Aquifer Wellhead 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, the Floridan Aquifer; and the Industrial Pretreatment Program, which monitors and regulates the introduction of certain substances into the Sewer System.

The Water Quality Division also 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 many of 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. Water Quality Division staff assists the Stormwater Drainage System in investigations and in identifying potential discharges not in compliance with the National Pollution Discharge Elimination System.

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 as opposed to those within the municipal boundaries.

Pursuant to the Resolution, which requires that rates and charges for the Utility System shall not be changed except upon the recommendation of the Qualified Independent Consultant, the City has retained the firm of SAIC (formerly R.W. Beck) 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 insure 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 rates and charges for the Utility System, separately for each of the Water System and the Sewer 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. The most recent rate study also provided for adjustments based on CPI in years beyond the three-year study period.

Water and Sewer Rates

Effective March 12, 2008, following a comprehensive rate study by R.W. Beck, the Commission adopted water and sewer rate increases pursuant to Ordinance Nos. 08-O-09 (water) and 08-O-10 (sewer) (the "Rate Ordinance") that implemented a series of rate increases as well as a three-tiered inverted water rate structure in January 2009. The last of the scheduled increases was effective October 1, 2010.

These water and sewer rates are increased by 50% for customers outside the City limits in both Leon County and Wakulla County. Commencing October 1, 2012, both water and sewer rates will be automatically adjusted annually by the Consumer Price Index.

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.

The financial requirements of the planned Advanced Wastewater Treatment Improvements were revised in the latest (2011) Wastewater and Reclaimed Water Rate Study that is discussed in detail herein under the section entitled Wastewater System.

Financial Update

The Water and Wastewater Utilities, along with the rest of the nation, felt the effects of a weakening economy and the slowdown in the new housing market. During this economic slowdown, both utilities maintained their RR&I transfer for the capital program and transfer to General Fund in accordance with the City's financing policy.

The comparison of revenues from FY 2010 to FY 2011 indicates that Water revenue increased from $24.1 to $28.8 million and Wastewater increased from $47.2 million to $52.2 million. Low growth rate was offset by a dry weather season resulting in total revenues surpassing the FY 2011 Budgets by 6% in Water and 2% in Wastewater.

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 (2011) rate study and remain unchanged.

Rebates to Developers

The City provides for the rebate of on-site costs 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 $1,080 per residential equivalent unit for sewer lines and $540 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. An additional maximum of $120 per residential equivalent unit for sewer and $60 for water is paid to the City's Affordable Housing Trust Fund. Off-site costs of master plan projects within the City limits, which will serve more than a single development, are funded directly to the City; refunded to the developer as funds become available; or for projects outside the City limits, refunded by System Charges to developers as customers connect to the project. The on-site rebates are not applicable to commercial and multi-family residential developments.

WATER SYSTEM

General

The City owns, operates and maintains the Water System, which currently serves approximately 73,600 customers and is comprised of 27 water supply wells, 8 elevated storage tanks with a combined capacity of 5.25 million gallons, approximately 1,200 miles of water mains, and 6,300 fire hydrants. Nineteen of the 27 wells are equipped with standby generators or engines that provide pumping capacity during emergency situations. The wells have an aggregate total production capacity of approximately 72 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, including the City of St. Marks by means of a master meter.

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 10.6 billion gallons pumped in 2011, or approximately 8.2% 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 (NWFWMD) via the Consumptive Use Permitting program. In 2011, the City applied for and received a renewal/modification for its Consumptive Use Permit (Permit No.: 19830061). The City's permitted annual average daily withdrawal capacity remained unchanged at 33.7 MGD (million gallons per day); however, the combined maximum daily withdrawal rate was adjusted to 61.5 MGD (an increase of approximately 3.7%), and a total monthly maximum withdrawal rate was adjusted to 1.470 billion gallons (an increase of approximately 3.9%). The City's new Consumptive Use Permit is scheduled to expire in July 2016.

Current Planning and Major Capital Projects

The 2030 Water Master Plan (WMP) was adopted by the City Commission on August 25, 2010. Based on the WMP evaluation of the City's downtown water system, approximately $15.3 million will be needed through the year 2023 for upgrades, rehabilitation, and replacement of existing aging pipes and water valves.

In 2011, the City made significant progress towards the implementation of the recommendations presented in the Water Master Plan. Such progress includes the execution of multiple surveys and design services contracts for the replacement of water distribution piping in the downtown area; the purchase of Insert Value™ equipment for the strategic replacement of water system valves in the downtown area; miscellaneous fire flow improvements; and a full infrastructure update to the City-wide water model for future water system planning.

Advanced Metering Infrastructure (AMI)

A significant portion of the Water Capital Improvement Program comprises the Water System's portion of the AMI program. The overall AMI program will result in the upgrade or replacement of all of the City's utility meters – gas, water and electric – to provide for remote automated reading. The AMI program will eliminate the costs, errors and liabilities associated with manual reading of meters. The AMI program will also enhance customer service by allowing a service representative to remotely poll the water meter and review recent and past consumption history to verify a reading or determine the possibility of a leak. The installation of the advanced meters is complete, and they are now being utilized to gather billing and consumption data. Further refinements and upgrades to the Wide Area Network (WAN) and the wireless radio communications continue.

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 two treatment plants having a combined treatment design capacity of 32.0 mgd, approximately 900 miles of gravity mains, 105 pumping stations, and approximately 120 miles of force (pressurized) main. There are approximately 64,000 sewer 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 Department of Environmental Protection (DEP). The operational permits for the Plants (the “DEP Operation Permits”) set forth certain general and specific conditions, effluent limitations and disposal requirements. The sampling, monitoring, and reuse water restrictions for these Plants are set in the DEP Operating Permits, which include permitted flow, pH, chlorine residual, total suspended solids (TSS), Biochemical Oxygen Demand (BOD), 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, EPA has regulatory authority over biosolids in the state of Florida.

The TPS Plant consists of activated sludge facilities with a total capacity of 26.5 mgd. One treatment train has biological nutrient removal capability. The TPS Plant also has 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.

The LBR Plant is an activated sludge plant with a capacity of 4.5 mgd. The LBR facility is currently offline and can only be used as a part of flow equalization of the Collection System. It is anticipated to be decommissioned when the existing operating permit expires in 2013. 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 2025.

