ANNUAL REPORT TO BONDHOLDERS

February 2007

City of Tallahassee
Elected Officials

John R. Marks, III
MAYOR

Debbie Lightsey
MAYOR PRO TEM - COMMISSIONER

Andrew D. Gillum
COMMISSIONER

Allan J. Katz
COMMISSIONER

Mark Mustian
COMMISSIONER

Administration

Anita R. Favors
CITY MANAGER

Gary Herndon
CITY TREASURER-CLERK

James R. English
CITY ATTORNEY

Sam McCall
CITY AUDITOR

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

Financial Advisor
Public Financial Management
Orlando, Florida

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The 2007 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 requesting 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 2007 Annual Report to Bondholders can be found on the DAC website at www.dac-ey.com. The City maintains a distribution list of individuals or firms that have indicated an interest in reviewing the report. These interested parties are notified when the report is available on the DAC website. Anyone interested in being added to the distribution list should make that request in writing to the address listed at the bottom of this section.

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 Thomas, Howell, Ferguson, PA and Law, Redd, Crona & Monroe, PA, 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:

- $86,210,000 Capital Bonds, Series 2004, dated November 17, 2004;
- $15,360,000 Capital Refunding Bonds, Series 2001, dated October 15, 2001;
- $128,920,000 Energy System Revenue Bonds, Series 2005;
- $27,630,000 Energy System Refunding Revenue Bonds, Series 2002, dated August 1, 2002;
- $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;
- $49,220,000 Energy System Revenue Bonds, Series 1998B, dated November 1, 1998;
- $36,110,000 Consolidated Utility System Refunding Revenue Bonds, Series 2005;
- $23,900,000 Consolidated Utility Systems Refunding Revenue Bonds, Series 2001, dated May 1, 2001;
- $46,780,000 Consolidated Utility Systems Revenue Bonds, Series 1995, dated July 1, 1995; and
- $7,355,000 Airport System Revenue Refunding Bonds, Series 2004, dated August 10, 2004.

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) 891-8210
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 2006 Annual Report to Bondholders.

Electric System Rate Increases

On March 29, 2006, based upon a rate study dated March 1, 2006, the City Commission approved rate increases of 6.3% effective April 1, 2006, 2.7% effective October 1, 2006 and 2.7% effective October 1, 2007. These increases will recover the total projected revenue requirements through September 30, 2008. The Commission also approved a methodology that will allow the annual adjustment of base rates based on increases in the Consumer Price Index after FY 2008.

Proposed Gas Rate Study

The City intends to authorize a rate study in Summer 2007 to ensure that the existing rates and charges for gas service will continue to produce sufficient revenues. The study is expected to be completed by September 30, 2007. Rates will be updated if necessary based on the study.

Water and Sewer Rate Increases

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. The current System Development Charge for the Water System (the Water System Development Charges) is $630 per residential equivalent unit within the incorporated area, and for the Sewer System (the Sewer System Development Charges) is $3,000 within the incorporated area. For customers located outside the City limits, these System Development Charges are increased by 50% in both Leon County and Wakulla County. The water systems charge increased effective April 1, 2006 from $430 to $630 and the sewer systems charge increased from $2,520 to $3,000 for a standard residential connection; these reflect the first changes made since 1994.

Southeast Farm Wastewater Disposal Facility

In recent months, there have been extensive discussions between the City of Tallahassee and various other parties regarding the environmental impact of the City's Southeast Farm Wastewater Disposal Facility (SEF). After several meetings between the City, Florida Wildlife Federation, Wakulla County, and Mr. Joseph Glisson (an individual Wakulla County resident) a Settlement Agreement was executed on December 18, 2006. The major provisions of the agreement included: the upgrading of the Lake Bradford Road Wastewater Treatment Plant (LBR) facilities within three years of permit issuance to meet advanced wastewater treatment standards of the upgrading of the Thomas P. Smith Water Reclamation Facility (TPS) facilities to the same advanced standards as those for LBR, the addition of high-level disinfection facilities at both facilities to produce public access reuse quality effluent; the upgrading of solids treatment facilities at TPS an annual nitrogen reduction schedule the continued use of the Southeast Farm (SEF) with development or vegetative cover prohibition of supplemental fertilizer and animals at the SEF; completion of a reuse system feasibility study within one year of permit issuance; and lastly, establishment of a Wakulla Springs Watershed Protection Committee. The settlement provisions will be incorporated in the final DEP operating permits, which are expected to be issued in the early summer of 2007.

Taylor Energy Center

In late 2006, the City Commission, after an extensive 2 ½ year integrated resource plan evaluation, approved a five-year resource plan that includes the City's continued participation in the Taylor Energy Center (TEC) permitting process. The TEC is a new coal-fueled steam electric generating station. The City Commission will make the final determination of Tallahassee's participation in TEC would require additional financing; the amount and timing of such financing has not yet been determined, but could begin as early as FY 2008 if TEC is to be operational in 2012.

Other Post-Employment Benefits

The City engaged a consultant to determine the liability associated with post-employment benefits other than retirement benefits. The consultant was engaged to estimate the City's obligation for retiree health benefits as of October 1, 2005 and to determine a pro forma Annual Required Contribution for fiscal year 2006 in accordance with guidance provided by Governmental Accounting Standard No. 45 (GASB 45). The resulting report estimated the October 1, 2005 unfunded actuarial liability at approximately $60,000,000 and the ARC at approximately $5,600,000. These amounts assume that the liability would be funded by the City.

Florida Property Tax Reform

Since State of Florida fiscal year 1999 – 2000, property taxes have increased by 80%, compared to a total personal income growth of only 39%. As a result, there is a great deal of debate in the Capitol concerning property taxes in the State of Florida. In the current debate, the most prominent of the special tax preferences allowed by the Florida Constitution are the homestead exemption and the Save Our Homes Amendment. The homestead exemption was placed in the Florida Constitution in 1934 and is available to persons that own the property on which they maintain a permanent residence in Florida. The homestead exemption currently extends to the first $25,000 of assessed value. Approved by the voters in 1992, the Save Our Homes Amendment constrains growth in the assessed value of homestead parcels to the lesser of 3% or the percentage change in the Consumer Price Index. The limit applies to a homestead parcel until ownership changes, at which point the assessed value is reset to market value and the limit process begins again.

There are currently a number of proposals in the legislature to reduce property tax revenues. These include: a rollback of local government property tax revenues to 2001 levels, a 19% reduction in taxes, elimination of property taxes on homestead properties in exchange for a 2.5 cent increase in the state sales tax for an 8.5% state sales tax, a cap on future property tax increases to no more than 3% above the annual change in the Consumer Price Index, expansion of homestead exemption, providing "portability" for some or all of the savings realized by homeowners under Save Our Homes, a 10% cap on annual property assessment increases for commercial and rental properties, and changing the way property is assessed by eliminating or limiting "highest and best use" as a valuation factor (thus limiting appraisers to an assessment based upon the property's present use).

Local governments continue to predict painful cuts in public services, ranging from reductions in police and fire protection to the closing of libraries and parks. At this time, the City of Tallahassee has made no specific determination of actions required. The City continues to monitor the legislative activity and intends to incorporate the effects of any legislated changes into the FY 2008 budget process.

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 11 additional cities and three counties. The Commission was created to provide large, sophisticated governments the opportunity to work together to create low cost, flexible financing instruments.

In May 2006, in connection with the City's purchase of certain land in the Welaunee Plantation, the City entered into a new loan under the Commission's commercial paper program. The $10.550 million General Government Loan maturing October 1, 2025 is secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City; it has no specific claims on any revenue streams.