Advanced Wastewater Treatment Improvements

In January 2008 the Florida Department of Environmental Protection (FDEP) renewed the operating permits for the LBR Plant and the TPS Plant for five-year periods. The TPS permit also includes the Southwest Spray Field (located on the TPS site) and the Southeast Spray Field located on Tram Road. The FDEP permits included upgrading each plant to advanced wastewater treatment (AWT) standards in accordance with phased construction and nitrogen reduction schedules and also upgrading the solids treatment facilities at TPS to reliably produce Class AA biosolids.

In March 2010, the City applied for a minor permit modification: 1) to indefinitely defer the LBR AWT improvements and 2) to extend the construction schedules by six months for the

Biological Nutrient Reduction (BNR) upgrades to each of the three aeration treatment trains at TPS. In April 2011, an individual citizen filed a challenge against the proposed permit modifications, and in August 2011 a hearing was held before an Administrative Law Judge, who subsequently issued the permit modifications in November 2011.

The City has continued to move forward with construction of the Capital Improvement Program for the TPS AWT and Biosolids improvements. The work is being performed in three major phases or work packages (WP): (WP1) is the liquids upgrades; (WP2) is the solids upgrades; and (WP3) is the NBR upgrades. WP2 is further broken down into three sub packages: 2A – Solids Dewatering; 2B – Solids Digestion; and 2C – Biosolids Drying. WP3 is also broken down into 3A – Early Electrical and Structural and 3B – Aeration Train Upgrades. The design plans and specifications are 100% complete for all work packages in the project. The City has executed contracts with MWH Constructors to build the various improvements under a modified Construction Manager at Risk (CMAR) project delivery method. The modified CMAR has incentives to meet the accelerated construction schedule, control costs and minimize risk. The table below depicts the current status of the construction activities:

Work Package	Start Date	Completion Date
1	Completed	April 2011
2A	Completed	August 2011
2B	Underway	July 2012
2C	Underway	December 2012
3A	Underway	April 2012
3B	Underway	January 2015

As noted above, WP1 and WP2A are substantially complete, with all WP1 facilities and some of WP2A facilities in operation by the City. However, the contractor did not meet the contractual dates for completion, and the City has assessed liquidated damages totaling $915,000. The general contractor has countered with claims for WP1 and WP2A from their major subcontractor. These counter claims alleged that the City was responsible for the delays in meeting substantial completion and requested additional compensation for the subcontractor. Ensuing discussions concerning the claims resulted in a settlement agreement executed between the City and general contractor to close out WP1 and WP2A. As a part of this agreement, the substantial completion date was adjusted to August 2, 2011 and the general contractor agreed that the City would receive $325,000 in delay penalties. The settlement terms will be incorporated in respective contract amendments for WP1 and WP2A.

The City has budgeted $227 million for the AWT improvements project. The City implemented sewer rate increases in three phases to support the bond financing for the project. Rate increases were effective April 2008, January 2009 and October 2010. Funding for the project was provided by the proceeds of bond issuances in 2007 and 2010. As of the end of 2011, the project is on schedule to meet the permit conditions and additional funding of up to $5 million may be needed in 2013 to complete the project, depending on the use of contingency funding during 2012.

Master Sewer Plan and Master Treatment Plan

The 2030 Master Sewer Plan includes a Capital Improvement Program (CIP) which focuses on capacity and operational improvements. The planning period for these improvements is from 2011 to 2030, with an estimated cost of $28.6 million. It is anticipated the funding for these improvements will be generated from revenues based on current rates. The proposed phasing will allow funding to be available for the other programs and costs in the utility system's sewer collection/transmission budget. The FY 2011 appropriation for Master Sewer Plan implementation was $1.9 million, while $2 million has been appropriated in FY 2012.

Sewer System Recent Capital Improvement Projects

During 2011, the City replaced approximately four miles of deteriorating gravity sewer mains and manholes, upgraded four sewage pumping stations, replaced hundreds of sewer services in advance of roadway resurfacing projects and installed approximately 200 manhole inserts to eliminate the incidence of rainwater entering the sewer system through manhole lids. 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. Projects identified for 2012 include the abandonment of four aging pumping stations, construction of two new pumping stations, rehabilitation of two other pumping stations, rehabilitation or replacement of four miles of clay gravity collection system piping, construction of approximately 9,000 feet of large diameter sewer force main to improve the reliability of the system, completion of hundreds of repairs to the clay collection system identified during the CCTV inspections noted above and the replacement of hundreds of sewer services in advance of roadway resurfacing projects.

The City's utility infrastructure asset management plan was further developed in 2011 to establish procedures and guidelines for ensuring that the wastewater system is operated and maintained in an appropriate fashion, providing for reliable, cost effective and code compliant operations. The plan will continue to be developed and refined over the next several years.

Environmental Management System

The City received certification in August 2007 from the International Organization of Standardization (ISO) for the Environmental Management System (EMS) that was developed for the City's wastewater treatment facilities, including the TPS and LBR Plants and the Southwest and Southeast Spray Fields. The certification affirms that the City's EMS meets ISO Standard 14001:2004, which 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. Three semi-annual surveillance audits by the ISO independent auditor have indicated only one minor non-conformance issue that was readily resolved to maintain certification. The ISO certification was the first for a wastewater utility in Florida. The development of an EMS in the Wastewater Collection Systems and Water Quality was completed and fully certified in July 2011 and converted into one EMS under Underground Utilities.

Asset Management (AM)

This program was fully implemented in the wastewater treatment plants and over 100 wastewater pumping stations in 2011. The goal of the program is to incorporate the framework of the EMS into a sustainable continuous improvement program. This program would safeguard the $227 million investment by rate payers to upgrade the Thomas P. Smith Water Reclamation Facility and meet Advanced Wastewater Treatment (AWT) standards by 2014. Phase 1 and 2 of the AWT project is online with all assets fully implemented into the AM Program. The AM business plan has six elements that embody "best practices". They are asset criticality, service levels, asset condition, planned maintenance and business case evaluations for new asset purchases versus continued maintenance.