General Fund Transfer

Since FY 2005, the base for Electric Fund transfers has been set at an amount comparable to 8.3 mills of kilowatt hour (kWh) retail sales. Accordingly, the annual transfers vary with changes in retail sales of electricity. 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 percentages for water, sewer, and solid waste are 20%, 4.5% and .0075%, respectively. The transfer for the gas has been set at an annual amount of $2.3 million.

Blueprint 2000

A local option one-cent sales tax has been in effect since November 1989 to provide funding for transportation projects and law enforcement facility improvements. This local option tax has been extended until 2019. Beginning in December 2004, these taxes have been allocated 80% to Blueprint 2000 projects and 10% each to City of Tallahassee and Leon County projects. Blueprint 2000 is an intergovernmental agency formed to meet infrastructure and natural resource management needs that affect both Leon County and City of Tallahassee. Future uses include critically needed community initiatives including stormwater projects, green space acquisitions, park and other recreation improvements, and other transportation projects. In 2003, Blueprint 2000 issued $70 million of bonds supported by the Blueprint 2000 share of the one-cent sales tax.

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.

Talgov.com

The September 30, 2006 Comprehensive Annual Financial Report, which includes audited financial statements in accordance with generally accepted accounting principles, is available on the City's website at **www.talgov.com**. The website also has other useful information available, including the City's budget for FY 2007.

DAC

The DAC website hosts a variety of debt information. DAC acts as a disclosure dissemination agent for issuers of municipal bonds by electronically posting information on behalf of issuers. Investors and others may access disclosure on any municipal bond in the DAC System free of charge by registering for a password. Documents available from the DAC website include:

- Annual Reports since 1999
- CAFR's since 2003
- Bond Resolutions
- Official Statements

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 e-mail 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*.

Format Changes

In last year's report, bond resolutions were included in the Annual Report to Bondholders (ARBH). In an effort to simplify the report, for users, the resolutions have been excluded from the 2007 ARBH. Copies of resolutions are available for interested parties. To receive a copy of a resolution, please contact the City of Tallahassee at:

City Treasurer-Clerk
City of Tallahassee
300 South Adams Street
Tallahassee, Florida 32301-1731
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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. These services include 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 Capitol, 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 2000 Census figures show a racially diverse community, with minorities accounting for 33.6% of the population, with African-Americans making up 29.1% of Leon County. Tallahassee's population is young, with a median age of 26.3. Leon County residents have historically attained a very high level of education. According to the 2000 Census, 41.7% of area residents aged 25 or older had completed at least four years of college, compared to 22.3% of the state on average. The median family income in Tallahassee of $52,962 is 6% higher than the national median. 45.3% of workers in Tallahassee are in management or professional occupations compared to 33.6% nationally. The level of governmental employment has a stabilizing effect on the economy and helps to keep unemployment down. Of the work force, 2.7% were unemployed in October 2006 in the Tallahassee Metropolitan Statistical Area (MSA), as compared to the State's unemployment rate of 3.1%. The percentage of employees employed by local, state, and federal government in the Tallahassee MSA is approximately 37% of the work force. 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 population estimates by the University of Florida's Bureau of Economic and Business Research, Tallahassee's population has increased by 25,712 people since the 2000 Census (2.6% 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	147,490
2000	150,624	88,828	239,452
2006 estimated	176,336	96,161	272,497
2010 projected	196,600	99,900	296,500
2020 projected	226,200	116,000	342,200
2030 projected	249,50	128,600	378,100

Recognizing the need to diversify the area's economy, the local government and the Chamber of Commerce are working closely together in concentrated 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
1995	2.7%	5.5%	5.6%
1996	2.9	5.3	5.4
1997	2.9	5.0	4.9
1998	2.9	4.5	4.5
1999	2.6	4.0	4.2
2000	3.0	3.8	4.0
2001	3.5	4.7	4.7
2002	4.4	5.7	5.8
2003	4.1	5.3	6.0
2004	3.8	4.7	5.5
2005	3.3	3.8	5.1

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 40 shopping centers, and retail sales within Leon County account for over 63% 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 34%.

Education

In addition to being the Capital, Tallahassee is the site of two major state universities and a regional community college. Total enrollment in these institutions is over 67,000 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. Just over 40,000 students in the 2006 – 2007 school year attended it's 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. Eventually, 400 students will be 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 12,000 students. Programs offered at FAMU compliment 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 the first University Partnership with Flagler College (Flagler) in Fall 2000, and has since partnered with Embry Riddle Aeronautical University in 2001, Barry University in 2003 and St. Leo University in 2006. TCC students can pursue bachelor and graduate degrees on TCC's campus through the programs of its four University Partners.

GENERAL GOVERNMENT

Property Taxes

Property taxes can significantly impact the citizen's perception of economic success. The City's millage rate of 3.7 mills was the lowest of the ten largest cities in Florida for 2005 and 2006. Tallahassee's low millage rate should act as an incentive to economic growth and stability. Jacksonville was not included in the table below since it is a consolidated city with varying millage rates for different sections of the city.

		Millage Rates	
City	**2000 Population**	**2005**	**2006**
Miami	362,470	8.8	8.5
Tampa	303,447	6.5	6.5
St. Petersburg	248,232	7.1	6.8
Hialeah	226,419	7.1	6.9
Orlando	185,951	5.7	5.7
Fort Lauderdale	152,397	5.4	5.1
Tallahassee	**150,624**	**3.7**	**3.7**
Hollywood	139,357	6.9	6.9
Pembroke Pines	137,427	4.6	4.6
Coral Springs	117,549	3.9	3.9

Revenue Considerations

Property taxes, which provide 24% of governmental revenues, increased by $5.0 million in FY 2006 due to increases in taxable assessed values and new residential and commercial properties added. Revenues from grants and contributions comprise 13% of governmental revenues and increased by $800 thousand or 5% compared to the prior year. Revenues for business-type activities for FY 2006 were $507.1 million, an increase of $44.4 million compared to the prior year. Charges for services for the City's Electric and Gas Utilities accounted for this increase, which resulted from natural gas prices increasing approximately 14% compared to last year.

Transfer Considerations

Annually, the City transfers funds from its utilities to the General Fund to support general government operations. In FY 2004 the methodology for calculating the transfers from all the utilities was revised. The base for Electric Fund transfers is set at an amount comparable to 8.3 mills of kilowatt hour (kWh) retail sales. Accordingly, the annual transfers will vary with changes in retail sales of electricity. The transfer levels for water, sewer, and solid waste are set as a percentage of the prior three-year average of gross system revenues for each utility. The percentages for water, sewer and solid waste are 20%, 4.5%, and 0.75%, respectively. The transfer from gas increased by a level amount that is not related to system sales. Transfers from utilities to the General Fund totaled $31.9 million in FY 2006.

Expense Considerations

General Government expenses increased by $5.5 million, 4.5%, compared to the prior year. One portion of this includes increased fuel costs for departments including the city's transit service, StarMetro. Other government expenditures increased by $3.3 million. This is primarily due to the debt service associated with the capital bonds issued during FY 2004. Expenses for business-type activities for FY 2006 were $507.1 million in 2006, $44.4 million more than the prior year's expenses. As with revenues, the City's Electric and Gas Utilities accounted for a significant portion ($30.7 million) of this increase due to the rising natural gas prices. Other increases in expenses resulted from inflation and growth in the demand for services.

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 permitted other taxes (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.

Revenues for the business-type activities and certain governmental activities (permitting, recreational programs, etc.) come from user fees or service charges. The consumption of the City's utilities is impacted by local weather patterns and the growth of new homes and businesses in the market.

The Electric Fund maintains a reserve account to enable the City to react in the event of deregulation. This has not occurred and should not impact 2007. This reserve 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 September 30, 2006 was approximately $98.6 million ($17.5 in reserves).

Natural gas prices paid by the Electric Utility were an average of 14% more in FY 2006 than the prior fiscal year. The City's long and short-term contracts for fuel saved the City and our electric and gas customers $8.1 million in fuel costs in FY 2006 compared to purchasing fuel at higher prices in the spot market. The cost of fuel is offset through cost recovery adjustments that are not a part of the standard rates to customers.

During FY 2006, the City received $6.4 million from the sale of Sulfur Dioxide (SO2) credits. These credits were received in previous fiscal years as a result of the Clean Air Amendment's efforts to achieve a cap on emissions. The EPA allocates a certain number of SO2 credits annually to owners of fossil-fired generating units covered under the act. If these units are unused because of lower emissions than required, the owner of the credits may sell the allowances to another owner. The revenue from this sale was recorded in the Electric operations revenues and applied to the Energy Cost Adjustment, reducing fuel prices charged to electric customers.

The City has long-term purchase contract obligations for the purchase of gas and energy of $58 million. These contracts are managed by the City's Energy Services Department. These are based on forecast needs of our customers and expected prices in the market. These contracts help to assure an adequate supply and help to reduce the spikes that can occur with market prices. Revenues from future purchases by customers are expected to cover these obligations. The City also uses hedge instruments to minimize the risk of market energy price volatility and counter-party credit risk-related to the purchase of natural gas.

Fiscal Year 2007's 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 50% of the City's property value. The FY 2007 millage rate remains at the 3.7 mill rate established in FY 2004. Estimates for property tax receipts beyond FY 2007 assume continuation of the new millage rate and a growth rate of 7%. These assumptions are based on observable trends; however, property taxes in future years could be significantly altered by legislation pending in the State of Florida legislature. The City is monitoring this legislation and will adjust future years' budgets accordingly.

The City's Capital Budget is appropriated at $242 million with $62.6 million budgeted in the General Fund and $179.4 million in the Enterprise and Internal Service Funds. Some of the capital projects include funding for park and stormwater improvements and transportation projects as well as funding for the City's Neighborhood Infrastructure Program. The City has a five-year plan for capital improvements for all projects planned through FY 2011 that totals $1.21 billion with appropriations made on an annual basis.

SELECTED GENERAL GOVERNMENT STATISTICS

Pledged Revenues (in 000s)
City of Tallahassee, Capital Bonds

For Fiscal Years Ended September 30	2002	2003	2004	2005	2006
Communication Services Tax	$9,949	$8,877	$8,717	$8,334	$8,226
Half Cent Sales Tax	8,474	8,948	9,576	9,463	10,127
Guaranteed Entitlement	1,251	1,251	1,251	1,251	1,251
Total Revenue	$19,674	$19,076	$19,544	$19,048	$19,604
Debt Service	$1,818	$1,880	$1,878	$6,267	$7,674
Debt Service Coverage	10.82x	10.15x	10.41x	3.04x	2.55x

Property Tax Levies and Collections (in 000s)

Fiscal Year	Total Assessed Valuation	Taxable Assessed Valuation	Levy	Collection	% (1)
1997	$9,537,873	$4,576,295	$13,712	$13,045	95
1998	9,900,598	4,884,574	14,700	14,153	96
1999	10,283,317	5,217,865	15,697	15,107	96
2000	10,653,603	5,558,879	16,775	16,081	96
2001	11,101,845	5,892,235	17,856	17,231	97
2002	11,718,893	6,335,214	18,927	18,172	96
2003	12,561,990	6,734,959	20,363	19,503	96
2004	13,321,051	7,370,184	24,988	24,053	96
2005	14,983,276	8,600,518	27,306	26,349	96
2006	17,643,758	10,083,178	31,875	30,191	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

Bond Year Ending October 1	Total	$86,210,000 Series 2004	$15,360,000 Series 2001
2007	7,676,101	5,796,341	1,879,760
2008	7,671,714	5,796,204	1,875,510
2009	7,671,664	5,794,554	1,877,110
2010	7,675,964	5,801,104	1,874,860
2011	7,675,054	5,795,554	1,879,500
2012	7,675,398	7,675,398	-
2013	7,674,060	7,674,060	-
2014	7,675,010	7,675,010	-
2015	7,673,260	7,673,260	-
2016	7,730,000	7,730,000	-
2017	7,675,000	7,675,000	-
2018	7,675,250	7,675,250	-
2019	7,672,500	7,672,500	-
2020	7,671,250	7,671,250	-
2021	7,675,750	7,675,750	-
2022	7,675,000	7,675,000	-
2023	7,673,500	7,673,500	-
2024	7,675,500	7,675,500	-
TOTALS	**$ 138,191,974**	**$ 128,805,234**	**$ 9,386,740**

$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:	Wachovia Bank of Florida, Jacksonville, Florida.
Paying Agent:	Wachovia Bank of Florida, Jacksonville, Florida.
Bond Counsel:	Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings
Moody's:	Aaa (A1 - underlying)
Fitch:	AAA (AA - underlying)

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.

$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
2007	2.750%	$ 2,005,000	$ 3,791,341	$ 5,796,341
2008	2.750%	2,060,000	3,736,204	5,796,204
2009	3.000%	2,115,000	3,679,554	5,794,554
2010	3.000%	2,185,000	3,616,104	5,801,104
2011	3.125%	2,245,000	3,550,554	5,795,554
2012	3.250%	4,195,000	3,480,398	7,675,398
2013*	*	4,330,000	3,344,060	7,674,060
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		**$ 83,030,000**	**$ 45,775,234**	**$ 128,805,234**

* Bonds maturing 2013 are in two issues: $830,000 at 3.50% interest rate and $3,500,000 at 5% interest rate.

$15,360,000
City of Tallahassee, Florida
Capital Refunding Bonds, Series 2001

Dated: October 15, 2001

Purpose
To refund the City's outstanding Capital Bonds, Series 1993 A and 1993 B Bonds.

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 Communication 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 Bonds, Series 2004.

Form
$15,360,000 Serial Bonds due October 1, 2011. 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, 2002.

Agents

Registrar:	Wachovia Bank of Florida, Jacksonville, Florida.
Paying Agent:	Wachovia Bank of Florida, Jacksonville, Florida.
Trustee:	Wachovia Bank of Florida, Jacksonville, Florida.
Bond Counsel:	Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's:	Aaa (A1 - underlying)
Standard and Poors:	AAA (A+ - underlying)
Fitch:	AAA (AA - underlying)

Redemption Provisions
The Series 2001 Bonds are not subject to redemption prior to the stated maturity dates thereof.

$15,360,000

CITY OF TALLAHASSEE, FLORIDA

CAPITAL REFUNDING BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2007	3.500%	$ 1,550,000	$ 329,760	$ 1,879,760
2008	3.650%	1,600,000	275,510	1,875,510
2009	3.750%	1,660,000	217,110	1,877,110
2010	3.800%	1,720,000	154,860	1,874,860
2011	5.000%	1,790,000	89,500	1,879,500
TOTALS		**$ 8,320,000**	**$ 1,066,740**	**$ 9,386,740**

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 for the next five years are:

Issue	Amount	Projected Date
Electric System Revenue	$200,000,000	2007
Consolidated Utility System Revenue	$100,000,000	2007
Consolidated Utility System Revenue	$60,000,000	2009
Electric System Revenue	$100,000,000	2009
Gas System Revenue	$ 13,000,000	2009
Electric System Revenue	$ 40,355,000	2011

In 2006 the City Commission, after an extensive 2½ year integrated resource plan evaluation, approved a five-year resource plan that includes the City's participation through the Taylor Energy Center (TEC) permitting process. The City Commission will make the final determination of Tallahassee's participation in the TEC, if any, at the conclusion of the permitting process. Participation in TEC would require additional financing; the amount and timing of such financing has not yet been determined, but could begin as early as FY 2008 if TEC is to be operational in 2012.