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 103.30 square miles within the City's incorporated limits. The Stormwater Drainage System consists of approximately 407 stormwater management facilities, 8,700 drainage structures, 330 miles of enclosed storm drains, 245 miles of roadside ditches, 56 miles of minor to medium outfall ditches, and 26 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. This unusual situation results from the City being a government center. 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 2011, the actual operating revenue from the stormwater utility fee was $16.3 million. Operating expenditures were $9.9 million and capital project appropriations totaled $6.0 million, bringing total uses to $15.9 million. The $400,000 surplus of revenue over expenses was transferred to the Stormwater Renewal, Replacement and Improvement Fund. That fund is used to cash fund capital projects in years where capital spending exceeds current revenue.

The Stormwater Drainage System is operated on a full cost recovery basis with associated revenues and expenditures accounted for within the Stormwater Fund. Stormwater maintenance activities are provided by the Public Works Department, but are funded from the Stormwater Fund. In FY 2011, the cost for those activities was approximately $5.1 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 2012 Five-Year Capital Improvement Program includes 16 projects. The total cost of these projects is approximately $29.2 million, which is required for FY 2012 through FY 2016. At this time, no debt funding is anticipated for any ongoing or future stormwater projects.

During FY 2011 the base stormwater fee was $7.95 per ERU per month. 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 $7.95 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 ($7.95 per ERU) to get the monthly fee for that specific non-residential site.

The Stormwater Drainage System has approximately 78,350 customers. While approximately 92% of the customer base is residential, the 8% nonresidential customer base generates approximately 53% of the annual revenue. This again reflects the higher density of impervious area on nonresidential sites.

In 2005, the City Commission adopted a resolution to increase the base stormwater fee by a total of $1.70 per ERU to fund a program to reduce stormwater pollution. The fifth and final step increase of 34-cents was implemented in October 2009 resulting in the current monthly stormwater fee of $7.95 per ERU. The stormwater fee was not changed since that last increase. The projected FY 2012 annual stormwater fee revenue for residential and non-residential services is $15.7 million.

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 and it is becoming an issue nationally. The US-EPA is proposing a variety of new regulations to try to control these sources. 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 noteworthy regulatory development is the US-EPA Numeric Nutrient Rule that was finalized in November 2010. This rule will limit the amount of nutrients (primarily nitrates and phosphorous) that can be in runoff. Once again, this will require cities and countries 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. 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. The new Numeric Nutrient Rule is being widely criticized by state and local government as well as the private sector, and multiple lawsuits have been filed to block EPA’s implementation of the rule. The State of Florida has filed suit claiming the rule is not based on sufficient science, that it is too costly, and that it does not comply with the intent of the Clean Water Act which allows individual states to be responsible for control of water quality. Although the final outcome of these lawsuits is uncertain, 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 System Statistics

Water System

Fiscal Year Ended September 30	2007	2008	2009	2010	2011
Miles of Water Mains	1,175	1,181	1,224	1,191	1,197
Plant Capacity	74	74	74	74	72
Daily Avg. Consumption (MGD)(1)	31	28	27	26	27
Residential					
Avg. No. of Customers(2)	68,394	68,754	68,368	68,164	68,392
Avg. No. of Service Points(3)	72,909	73,530	73,476	73,472	73,652
Water Sold (000)	6,179,543	5,462,313	5,264,552	4,791,257	5,491,089
Avg. Sales Per Customer	84,757	74,287	71,650	65,212	74,555
Commercial					
Avg. No. of Customers(2)	7,011	7,076	7,031	6,935	6,904
Avg. No. of Service Points(3)	8,367	8,539	8,540	8,473	8,481
Water Sold (000)	5,029,763	4,698,880	4,289,036	3,963,410	4,390,206
Avg. Sales Per Customer	601,143	550,285	502,229	467,769	517,652

(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 reflects 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	2007	2008	2009	2010	2011
Miles of Sanitary Sewers	999	1,008	1,030	1,019	1,017
Annual Flow-Millions of Gallons	6,166	6,335	6,253	6,011	5,483
Daily Average Treatment (MGD)	16.91	17.31	17.14	16.47	15.00
Rainfall (fiscal year totals)	50.29	57.73	58.11	68.98	38.30
Gallons Treated Per Customer	89,633	90,619	89,372	85,850	84,264
Avg. No. of Customers					
Residential	62,775	63,573	63,648	63,708	63,968
Commercial	6,274	6,340	6,318	6,307	6,311
Rated Capacity	32	32	31	31	31

Water Rates (Effective October 1, 2011)

Monthly Rate:	
Customer Charge	$ 6.00
Usage Charge:	
Residential	$ 0.143
First 7,000 gallons	$1.43/1000 gallons
Next 13,000 gallons	$1.94/1000 gallons
Additional gallons	$2.44/1000 gallons
Commercial	
Up to monthly usage allowance	$1.43/1000 gallons
Additional gallons	$1.68/1000 gallons
Irrigation	
Up to monthly usage allowance	$1.43/1000 gallons
Additional gallons	$2.44/1000 gallons
Monthly Minimum Charge:	
Nominal Meter Size (inches)	Amount
5/8 or Smaller	$ 9.59
1	$ 23.91
1 1/2	$ 47.82
2	$ 76.60
3	$ 153.06
4	$ 239.12
6	$ 478.24
8	$ 765.20

Sewer Rates (Effective October 1, 2011)

Monthly Minimum Charge:	
Nominal Meter Size (inches)	Amount
5/8 or Smaller	$ 16.22
1	$ 40.54
1 1/2	$ 81.04
2	$ 129.69
3	$ 259.36
4	$ 405.24
6	$ 810.49
8	$1,296.80
Monthly Usage Charge:	
Usage Charge Per 1000 Gallons Per Month	$ 5.180

Water System Ten Largest Customers by Consumption (as of September 30, 2011)

Customer	Water Usage	Billed Amount	Percentage of Revenues
Florida State University	3,132,221	$640,209	2.51%
City of Tallahassee	2,762,856	$723,876	2.83%
State of Florida	2,655,362	$569,185	2.23%
Florida A & M University	1,622,844	$352,948	1.38%
Tallahassee Memorial HealthCare	1,097,524	$234,025	0.92%
Federal Government	1,015,011	$211,051	0.83%
Leon County School Board	962,065	$176,743	0.69%
Leon County	739,609	$156,285	0.61%
St. Joe / Arvida	535,177	$39,315	0.15%
Tallahassee Community College	284,583	$65,591	0.26%
TOTAL	14,807,252	$3,169,228	12.41%

Sewer System Ten Largest Customers by Consumption (as of September 30, 2011)

Customer	Sewer Usage	Billed Amount	Percentage of Revenues
Florida State University	2,127,052	$1,372,661	2.86%
State of Florida	1,166,999	$762,329	1.59%
Florida A & M University	937,804	$560,000	1.17%
Federal Government	887,788	$595,853	1.24%
Leon County	805,870	$719,459	1.50%
Tallahassee Memorial HealthCare	717,876	$525,885	1.09%
Leon County School Board	576,210	$347,194	0.72%
City of Tallahassee	389,934	$324,835	0.68%
Blairstone Apts	254,229	$134,803	0.28%
Capital Regional Medical Center	142,472	$82,473	0.17%
TOTAL	8,006,234	$5,425,492	11.30%

Consolidated Utility System Debt Service Coverage (in 000s) *

Fiscal Year Ended September 30	2007	2008	2009	2010	2011
Operating Revenues					
Water	$ 25,901	$ 24,650	$ 24,741	$ 24,050	$ 29,357
Sewer	34,080	41,309	44,924	47,196	53,299
Total Operating Revenues	59,981	65,959	69,665	71,246	82,656
Operating Expenses					
Water	16,243	17,295	18,474	17,428	21,815
Sewer	27,131	27,492	30,365	33,522	31,813
Total Operating Expenses	43,374	44,787	48,839	50,950	53,628
Net Operating Revenue	16,607	21,172	20,826	20,296	29,028
Gross Stormwater Revenue	15,350	16,516	18,417	21,050	16,378
Other Revenue	1,289	1,398	801	872	503
Total Pledged Revenue Available for Debt Service	$ 33,246	$ 39,086	$ 40,044	$ 42,218	$ 45,909
Debt Service	$ 6,318	$ 12,929	$ 14,036	$ 14,036	$ 20,953
Coverage	5.26x	3.02x	2.85x	2.85x	2.19x

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
CONSOLIDATED DEBT SERVICE

Bond Year Ending October 1	Total	$ 117,015,000 Series 2010A	$ 25,820,000 Series 2010B	$ 164,460,000 Series 2007	$ 36,110,000 Series 2005	$23,900,000 Series 2001
2012	$ 22,949,403	$ 6,084,303	$ 1,169,450	$ 9,606,625	$ 4,162,250	$ 1,926,775
2013	22,948,640	6,084,303	1,169,450	9,610,025	4,158,813	1,926,050
2014	22,946,990	6,084,303	1,169,450	9,605,425	4,161,063	1,926,750
2015	22,818,190	6,084,303	2,289,450	11,458,025	752,813	2,233,600
2016	22,815,940	6,084,303	2,290,850	11,458,425	752,813	2,229,550
2017	22,818,190	6,084,303	2,293,100	11,457,425	752,813	2,230,550
2018	22,813,390	6,084,303	2,293,800	11,456,425	752,813	2,226,050
2019	22,817,290	6,084,303	2,294,200	11,459,925	752,813	2,226,050
2020	22,814,790	6,084,303	3,415,500	11,457,175	1,857,813	-
2021	22,817,650	6,084,303	3,422,500	11,457,235	1,853,613	-
2022	22,818,150	6,084,303	3,419,750	11,457,735	1,856,363	-
2023	22,814,050	6,084,303	3,415,750	11,457,885	1,856,113	-
2024	22,814,080	6,084,303	3,415,250	11,456,665	1,857,863	-
2025	22,817,130	6,084,303	3,417,750	11,458,715	1,856,363	-
2026	22,815,915	6,084,303	3,417,750	11,457,250	1,856,613	-
2027	22,815,915	9,499,303	-	11,458,250	1,858,363	-
2028	22,755,843	9,441,231	-	11,458,250	1,856,363	-
2029	22,694,443	9,382,330	-	11,456,500	1,855,613	-
2030	22,630,461	9,312,348	-	11,457,250	1,860,863	-
2031	22,561,038	11,101,538	-	11,459,500	-	-
2032	22,459,014	11,001,764	-	11,457,250	-	-
2033	22,346,304	10,891,554	-	11,454,750	-	-
2034	22,236,908	10,780,908	-	11,456,000	-	-
2035	22,119,054	10,664,304	-	11,454,750	-	-
2036	22,001,481	10,546,481	-	11,455,000	-	-
2037	21,877,418	10,421,918	-	11,455,500	-	-
2038	21,745,354	21,745,354	-	-	-	-
2039	21,403,805	21,403,805	-	-	-	-
2040	21,054,122	21,054,122	-	-	-	-
TOTALS	**$ 653,340,958**	**$ 268,511,498**	**$ 38,894,000**	**$ 292,337,960**	**$ 36,672,125**	**$16,925,375**

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

Dated: October 1, 2010

Purpose

To pay the cost of acquisition and construction of certain capital improvements to the Utility System, funding capitalized interest through October 1, 2011, and paying certain costs of issuance in connection with the issuance of the 2010 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 System Revenue Bonds, Series 2010B Bonds, Consolidated Utility System Revenue Bonds, Series 2007 Bonds, Consolidated Utility System Revenue Bonds, Series 2005 Bonds, and Consolidated Utility System Revenue Bonds, Series 2001 Bonds.

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:	Squire, Sanders & Dempsey L.L.P., Miami, Florida

Ratings

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

Redemption Provisions

The Series 2010A Bonds are subject to make-whole optional redemption, extraordinary optional redemption and mandatory redemption.