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, Water and Sewer Utility, Solid Waste Utility, Gas 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 five utilities. Utility Business and Customer Services provides centralized support to all five 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 Energy System. Recently, focus has been placed on acquisition of energy from renewable resources. In response, ESD negotiated a power contract with Biomass Gas & Electric (BG&E) for the purchase of 38 MW of renewable biomass energy beginning in 2010. ESD continues to pursue other alternative energy opportunities. 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. Due to the counterparty credit risk associated with the long-term contracts and diminishing creditworthiness of physical supply providers, the City began utilizing financial trade based risk management tools in order to protect its customers against future adverse price movements. In 2002, the City Commission approved a formalized Energy Risk Management Program. Further, 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. In addition, the City Commission approved utilization of budgeted fuel and energy expense accounts for financial trades within the current fiscal year, and up to $20 million from the Electric Operating Reserve for financial trades beyond the current fiscal year that are consistent with the approved policy, pre-established market risk tolerances, and the City's budgetary or utility rate objectives.

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.

In addition to natural gas supply, ESD also purchases fuel oil to hedge against volatile natural gas prices and provide 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. 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 ESD Retail Energy Services Division includes Energy Conservation/Customer Services and Marketing & Sales functions that are responsible for direct services to customers. Primary responsibilities of this division are outlined below.

- Energy efficiency programs that provide home and business energy audits, investigations of high utility bills, financial assistance for energy efficiency improvements, and related customer services;
- Gas Sales programs that promote the gas system's residential and non-residential customer growth; and
- Customer Retention/Key Accounts programs that establish and maintains communication with high-use utility customers, including development and administration of long-term contracts.

THE ELECTRIC SYSTEM

The City owns, operates and maintains an electric generation, transmission and distribution system that presently supplies electric power and energy to 109,982 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, 2006, the City sold 2,758,293 MWh of electric energy to ultimate customers and 51,125 MWh to other utilities and received total operating revenues of approximately $316,407,785.

The current installed capacity at the Sam O. Purdom Generating Station (the Purdom Station) is 332 MW (winter rating). The current installed capacity at the Arvah B. Hopkins Generating Station is 452 MW (winter rating). 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 in September 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

Between 1994 and 2000, base electric rates were reduced by $20 million per year through periodic base rate adjustments. Most of this reduction was to the general service and general service large demand classes. The funding for these rate reductions was provided by reductions in the general fund transfer and by operating cost reductions within the electric utility. In April 2001, the City implemented a $22.4 million dollar base rate reduction. This base rate reduction was supported by operating cost reductions and the implementation of the Fire Services Fees, which reduced the amount of the General Fund Transfer from the Electric Utility. On March 29, 2006, based upon a rate study dated March 1, 2006, the City Commission approved rate increases of 6.3% effective April 1, 2006, 2.7% effective October 1, 2006 and 2.7% effective October 1, 2007. These increases will recover the total projected revenue requirements through September 30, 2008. The City Commission also approved a methodology that will allow the annual adjustment of base rates based on increases in the Consumer Price Index after fiscal year 2008. The Electric Operating Reserve had a balance of $81.9 million at September 30, 2006 with $20 million of this amount committed to supporting financial trades through the City's Energy Risk Management Program.

Moderate growth in retail sales is the result of continued growth in the City's service territory. Retail sales during FY 2006 were 2,758,293 MWh, an increase of 2.2% over FY 2005. The City experienced a 2.8% increase in customer growth from 107,019 in FY 2005 to 109,982 in FY 2006. The City expects continued growth in customers and retail sales of approximately 2.2% per year respectively for the next several years.

The City's Electric and Gas Strategic Plan is a series of initiatives and strategies that position the City's energy utilities for success in a competitive retail market. The plan itself was developed as a result of analysis of the various business practices and service options necessary to position the City for a deregulated electric and gas industry. Staff has continued to have workshops with the City Commission to develop and update them on components of the strategic initiatives. Specific areas of strategic initiatives currently include: Large Customer Relationships, Marketing, Technology, Regulatory and Legislative, Energy Risk Management, Integrated Resource Planning, System Improvement and Expansion, and Customer Care. These initiatives include a variety of different programs and tasks, some of which are referenced in other parts of this section.

The City continues to monitor changes in the electric utility industry to position itself for the various forms of restructuring. 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 existing indebtedness and directly fund certain capital projects that would otherwise be debt-financed. The City's residential base rates are among the lowest in Florida; however the volatility of the fuels markets and the City's dependence on natural gas as a fuel for it generating units have continued to make fuels and energy risk management a key strategy to remaining competitive. The City is an active participant in State and Federal legislative and regulatory activities related to electric industry restructuring, electric reliability, electric transmission facilities, and financing issues that may have an impact on the City and its customers.

General Electric Long Term Services Agreement

The City has 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 will perform 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. The term of the LTSA is a period of 12 years or 96,000 fired operating hours, which will carry the preventative maintenance work through the second scheduled major inspection in currently scheduled for 2013.

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 negotiations with GE for a LTSA for the HP2 combustion turbine generator. While these negotiations have not been completed, the City anticipates that these negotiations will be successful, and the HP2 LTSA will be similar in scope to the PP8 LTSA.

Future Power Supply Resources

The City contracted with the consulting firm of Black & Veatch to conduct an integrated resource planning (IRP) study that was completed in the spring of 2002. The 2002 IRP Study results were generally consistent with those of the City's preliminary resource planning studies. These studies identified the need for additional peaking generation capacity by 2005 as part of the least-cost plan under base case conditions. Additional peaking capacity was provided in FY 2005 with the completion of two new 47 MW simple-cycle combustion turbine units located at the Hopkins station.

The City recently completed another IRP study to further refine its power supply options for the period 2006 - 2025. The 2004 IRP Study, also supported by Black & Veatch, built on the results of the 2002 study and considered additional alternatives including, but not limited to, repowering existing resources, participation in solid-fuel projects in the region, construction of a solid fuel unit and building an expanded portfolio of demand-side measures to help the City meet its customers' demand for energy. In December 2006, based on a number of dynamic energy supply options that may evolve over the next few years, the City Commission adopted a five-year preferred resource plan covering the period 2007-2012 which includes: repowering Hopkins Unit

2, continued participation in the TEC permitting process, an aggressive DSM plan that targets 59 MW of demand saving by 2012, a renewable energy purchase from BG&E and continued monitoring and evaluation of resource alternatives and regulatory trends. In October of 2005, the City Commission approved the first phase of the Hopkins Unit 2 (HP2) repowering to convert HP2 from a 230 MW conventional steam generating unit to a 296 MW combined cycle generating unit. This conversion will be 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 will be retired and the steam turbine/generator and auxiliaries will be 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 City has engaged Sargent & Lundy (S&L) as the City's design engineer for this project. S&L is performing the design engineering and technical specification development. S&L will also provide construction management and commissioning/start-up support to the City for this conversion. The City is procuring the major equipment including, but not limited to, the combustion turbine/generator/ heat recovery steam generator, boiler feed pumps and motors, main power transformer, iso-phase bus, and power distribution building and equipment. The City has engaged BE&K Construction Company as the HP2 repowering general work contractor. The contract with BE&K is a hybrid contract that contains a fixed price component, a cost reimbursable component for the materials and equipment, and a target work hour portion for the labor of installation. Under this hybrid contract, the City and BE&K share the cost risk associated with the uncertainties due to the current market conditions. All permits have been issued for the project and initial construction activities commenced in November of 2006. The current project schedule is targeting June 1, 2008 as the commercial operations date. The project is currently budgeted at $156 million.

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. All required air, water, solid, and hazardous waste, etc. permits, plans and environmental procedures are current and the Electric Utility is in compliance with these permits, plans and procedures at this time.

In 2005 the EPA issued the final Clean Air Interstate Rule (CAIR). In June of 2006, the FDEP adopted the state implementation plan for CAIR. CAIR will reduce the amount of NOx and SO2 emissions in 2009 with a second reduction occurring in 2015. Under the CAIR rules, a NOx cap and trade program is being established, and the City will be allocated a certain number of NOx allowances, similar to the Clean Air Act SO2 allowances. The City will either have to reduce the NOx emissions or acquire additional NOx emissions to comply with the target reductions. As a result of the HP2 repowering project, the City believes that it will hold sufficient NOx allowances to address the projected unit NOx emissions following the 2009 implementation date without further modifications or purchases of allowances.

In 2006, the EPA and FDEP issued the final Best Available Retrofit Technology (BART) rules. At the current time, the City cannot address what impacts these rules will have on its operations. Based on very preliminary modeling work that has been performed for the City, there is a potential that no modifications will be required to achieve the BART requirements.

The City's operations are subject to continuing environmental regulation. Federal, State and local standards and procedures that regulate the environmental impact of the City's system are subject to change. These changes may arise from continuing legislative, regulatory, and judicial action regarding such standards and procedures. Consequently, there is no assurance that the units in operation, under construction, or contemplated will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of individual electric generating units not in compliance. The City cannot predict at this time whether any additional legislation or rules will be enacted that will affect the City's operations and, if such laws or rules are enacted, what the costs to the City might be in the future because of such action.

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 revenues required are allocated to and recovered from the Electric System's various rate classes.

The City's current electric rates include a customer charge that varies by customer class, a demand charge (for large commercial customers), a non-fuel energy charge, and an Energy Cost Recovery Charge (ECRC). The 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 are reviewed periodically for rate level sufficiency and rate structure.

On March 29, 2006, based upon a rate study dated March 1, 2006, the City Commission approved rate increases of 6.3% effective April 1, 2006, 2.7% effective October 1, 2006 and 2.7% effective October 1, 2007. These increases will recover the total projected revenue requirements through September 30, 2008. The Commission also approved a methodology that will allow the annual adjustment of base rates based on increases in the Consumer Price Index after FY 2008.

While base rates remain low relative to other utilities in the state, the City continues to place emphasis on managing the cost of fuel and purchased power passed on to our customers through the ECRC. The City actively manages its fuel supply and energy supply portfolio to minimize the impact of natural gas price volatility and virtually eliminate counter-party credit risk by utilizing the City's Energy Risk Management Policy and Procedures that govern all trading activity. In addition to competitive base 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.

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 Capital Improvement Program includes conceptual plans for the construction of two additional simple cycle combustion turbine (CT) units during the summer of 2009. 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 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. The City is also exploring the possibility of participating with the Florida Municipal Power agency, the station to be known as the Taylor Energy Center (TEC). In late 2006 the City Commission, after an extensive 2 ½ year integrated resource plan evaluation, approved a five-year resource plan that includes the City's continued participation in the TEC permitting process. The City Commission will make the final determination of Tallahassee's participation in the TEC, if any, at the conclusion of the permitting process.

The five-year capital requirements reflected in the most recently approved capital budget have been updated in the recent rate study that was submitted to and accepted by the City Commission. Although the City has not made a final determination regarding participation in TEC, the TEC was considered in the rate study. Capital requirements in the rate study cover FY 2007 - 2011, with total costs of approximately $728 million. Approximately $635 million of such costs may be funded from proceeds of new debt, including $382 million for the TEC. Should interest related to TEC improvements be capitalized until 2012 (projected date for the TEC to begin operations), debt-funded amounts would include an additional $48 million of capitalized interest. The remaining projected capital expenditures are expected to be funded from charges to customers and from deposits to the renewal and replacement fund maintained by the City.

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 2,100 demand metered electric accounts are eligible. These accounts represent around 500 customers;
- 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;
- Contract proposals and associated economic analyses have been presented to most customers representing approximately 1,400 accounts;
- The PCES Agreements represent revenues of approximately $69 million, or 49% of the total targeted ("at risk") revenue of about $140 million; and
- Of the City's 20 Largest Electric Utility customers, 18 have executed PCES Agreements.

Transmission and Distribution

The City's existing transmission system includes approximately 185-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. Eighteen substations, located at various sites, transform power 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 communication network.

The City is interconnected with Florida Power 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.

The City continues to evaluate its transmission system to maintain the reliability of its grid and to ensure compliance with NERC standards. Recent contingency analysis has 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 alternative transmission expansion plans are currently under review for the period 2009-2011 to address this limitation. For budgeting purposes, the Electric Utility has proposed the installation of two new CT units in the vicinity of Substation No. 5 as a proxy for some of the transmission projects (see the discussion under Capital Improvement Program).

The Gas System

The City owns, operates, and manages a natural gas distribution system, which currently provides firm and interruptible gas service to approximately 25,000 customers in and about the corporate limits of Tallahassee, Florida. Gas services have also been extended to the surrounding counties of Wakulla and Gadsden.

The Gas Utility is currently responsible for administration, engineering, and field operations of the City's Gas System activities, including dispatching and controlling the delivery of gas, maintaining above ground facilities, managing new facility construction, maintaining system maps and recording valve locations, ensuring operation of valves and performing periodic leak surveys.

Southern Natural Gas and Florida Gas Transmission companies are the two pipeline suppliers for the City of Tallahassee Gas Utility. The City Gas Utility operates four main gate stations strategically located about the corporate limits of Tallahassee, Florida. Florida is the biggest natural gas market in the Southeast for the major pipeline companies and accounts for over 30% of the total demand in the Southeast. The storage capacity is the lowest for any region in the US. This lack of market area storage means that pipeline gas volumes versus actual working gas usage may result in higher basis cost for this region. The winter was somewhat warm through much of February 2006. Natural gas prices began to graciously sag through the first part of 2006, but gas prices peaked shortly in August 2006 characterized by significant increases in natural gas use in the electric generation markets due to summer heat waves. The regulatory issues have remained stable for the City of Tallahassee Gas Utility. The City has received positive regulatory safety inspection reports from the Florida Public Service Commission, and our management team is continually working to improve our operations while complying with all Federal and State regulatory mandates.

Management Discussion of Operations

The availability of fossil fuels used by the Energy System and the prices at which, such fuels can be purchased by the City are subject to various factors. During fiscal year ended September 30, 2006, the City's Electric System utilized the following quantities of fossil fuel in its electric generating facilities: natural gas 19,659,581 MMBtu's, No. 6 fuel oil 277,205 barrels (approximately 1,746,391 MMBtu's), and No. 2 fuel oil 350,910 gallons (approximately 49,294 MMBtu's).

With a strong financial base and expanding our managing assets by planned investment commitments to operational qualification staff training, new business technology implementation, creative sales approaches, and continuing to improve our utility customer information interactions, the City Gas Utility management team is truly focused on competitive markets, providing efficient and performance based customer services, while also strategically planning for customer growth and retention, and rapidly improving our operational workforce technologies.