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 date) 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 201OA 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:

Year	Amount
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:

Year	Amount
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 201OA 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 SYSTEM REVENUE BONDS, SERIES 2010A

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	5.200%	$ -	$ 6,084,303	$ 6,084,303
2013	5.200%	-	6,084,303	6,084,303
2014	5.200%	-	6,084,303	6,084,303
2015	5.200%	-	6,084,303	6,084,303
2016	5.200%	-	6,084,303	6,084,303
2017	5.200%	-	6,084,303	6,084,303
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%	20,010,000	1,044,122	21,054,122
TOTALS		**$ 117,015,000**	**$ 151,496,498**	**$ 268,511,498**

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

Dated: October 1, 2010

Purpose

To pay the cost of acquisition and construction of certain capital improvements to the Utility System, funding capitalized interest through October 1, 2011, and paying certain costs of issuance in connection with the issuance of the 2010 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 System Revenue Bonds, Series 2010A Bonds, Consolidated Utility System Revenue Bonds 2007 Bonds, Consolidated Utility System Revenue Bonds, Series 2005 Bonds, and Consolidated Utility System Revenue Bonds, Series 2001 Bonds.

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:	Squire, Sanders & Dempsey L.L.P., Miami, Florida

Ratings

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

Redemption Provisions

The Series 2010B Bonds maturing on and prior to October 1, 2020 are not subject to optional redemption. The Series 2010B Bonds maturing after October 1, 2020 are subject to optional redemption, as described herein.

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 foil maturity is to be redeemed, at par, plus accrued interest to the redemption date.

Notice of Redemption

At least 30 but not more than 60 days prior to the redemption date, notice of redemption shall be mailed, postage prepaid, to all Holders of Series 2010 Bonds to be redeemed at their addresses as they appear on the registration books, but failure to mail such notice to one or more Holders of Series 2010 Bonds shall not affect the validity of the proceedings for such redemption with respect to Holders of Series 2010 Bonds to which notice was duly mailed. Each such notice shall set forth the date fixed for redemption, the redemption premium to be paid, if any, and if less than all of the Series 2010 Bonds of one maturity are to be called, the distinctive numbers of such Series 2010 Bonds to be redeemed and in the case of Series 2010 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Upon surrender of any Series 2010 Bond for redemption in part only, the Registrar shall authenticate and deliver to the Holder thereof, a new Series 2010 Bond of an authorized denomination equal to the unredeemed portion of the Series 2010 Bond surrendered. In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent or a fiduciary institution acting as escrow agent no later than the redemption date, or (2) the City retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in the Series 2010 Resolution. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the City Treasurer-Clerk delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Series 2010 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the City to make such funds available shall constitute an Event of Default under the General Resolution and the Series 2010 Resolution. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Series 2010 Bonds called for redemption and not so paid remain Outstanding.

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	4.529%	$ -	$ 1,169,450	$ 1,169,450
2013	4.529%	-	1,169,450	1,169,450
2014	4.529%	-	1,169,450	1,169,450
2015	3.000%	1,120,000	1,169,450	2,289,450
2016	5.000%	1,155,000	1,135,850	2,290,850
2017	2.000%	1,215,000	1,078,100	2,293,100
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%	3,255,000	162,750	3,417,750
TOTALS		**$ 25,820,000**	**$ 13,074,000**	**$ 38,894,000**

$164,460,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility System Refunding Revenue Bonds, Series 2007

Dated: October 1, 2007

Purpose
To pay the cost of certain capital improvements to the Utility System, funding a special account for the series 2007 Bonds and paying certain costs of issuance in connection with the issuance of the 2007 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 System Revenue Bonds, Series 2010A, Consolidated Utility System Revenue Bonds, Series 2010B Bonds, Consolidated Utility System Refunding Revenue Bonds, Series 2005 and Consolidated Utility System Revenue Bonds, Series 2001 Bonds.

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:	Squire, Sanders & Dempsey L.L.P., Miami, Florida

Ratings

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

Redemption Provisions
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, 2018 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:

Year	Amount
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:

Year	Amount
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 SYSTEM REFUNDING REVENUE BONDS, SERIES 2007

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	4.000%	$ 1,790,000	$ 7,816,625	$ 9,606,625
2013	4.000%	1,865,000	7,745,025	9,610,025
2014	4.000%	1,935,000	7,670,425	9,605,425
2015	4.000%	3,865,000	7,593,025	11,458,025
2016	5.000%	4,020,000	7,438,425	11,458,425
2017	5.000%	4,220,000	7,237,425	11,457,425
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%	10,910,000	545,500	11,455,500
TOTALS		**$ 161,130,000**	**$ 131,207,960**	**$ 292,337,960**

$36,110,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility System Refunding Revenue Bonds, Series 2005

Dated: October 1, 2005

Purpose
To refund a portion of the City's outstanding Consolidated Utility System Revenue Bonds Series 1995, pay the cost of certain capital improvements to the Utility System, funding a special account for the series 2005 Bonds by deposit of a surety bond, and paying certain costs of issuance in connection with the issuance of the 2005 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 System Revenue Bonds, Series 2010A, Consolidated Utility System Revenue Bonds, Series 2010B Bonds, Consolidated Utility System Revenue Bonds, Series 2007, and Consolidated Utility System Revenue Bonds, Series 2001 Bonds.

Form
$36,110,000 Serial Bonds due October 1, 2030, 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, 2005.

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

Ratings
Moody's:	Aa1 underlying
Fitch:	AA+ underlying
Standard & Poors:	AA+ underlying

Redemption Provisions
The Series 2005 Bonds maturing on and prior to October 1, 2015 are not subject to optional redemption. The Series 2005 Bonds maturing after October 1, 2015 are subject to optional redemption as follows:

Date (October 1)	Principal Amount
2021	$1,145,000
2022	$1,205,000
2023	$1,265,000
2024	$1,330,000
2025	$1,395,000

$36,110,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2005

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	(2)	$ 3,025,000	$ 1,137,250	$ 4,162,250
2013	(3)	3,140,000	1,018,813	4,158,813
2014	(4)	3,265,000	896,063	4,161,063
2015	(5)	-	752,813	752,813
2016	(5)	-	752,813	752,813
2017	(5)	-	752,813	752,813
2018	(5)	-	752,813	752,813
2019	(5)	-	752,813	752,813
2020	4.000%	1,105,000	752,813	1,857,813
2021	5.000%	1,145,000	708,613	1,853,613
2022	5.000%	1,205,000	651,363	1,856,363
2023	5.000%	1,265,000	591,113	1,856,113
2024	5.000%	1,330,000	527,863	1,857,863
2025	5.000%	1,395,000	461,363	1,856,363
2026	5.000%	1,465,000	391,613	1,856,613
2027	5.000%	1,540,000	318,363	1,858,363
2028	5.000%	1,615,000	241,363	1,856,363
2029	5.000%	1,695,000	160,613	1,855,613
2030	4.250%	1,785,000	75,863	1,860,863
TOTALS		**$ 24,975,000**	**$ 11,697,125**	**$ 36,672,125**