Gas System Revenues for FY 2006 were $33,228,858. This is 10.8% higher than budgeted and represents an actual increase over the prior year collected of $3,921,893. This increase is primarily due to new service connections, fuel revenue increases, and revised sales incentives. Gas consumption and new service connections increased in all customer categories with the exception of mild gas service additions in the multi-family sector. Gas Utility operating expenses also increased in FY 2006 from FY 2005 by $3,921,892. This increase is primarily due to fuel cost, new regulatory program mandates, new marketing programs, technology improvements, and facility, and infrastructure investments. The net effect is a FY 2006 surplus of over $4,000,000, from which $2.3 million was transferred to the City's general fund. The General Fund Gas RR&I Fund Transfers are in accordance with the City's budgetary policy, and the Gas RR&I Fund transferal is in accordance with the City's budget and financing policy.

Dramatic changes in deregulation and unbundling of services have provided great opportunities and a revised competitive outlook for the gas system. Our management team realizes that to successfully compete we must focus more on what our customers' desire, develop new approaches and strategies to increase customer sales, reduce operational cost by deploying new technologies, respond rapidly with new customer friendly and efficient utility services, and maintain rate structures that are competitive.

During FY 2006, our gas utility added services to several new restaurants, multi-family apartments, concrete plant, and several new small business customers. The Gas Utility is also expanding new gas services in a new residential and commercial development named Southwood. The Arvida Company is the developer of Southwood. These new customer additions continue to improve the system's annual load curve and increase system throughput.

The Gas Utility has continued to add new residential and small commercial customers in Wakulla County and in Gadsden County. Our operation is currently struggling with the negative of keeping pace with our growing service requests, while complying with the positive of a growing and viable economic residential sector and small business community. Our management team is preparing for competitive challenges that lie ahead by focusing on future alternative fuel markets, and attracting new residential and commercial developments throughout the corporate limits of Tallahassee. Our workforce technology is deploying new GPS devices in our service trucks for location and dispatching, and we are continually deploying new mobile data terminals in our service trucks to dispatch orders and improve our work management efficiency.

Gas Rates

The Gas System's retail rate structure is much like that of the Electric System's and 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. Fiscal Year gross revenues exceeded total expenses, including planned transfers by $162,000 in FY 2006. Projected revenues are also expected to be sufficient to meet total expenses in the FY 2007 budget, which includes a $232,359 increase in the renewal, replacement and investment transfer. The City intends to authorize a rate study in Summer 2007 to ensure that the existing rates and charges for gas service will continue to produce sufficient revenues. The study is expected to be completed by September 30, 2007. Rates will be updated if necessary based on the study.

2005 Energy Policy Act

The 2005 Energy Policy Act (the Energy Policy Act) was signed into law in early August 2005. The Energy Policy Act addresses, among other things: energy efficiency, appliance standards, low income energy assistance programs, renewable energy, nuclear energy, electricity, and provides incentives for oil, and gas production, and encourages deployment of clean coal technology. The electricity portion of the bill addresses the following areas: the need for modernization of existing transmission facilities, transmission rate reform and improved operations of existing transmission facilities, electric reliability standards, Public Utility Holding Company Act (PUHCA) and Public Utility Regulatory Policies Act (PURPA) amendments (including, repeal of PUHCA), market transparency, round trip trading prohibition and enforcement, and merger reform. The Energy Policy Act imposes mandatory electric reliability standards to be defined through North American Reliability Council and enforced by the Federal Energy Regulatory Commission (FERC).

The Energy Policy Act also provides for tax incentives that further encourage production, conservation and the use of technology to stabilize energy prices and protect the environment. Landfill gas is clearly designated as a renewable resource for REPRI funding, which is to the Energy System's benefit. The City for the benefit of the Energy System intends to explore the opportunities for financial assistance from the funds appropriated in the Energy Policy Act for energy conservation, renewable energy, and clean coal technology.

It is not possible at this time to predict the final forms and possible effects of all the consequent rulemaking and programs that will be enacted to implement the Energy Policy Act.

Selected Energy System Statistics

Electric System - Sales to Ultimate Customers, by Customer Class

For Fiscal Years Ended September 30	2002	2003	2004	2005	2006
Residential					
Average Annual Customers	83,682	86,377	87,160	88,788	91,490
Energy Sales (MWh)	1,000,699	1,049,062	1,062,416	1,071,278	1,115,569
Average Annual Use Per Customer (kWh)	11,958	12,145	12,189	12,066	12,193
Average Annual Revenue per Customer ($)	**986**	**1,225**	**1,280**	**1,244**	**1,557**
Commercial, Industrial and Interdepartmental					
Average Annual Customers	18,375	19,431	17,593	17,890	14,000
Energy Sales (MWh)	1,496,767	1,543,190	1,594,229	1,611,071	1,612,073
Average Annual Use Per Customer (kWh)	81,457	79,419	90,617	90,054	115,148
Average Annual Revenue Per Customer ($)	**5,353**	**5,628**	**7,489**	**7,275**	**11,829**
Street and Outdoor Lighting (1)					
Average Annual Customers	422	431	334	341	4,493
Energy Sales (MWh)	15,836	14,765	16,338	15,959	30,650
Average Annual Use Per Customer (kWh)	37,526	34,258	37,388	46,802	6,822
Average Annual Revenue per Customer ($)	**3,196**	**2,602**	**4,482**	**4,197**	**857**
Total Sales to Ultimate Customers					
Average Annual Customers	102,479	106,239	105,087	107,019	109,982
Energy Sales (MWh)	2,513,302	2,607,017	2,672,983	2,698,308	2,758,293
Average Annual Use Per Customer (kWh)	**24,525**	**24,539**	**25,436**	**25,213**	**25,079**
Off System Sales					
Sales for Resale (MWh)	92,173	127,599	67,112	106,177	51,125
Total Sales (MWh)	**2,605,475**	**2,734,616**	**2,740,095**	**2,804,485**	**2,809,418**

Electric System - Selected Operating Costs and Ratios

For Fiscal Years Ended September 30	2002	2003	2004	2005	2006
Revenue per kWh					
Retail Customers	0.080	0.093	0.105	0.103	0.128
Comm., Industrial & Interdepartmental Customers	0.061	0.071	0.083	0.081	0.103
Public Street Lighting	0.068	0.076	0.092	0.090	0.126
Total Operating Expenses per kWh	0.0618	0.0589	0.0790	0.0811	0.0810
Financial Ratios					
Debt to Total Assets	0.483	0.470	0.473	0.432	0.527
Operating Ratio	0.849	0.868	0.849	0.912	0.895
Current Ratio	3.827	3.460	2.824	2.883	4.029

(1) Beginning FY 2006, outdoor lighting services, which were previously included in commercial and industrial services, were combined into a single lighting rate schedule with street light and traffic light services. This move accounts for the significant shift in statistics between the two categories when compared with prior years.

Electric System - General Statistics

For Fiscal Years Ended September 30	2002	2003	2004	2005	2006
Generating Capacity (MW) (Summer)	652	652	652	652	744
Capacity Purchases (MW) (Summer) [(1)]	35	51	70	36	11
Net System Energy Generated (MW)	2,260,483	2,461,517	1,978,596	2,451,611	2,484,333
Net Peak Demand (MW) Summer	580	549	565	598	577
Net Peak Demand (MW) Winter	510	590	509	532	537
Average Residential Monthly Bill ($)	82.06	93.75	115.27	111.51	140.50
Number of Street Lights	15,330	16,143	16,466	16,682	16,812

(1) Purchase amounts for 2002 and 2003 adjusted from prior report to properly account for all capacity available to the City.

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

For Fiscal Years Ending September 30	2007	2008	2009	2010	2011
Annual 60-Minute Peak Demand[(1)]					
Summer - MW	603	606	607	607	607
Winter - MW	547	554	561	565	569
Annual Energy Sales - GWh[(2)]	2,809.55	2,870.80	2,887.98	2,920.71	2,952.77
Sales to Talquin Customers Served by the City - GWh	28.66	29.29	29.93	30.56	31.20
Purchases from Talquin	18.08	18.48	18.88	19.28	19.68
Losses and Unaccounted for Energy - GWh	166.98	169.11	171.65	173.59	175.5
Annual Energy System Requirements - GWh	2,976.54	3,014.43	3,059.63	3,094.30	3,128.27
Annual System Load Factor[(3)]	56.35%	56.78%	57.54%	58.19%	58.83%

(1) Includes coincident demand of approximately 5 to 6 MWs for sales to Talquin.

(2) Includes the estimated reduction in sales of DSM (MWh) associated with conservation programs.

(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	2002	2003	2004	2005	2006
Residential (firm)					
Average No. of Customers	20,332	20,599	22,672	23,200	24,092
Usage (Mcf)	585,934	694,119	687,412	653,058	625,392
Average Sales Per Customer (Mcf)	29	34	30	28	26
Non-residential (firm)					
Average No. of Customers	1,436	1,327	1,634	1,630	1,645
Usage (Mcf)	634,725	1,413,690	1,315,914	1,450,904	1,524,897
Average Sales Per Customer (Mcf)	442	1,065	805	890	927
Interruptible					
Average No. of Customers	17	15	16	17	16
Usage (Mcf)	64,295	118,259	158,097	173,268	167,772
Average Sales Per Customer (Mcf)	50,841	7,884	9,881	10,192	10,486
Interdepartmental Sales (1)					
Average No. of Customers	47	-	-	-	-
Usage (Mcf)	24,235	-	-	-	-
Average Sales Per Customer (Mcf)	516	-	-	-	-
Total Gas System					
Average No. of Customers	21,832	21,940	24,322	24,847	25,753
Usage (Mcf)	2,109,189	2,226,068	2,161,423	2,277,231	2,318,060
Average Sales Per Customer (Mcf)	97	101	89	92	90
Miles of Gas Lines	670	715	731	744	780
Heating Degree Days (HDD)	1,442	1,721	1,686	1,518	1,329

(1) Interdepartmental sales included in non-residential and interruptible customers beginning in FY 2003.

Gas System - Projected Sales Volumes in MCF*

For Fiscal Years Ending September 30	2007	2008	2009	2010	2011
Residential	761,980	788,649	816,252	844,820	874,389
Commercial	823,538	831,773	840,091	848,492	856,977
Small Interruptible	167,772	167,772	167,772	167,772	167,772
Flexible Interruptible	832,250	832,250	832,250	832,250	832,250
Total	**2,585,540**	**2,620,444**	**2,656,365**	**2,693,334**	**2,731,388**

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

Electric System Ten Largest Retail Customers

Fiscal year ended September 30, 2006

Customers	Revenue	kWh	Percent of Total Retail Sales Revenue	Percent of Total Retail Sales kWh
Florida State University	$ 21,217,456	233,632,564	6.80%	8.47%
State of Florida	17,403,046	177,369,260	5.58%	6.43%
City of Tallahassee	10,151,606	96,008,842	3.25%	3.48%
Florida A & M University	5,732,860	63,438,263	1.84%	2.30%
Leon County School Board	5,680,462	52,207,996	1.82%	1.89%
Tallahassee Memorial HealthCare	4,074,787	44,622,776	1.31%	1.62%
Publix Markets	2,980,286	29,993,280	0.96%	1.09%
Leon County	2,536,453	25,890,903	0.81%	0.94%
Federal Government	2,581,803	25,818,440	0.83%	0.94%
Wal-Mart	2,391,878	24,494,474	0.77%	0.89%
TOTAL	**$ 74,750,635**	**773,476,797**	**23.97%**	**28.04%**

Gas System Five Largest Customers by Consumption

Fiscal year ended September 30, 2006

Customers	Revenue	Gas Usage	Percent of Total Retail Sales Revenue	Percent of Total Retail Sales Gas Usage
Florida State University	$ 3,483,496	417,085	12.30%	18.32%
Florida A&M University	1,966,404	234,923	6.94%	10.32%
Tallahassee Memorial HealthCare	1,162,581	120,538	4.10%	5.29%
State of Florida	719,851	60,253	2.54%	2.65%
Federal Government	416,804	37,933	1.47%	1.67%
TOTAL	**$ 7,749,136**	**870,733**	**27.36%**	**38.24%**

Electric Rates

	Current (1)
Residential	
Customer Charge - Single Phase Service	$5.75
Customer Charge - Three Phase Service	$19.70
Energy Charge per kWh	$0.05227
General Service Non - Demand	
Customer Charge - Single Phase Service	$7.25
Customer Charge - Three Phase Service	$26.50
Energy Charge per kWh	$0.03992
General Service Demand	
Customer Charge	$48.00
Demand Charge per kW	$8.90
Energy Charge - The first 500 kWh per kW	$0.01470
Excess kWh per kW @	$0.00205
General Service Large Demand	
Customer Charge	$48.00
Demand Charge per kW	$8.90
Energy Charge - The first 500 kWh per kW	$0.01431
Excess kWh per kW @	$0.00250

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

Gas Rates

	Current (1)
Monthly Rate:	
Customer Charge	
Residential Service Per Meter	$7.00
Non-residential Service	$12.00
Interruptible Service:	
Small Interruptible Service	$150.00
Interruptible Service	$225.00
Large Interruptible Service	$225.00
Commodity Charge:	
Residential Service Per 100 Cubic Feet	$0.62824
Non-residential Service Per 100 Cubic Feet	$0.48837
Interruptible Service: (Cents Per 100 cf)	
Small Interruptible Service	$0.21890
Interruptible Service	$0.16890
Large Interruptible Service	$0.08190

(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	2002	2003	2004	2005	2006
Electric Operating Revenues					
Retail Sales	$ 177,322	$ 207,238	$ 239,917	$ 248,149	$ 325,573
Sales for Resale	4,909	9,609	6,504	7,821	6,278
Other Operating Revenues	7,419	8,578	7,344	16,427	5,585
Transfers (to) from	(2,738.00)	(3,000.00)	-	-	-
Total Electric Operating Revenues	186,912	222,425	253,765	272,397	337,436
Electric Operating Expenses					
Fuel	76,457	108,743	114,734	133,887	194,623
Purchased Power	18,820	20,597	42,102	33,652	28,801
Other	44,588	46,223	59,505	59,945	56,733
Total Electric Operating Expenses	139,865	175,563	216,341	227,484	280,157
Net Electric Revenues	47,047	46,862	37,424	44,913	57,279
Non-Operating Revenues:					
Other Income & Deductions	12,476	2,956	1,999	1,378	1,238
Total Net Electric Revenues	59,523	49,818	39,423	46,291	58,517
Gas Operating Revenues					
Total Gas Operating Revenues	19,181	23,287	26,486	29,112	32,964
Gas Operating Expenses	13,123	17,648	20,391	23,933	28,291
Net Gas Revenues	6,058	5,639	6,095	5,179	4,673
Non-Operating Revenues	-	-	-	141	247
Total Net Gas Revenues	6,058	5,639	6,095	5,320	4,920
Total Available for Debt Service	**$ 65,581**	**$ 55,457**	**$ 45,518**	**$ 51,611**	**$ 63,437**
Existing Debt Service	$ 16,833	$ 21,493	$ 21,493	$ 21,490	$ 26,463
Coverage	3.90x	2.58x	2.12x	2.40x	2.40x