(1) Bonds maturing 2011 are in two issues: $2,165,000 at 3.50% interest rate and $750,000 at 4.00% interest rate.
(2) Bonds maturing 2012 are in two issues: $1,025,000 at 3.75% interest rate and $200,000 at 4.00% interest rate.
(3) Bonds maturing 2013 are in two issues: $1,140,000 at 3.75% interest rate and $2,000,000 at 4.00% interest rate.
(4) Bonds maturing 2014 are in two issues: $2,000,000 at 4.00% interest rate and $1,265,000 at 5.00% interest rate.
(5) There are no bonds maturing in 2015 through 2019.

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

Dated: May 1, 2001

Purpose
To refund a portion of the City's outstanding Consolidated Utility System Revenue 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 System Revenue Bonds, Series 2010A, Consolidated Utility System Revenue Bonds, Series 2010B Bonds, Consolidated Utility System Revenue Bonds, Series 2007, and Consolidated Utility System Refunding Revenue Bonds, Series 2005

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

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

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

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	5.500%	$ 1,195,000	$ 731,775	$ 1,926,775
2013	5.500%	1,260,000	666,050	1,926,050
2014	5.500%	1,330,000	596,750	1,926,750
2015	5.500%	1,710,000	523,600	2,233,600
2016	5.500%	1,800,000	429,550	2,229,550
2017	5.500%	1,900,000	330,550	2,230,550
2018	5.500%	2,000,000	226,050	2,226,050
2019	5.500%	2,110,000	116,050	2,226,050
TOTALS		**$ 13,305,000**	**$ 3,620,375**	**$ 16,925,375**

TALLAHASSEE REGIONAL AIRPORT

Introduction

The City of Tallahassee owns and operates the Tallahassee Regional Airport (TLH), located on a 2,749-acre site, seven miles southwest of the City's central business district and within the corporate City limits. The Airport's market service area is a 100-mile radius, which includes Tallahassee and 32 counties in Florida, Georgia, and Alabama. In addition to a commercial passenger facility, TLH hosts an air cargo facility, a general aviation terminal that provides corporate and private flying services, and various facilities for civil and military training operations.

Air Service Discussion

The airline industry can be described as an industry with substantive financial, customer service and anti-competitive issues, whose economic recovery is not expected for a number of years. Four of the six major legacy carriers (Delta, Northwest, United and US Airways) filed for and have come out of bankruptcy. Gulfstream International Airlines (a Continental affiliate) and American Airlines (AMR Corporation) entered into bankruptcy in 2010 and 2011, respectively. With Gulfstream being acquired and reorganizing as Silver Airway's (a United affiliate with UAL's acquisition of Continental), over capacity, fuel prices and the slowdown in the economy have continued the airlines' precarious financial position resulting in additional consolidations with United acquiring Continental and Southwest acquiring Air-Tran Airlines.

Tallahassee Regional Airport, not unlike other small hub airports throughout the country, has experienced high airfares and limited air service. High airfares were determined to be one of the leading inhibitors to economic development. When combined with Tallahassee's dependence on state government employment and its continued employment downsizing and travel restrictions, economic development became an even more critical component for Tallahassee's future community vitality. To address this issue, the City embarked upon a strategy of improving competition in order to lower airfares and upgrade services. The goals of this program included: securing a low fare carrier, improving interstate/intrastate competition and services, and pursuing additional airline hubs.

The City was able to attract service by Northwest/Pinnacle to their Memphis hub in 2000. During 2004, US Airways upgraded service to its Charlotte hub with regional jets and has added flights. Beginning March 2008, American Eagle, an affiliate of American Airlines, began offering two daily flights between Tallahassee and its Miami hub. In October 2008, Continental Connection (Gulfstream International Airlines) began service to Fort Lauderdale. In April 2009, Delta reinstated service to Fort Lauderdale, Tampa and Orlando using SAAB turbo prop aircraft. American Eagle added a third flight to Miami in March 2009. In February 2009, Continental Connection (Gulfstream International Airlines) reinstated non-stop service to Palm Beach International Airport. In June 2009, American Eagle began offering service to Dallas/Fort Worth and added an additional flight in August 2009. Delta Air Lines discontinued service to Orlando and Tampa effective October 1, 2009. Delta Air Lines and Northwest Airlines merged and received its single operating certificate in January 2010. Delta Air Lines discontinued service to Memphis in January 2011 as it significantly reduced the size of the Memphis Hub. US Airways commenced new direct service between TLH and Washington, D.C.'s Reagan National Airport in March 2012. TLH is primarily an origination/destination airport with the majority of passengers being on business-related travel rather than leisure-related travel. Although passenger traffic slowed in FY 2011, TLH had 645,221 passengers (a 5.80% decrease). The decrease is the result of high airfares due to factors such as higher fuel costs, reduced capacity within the airline industry, reduced flight frequency and the economy. TLH traffic has also been negatively affected by the availability of LLC in Jacksonville, Tampa, Orlando and the new Panama City airport. Because of their price to Tallahassee, some travelers are willing to drive 4-5 hours to larger airports like Atlanta, Orlando and Tampa and 2-3 hours to Jacksonville and Panama City. Additionally, flight frequency by Delta has been reduced.

In order to remain competitive and continue the City's strategy of improving competition in order to lower airfares and upgrade services, the City Commission established a $300,000 recurring project in March 2002 to provide funding for various incentives to airlines similar to those being provided at other airports to help in achieving their goals. In October 2007, the recurring funding for the project was increased to $600,000. TLH has and will continue to communicate with carriers regarding their potential share of the market by demonstrating the potential market opportunities and profitability of providing service to Tallahassee.

Financial Discussion

The Airport is self-supporting and does not receive a subsidy from any tax funds of the local City government nor make any payments other than for services received to the City. Citizens who do not use the airport do not contribute to the costs of its operations. Its operations are funded through non-aeronautical revenues such as food and beverage, retail concessions and parking fees, and aeronautical rates and charges from terminal and general aviation leases, and landing fees. Signatory airline agreements are structured on a residual basis whereby 60% of the Airport's net income is utilized to reduce airline rates and charges. The non-signatory airlines are required to pay 125% of the signatory airline rates.

In FY 2011, actual operating income was $2,216,760 or $384,714 less than budget. Actual expenditures were 5.99% below budget projections and revenues were 7.8% below.

The Airport's Capital Improvement Program (CIP) is primarily supported from Federal Aviation Administration (FAA) entitlement grant funding, Passenger Facility Charge (PFC) funds, and Florida Department of Transportation (FDOT) grants. Increased FAA grants and the availability of PFC funds with the successful completion of the Airport's Noise Mitigation Program have accelerated the Airport's implementation of many projects. In the past five fiscal years (FY 2007 - FY 2011), the Airport has accepted over $29.7 million in grant funds from FAA and FDOT. This includes approximately $4.8 million per year from the FAA and $1.12 million from FDOT. These funds have been used primarily for airfield improvement and refurbishment projects, including construction of two new aprons, overlay of all taxiways, refurbishment of existing aprons, and stormwater controls.

Tallahassee Regional Airport (TLH) currently has one PFC program open. The program began collections in May 2007 and extends over a nine-year period with estimated collections of $25.28 million. Terminal work will account for $14.9 million of program funds with the remainder going to airfield, security and planning projects. Over the past five years, several significant Terminal and Airfield projects have been completed or are very near completion.

(a) Terminal Projects: During the past five years, terminal projects have included replacement of the chillers; boilers; and cooling towers; addition of outdoor air "pre-treatment" units; addition of two passenger loading bridges and the refurbishment of six existing passenger loading bridges to accommodate regional jets and to match equipment to aircraft utilizing TLH; the opening of two unused gates; refurbishment of public restrooms; replacement of the inbound baggage handling system; renovation of office areas, a training room, and an airport operations communication and control center; build-out of new offices and work space for the airport police unit; the addition of a dry-pipe fire extinguishment system for the terminal building areas exposed to weather; conversion of existing airline office space to better provide for potential new airlines; and replacement of the older passenger information system with a Multi User Passenger Information Display System that offers a state of the art computer-based, internet-assisted system. Future terminal projects include replacement of the outbound baggage handling system including space for the Transportation Security Administration's (TSA) baggage screening equipment; replacement of the roof and weather proofing exterior wall coverings; replacement of automatic entrance doors; replacement/enhancement to terminal floors, ceilings, and other passenger enhancements; and other general improvements to aesthetics and passenger convenience items.

(b) Airfield Projects: Three significant groups of projects have been the focus of airfield improvements. The first group consists of projects that enhance existing infrastructure and keep the Airport operationally viable and includes: the refurbishment of all existing taxiways (completed in 2006) enhanced the life of pavements and keeps the infrastructure viable for another 10 to 15 years; and a major stormwater control project that improved drainage along Runway 9-27, adjacent taxiways, and the terminal apron. The second group of projects were those that enhance the safety and security of the airfield and included: the construction of 10-miles of new wildlife fence to keep animals out of the airfield areas; and construction of a perimeter security road adjacent to the wildlife fence to allow monitoring of the perimeter in all weather conditions. The third group of projects focused on increasing cargo operations and included: expanding the existing cargo apron; adding a second cargo apron allowing for the addition of a second cargo carrier access road and security for the cargo apron and adjacent area; and infrastructure improvements for a new cargo sorting facility.

Going forward, the Capital Improvement Plan includes additional refurbishment of the terminal, continued rehabilitation of airfield pavements including the reconstruction of the North and South General Aviation aprons, reconstruction of Runway 9-27, enhancements to airport security systems, and other initiatives to support air service and general aviation in the Tallahassee region.

Management Discussion of Operations

The Aviation Department consists of six divisions. The Executive and Administration Division provide overall direction and guidance for the Airport. Responsibilities include: monitoring and responding to federal, state and local requirements, meeting passenger service demands and expectations, business development, community relations, strategic planning, and providing safe and efficient airport operations at a reasonable cost.

The Commercial Development Division is responsible for lease management, concessions, restaurant, tenant relations, business recruitment, marketing and research, and demographic reporting and analysis.

The Finance and Administration Division is responsible for financial management, accounting, budgeting, planning and development, grant administration, personnel and payroll, and administrative support for the Airport's various programs.

The Facilities, Maintenance and Ground Transportation Division is responsible for maintaining runways and safety areas, mowing and landscaping Airport property, repair and electrical services, housekeeping and mechanical service for the terminal facility.

The Operations, Security and Information Technology Division is responsible for police and fire rescue services, safety, security, training, general aviation, ground transportation, and FAA compliance.

The Planning, Development and Environmental/Technical Services Division is responsible for identifying capital program needs, monitoring stormwater management and environmental compliance, and providing construction management and engineering liaison services that include design plans and specifications, monitoring on-going construction activities, and meeting other regulatory requirements of the City, FAA, and FDOT.

Airport Financial Statistics

For Fiscal Year Ended September 30	2007	2008	2009	2010	2011
Revenue Per Enplaned Passenger	$ 23.89	$ 26.75	$ 29.79	$ 31.26	$ 32.40
Debt Per Enplaned Passenger	10.43	11.60	13.66	10.15	8.22

Aircraft Operations - Landings and Take-offs

For Fiscal Year Ended September 30	2007	2008	2009	2010	2011
Air Carrier Operations (1)	4,434	4,679	3,454	4,627	3,776
Air Taxi Operations (2)	29,147	28,131	23,172	20,997	16,558
General Aviation					
Itinerant Operations	37,041	33,643	30,468	26,666	26,559
Local Operations	13,120	14,174	15,459	11,873	12,863
Military					
Itinerant Operations	10,468	8,672	11,448	11,667	13,517

(1) Consists of planes of 50 or more seats

(2) Consists of planes having less than 50 seats

Enplanements by Carrier

For Fiscal Year Ended September 30	2007	2008	2009	2010	2011
USAirways/ Piedmont	110	275	160	-	-
Mesa	339	15,149	94	316	326
PSA	74,205	55,790	70,268	60,582	64,338
Delta	129,118	93,661	21,165	29,291	58,188
Comair	2,351	171	-	3,019	-
Atlantic Southeast	56,132	90,632	114,833	143,504	124,802
Skywest	-	-	1,026	-	-
Chautauqua	13,509	-	-	-	-
Freedom	108,162	74,544	-	-	-
Pinnacle	-	6,702	43,613	2,573	6,258
Shuttle America	-	1,678	6,042	2,746	-
Mesaba	-	-	13,822	-	-
Northwest/Pinnacle	-	-	-	15,877	6,851
Northwest Airlink	44,700	45,763	39,476	13,572	-
Mesaba	-	-	2,674	-	-
Continental Connection/Gulfstream	27,336	19,946	23,499	23,659	12,271
Express Jet Airlines/Continental Express	30,056	22,900	-	-	-
American Eagle	-	10,100	34,420	48,571	43,518
Silver Airways	-	-	-	-	6,366
Total Enplanements	486,018	437,311	371,092	343,710	322,918

Selected Airport Statistics

Historical Operating Results in (000s)

For Fiscal Years Ended September 30

	2007	2008	2009	2010	2011
Operating Revenues [(1)]	11,514	11,695	11,053	10,744	10,507
Prepaid Fees Credit [(1)]	1,293	1,018	1,150	985	991
Operating Expenses [(2)]	(9,104)	(9,323)	(9,150)	(8,398)	(8,791)
Non-operating Revenues	154	138	81	83	53
Revenues Available for Debt Service	$ 3,857	$ 3,528	$ 3,134	$ 3,414	$ 2,760
Sr. Lien Debt Service	$ 962	$ 987	$ 959	$ 958	$ 959
Sr. Lien Debt Service Coverage	4.01x	3.57x	3.27x	3.56x	2.88x

(1) For the purposes of calculating debt service coverage in accordance with the Resolution rate covenant, the Operating Revenues include Prepaid Fees Credits from the Signatory Airlines. In accordance with Generally Accepted Accounting Principles, such Prepaid Fees Credits are not reflected as operating revenues in the City's Comprehensive Annual Financial Report.

(2) Excluding depreciation and amortization.

$7,355,000
City of Tallahassee, Florida
Airport System Revenue Refunding Bonds, Series 2004

Dated: August 31, 2004

Purpose
To refund the outstanding City of Tallahassee Airport System Revenue Bonds Series 1995.

Security
The City has irrevocably pledged the Net Revenues of the Airport System to the payment of the principal of, interest on, and any premium paid upon the redemption of the Series 2004 Bonds. At the time of the issuance of the Series 2004 Bonds, there will be deposited into the Series 2004 Reserve Account created in the Reserve Fund an amount equal to the Reserve Requirement on the Series 2004 Bonds.

Form
$7,355,000 Serial Bonds.

The Bonds are issued in fully registered form in denominations of $5,000, or multiples thereof. The bonds are book-entry-only and are not evidenced by physical bond certificates. Interest payments on the Series 2004 Bonds are payable October 2004 and on each April 1 and October 1 thereafter.

Agents

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

Ratings

Fitch:	NR
Moody's:	NR
Standard & Poors:	NR

$7,355,000
CITY OF TALLAHASSEE, FLORIDA
AIRPORT SYSTEM REVENUE REFUNDING BONDS, SERIES 2004

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2012	4.000%	$ 885,000	$ 72,400	$ 957,400
2013	4.000%	925,000	37,000	962,000
TOTALS		**$ 1,810,000**	**$ 109,400**	**$ 1,919,400**

OTHER DEBT FINANCING

Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the "Commission") was created in 1985 through 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 countries. The Commission was created to provide active and more sophisticated debt issuers the opportunity to work together to create low cost, flexible financing instruments.

Variable Rate Loans

In 1986, the Commission sold $300 million in multi-model variable rate revenue bonds and made the proceeds available to its members. As a multi-model program, the loan pool requires both supporting reimbursements (letter of credit) and remarketing agreements. The program documents provide that each loan is responsible for its proportionate share of the accrued interest on the bonds, together with all on-going administrative costs including letter of credit fees, remarketing cost, trustee fees, and paying agent fees. Interest and administrative costs on the loans are billed by the Trustee on a monthly basis by the 5th of each month and are deemed delinquent if not paid by the 15th. All loans are independent and there is no cross indemnification between and among the participants. Prepayment of a portion or all of the outstanding balance can be made at any time without penalty. As a result of principal payments and refinancing transactions in recent years, the City had no debt outstanding under the program as of September 30, 2011, but maintains its membership on the Commission.

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 four bond issues outstanding for which the City acted as a conduit. Florida State University Schools, Inc. has two issues outstanding. Tallahassee Community College, Inc. had a single issue outstanding, but redeemed the bonds in full during FY 2011.

- As of September 30, 2011, there were four series of Health Facilities Revenue Refunding Bonds outstanding. The original issue amounts totaled $161.4 million and the outstanding balance is $126,815,000;
- As of September 30, 2011, there was on Florida Student Housing Revenue Bond outstanding. The original issue amount totaled $9.2 million and the outstanding balance is $5,710,000; and
- As of September 30, 2011, there were two Florida Lease Revenue Bonds outstanding. The original issue amounts totaled $24.1 million and the outstanding balance is $18,189,550.

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. Two series of bonds were issued for Rose Printing pursuant to an indenture of trust between the City and a trustee, with the entity on whose behalf the bonds are issued being solely responsible for their repayment, with no resulting liability on behalf of the City. During FY 2004, Rose Printing refinanced one of the two issues without City involvement; the refinancing paid off the conduit issue in full. The remaining outstanding Industrial Development Revenue Bond was issued as follows: $2,200,000 City of Tallahassee, Florida Industrial Development Revenue Bonds (Rose Printing Company, Inc. Project), Series 2000A. Trustee – Wachovia Bank, NA, Jacksonville, Florida.

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, 2011, there were two Industrial Revenue Bonds outstanding. The original issue amounts totaled $7.6 million, and the outstanding balance is $7,375,000.