ENERGY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE

Bond Year Ending October 1	Total	$128,920,000 Series 2005	$27,630,000 Series 2002	$17,680,000 Series 2001	$143,800,000 Series 1998 A	$49,220,000 Series 1998 B
2007	$ 27,596,759	$ 6,102,513	$ 6,684,100	$ 1,544,790	$ 8,238,556	$ 5,026,800
2008	21,331,439	8,452,513	-	1,544,120	10,124,806	1,210,000
2009	21,200,429	8,320,263	-	1,541,110	10,129,056	1,210,000
2010	21,333,428	8,454,763	-	1,545,690	10,122,975	1,210,000
2011	21,434,063	8,546,738	-	1,547,350	10,129,975	1,210,000
2012	21,329,700	8,448,050	-	1,540,850	10,130,800	1,210,000
2013	21,437,413	8,550,875	-	1,546,725	10,129,813	1,210,000
2014	21,430,938	8,545,425	-	1,544,025	10,131,488	1,210,000
2015	21,062,538	8,444,475	-	1,278,025	10,130,038	1,210,000
2016	21,108,438	8,545,475	-	1,228,025	10,124,938	1,210,000
2017	21,118,388	8,547,425	-	1,227,750	10,133,213	1,210,000
2018	21,114,588	8,546,175	-	1,234,750	10,123,663	1,210,000
2019	21,128,700	8,548,425	-	1,233,750	10,136,525	1,210,000
2020	19,890,563	8,550,425	-	-	10,130,138	1,210,000
2021	19,888,723	8,548,985	-	-	10,129,738	1,210,000
2022	19,890,035	8,545,660	-	-	10,134,375	1,210,000
2023	22,087,110	8,549,010	-	-	10,128,100	3,410,000
2024	23,751,185	8,545,510	-	-	10,125,675	5,080,000
2025	23,752,090	8,544,940	-	-	10,126,150	5,081,000
2026	23,754,825	8,544,250	-	-	10,128,575	5,082,000
2027	23,766,500	8,547,000	-	-	10,137,000	5,082,500
2028	23,755,750	8,546,500	-	-	10,127,250	5,082,000
2029	8,542,250	8,542,250	-	-	-	-
2030	8,543,750	8,543,750	-	-	-	-
2031	8,545,000	8,545,000	-	-	-	-
2032	8,550,250	8,550,250	-	-	-	-
2033	8,543,500	8,543,500	-	-	-	-
2034	8,544,500	8,544,500	-	-	-	-
2035	8,547,000	8,547,000	-	-	-	-
TOTALS	**$ 542,979,850**	**$244,791,643**	**$ 6,684,100**	**$ 18,556,960**	**$ 220,952,847**	**$ 51,994,300**

$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 and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Revenue Bonds, Series 1998 B, Energy System Refunding Revenue Bonds, Series 2001 and Energy System Refunding Revenue Bonds, Series 2002.

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

Ratings

Moody's:	Aaa (A1 - underlying)
Standard and Poors:	AAA (AA - underlying)
Fitch:	AAA (AA - underlying)

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
2007		$ -	$ 6,102,513	$ 6,102,513
2008	3.50%	2,350,000	6,102,513	8,452,513
2009	3.50%	2,300,000	6,020,263	8,320,263
2010	3.50%	2,515,000	5,939,763	8,454,763
2011	*	2,695,000	5,851,738	8,546,738
2012	4.50%	2,715,000	5,733,050	8,448,050
2013	*	2,940,000	5,610,875	8,550,875
2014	*	3,065,000	5,480,425	8,545,425
2015	4.00%	3,100,000	5,344,475	8,444,475
2016	*	3,325,000	5,220,475	8,545,475
2017	*	3,490,000	5,057,425	8,547,425
2018	5.00%	3,655,000	4,891,175	8,546,175
2019	4.38%	3,840,000	4,708,425	8,548,425
2020	4.40%	4,010,000	4,540,425	8,550,425
2021	4.50%	4,185,000	4,363,985	8,548,985
2022	4.50%	4,370,000	4,175,660	8,545,660
2023	5.00%	4,570,000	3,979,010	8,549,010
2024	4.60%	4,795,000	3,750,510	8,545,510
2025	4.60%	5,015,000	3,529,940	8,544,940
2026	5.00%	5,245,000	3,299,250	8,544,250
2027	5.00%	5,510,000	3,037,000	8,547,000
2028	5.00%	5,785,000	2,761,500	8,546,500
2029	5.00%	6,070,000	2,472,250	8,542,250
2030	5.00%	6,375,000	2,168,750	8,543,750
2031	5.00%	6,695,000	1,850,000	8,545,000
2032	5.00%	7,035,000	1,515,250	8,550,250
2033	5.00%	7,380,000	1,163,500	8,543,500
2034	5.00%	7,750,000	794,500	8,544,500
2035	5.00%	8,140,000	407,000	8,547,000
TOTALS		**$ 128,920,000**	**$ 15,871,643**	**$ 244,791,643**

* Bonds maturing 2011 are in two issues: $1,285,000 at 3.75% interest rate and $1,410,000 at 5.00% interest rate.

* Bonds maturing 2013 are in two issues: $1,655,000 at 4.00% interest rate and $1,285,000 at 5.00% interest rate.

* Bonds maturing 2014 are in two issues: $1,730,000 at 4.00% interest rate and $1,335,000 at 5.00% interest rate.

* Bonds maturing 2016 are in two issues: $320,000 at 4.00% interest rate and $3,005,000 at 5.00% interest rate.

* Bonds maturing 2017 are in two issues: $825,000 at 4.00% interest rate and $2,665,000 at 5.00% interest rate.

$27,630,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2002

Dated: August 1, 2002

Purpose

To refund the City's outstanding Electric System Refunding Revenue Bonds, Series 1992 A.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System and on parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Revenue Bonds, Series 1998 B, Energy System Refunding Revenue Bonds, Series 2001 and Energy System Revenue Bonds, Series 2005.

Form

$27,630,000 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 October 1, 2002.

Agents

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

Ratings

Moody's:	Aaa (A1 - underlying)
Standard and Poors:	AAA (AA - underlying)
Fitch:	AAA (AA - underlying)

$27,630,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2002

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2007	*	$ 6,470,000	$ 214,100	$ 684,100
TOTALS		**$ 6,470,000**	**$ 214,100**	**$ 6,684,100**

* Bonds maturing 2007 are in two issues: $5,470,000 at 3.00% interest rate and $1,000,000 at 5.00% interest rate.

$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 1998 A, Energy System Revenue Bonds, Series 1998 B, Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005.

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

Ratings

Moody's:	Aaa (A1 - underlying)
Standard and Poors:	AAA (AA - underlying)
Fitch:	AAA (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
2007	4.10%	$ 870,000	$ 674,790	$ 1,544,790
2008	4.20%	905,000	639,120	1,544,120
2009	4.30%	940,000	601,110	1,541,110
2010	4.40%	985,000	560,690	1,545,690
2011	5.00%	1,030,000	517,350	1,547,350
2012	5.50%	1,075,000	465,850	1,540,850
2013	5.50%	1,140,000	406,725	1,546,725
2014	5.50%	1,200,000	344,025	1,544,025
2015	5.50%	1,000,000	278,025	1,278,025
2016	5.50%	1,005,000	223,025	1,228,025
2017	5.00% (1)	1,060,000	167,750	1,227,750
2018	5.00% (2)	1,120,000	114,750	1,234,750
2019	5.00% (3)	1,175,000	58,750	1,233,750
TOTALS		**$ 13,505,000**	**$ 5,051,960**	**$ 18,556,960**

(1) Term bonds maturing 2017
(2) Term bonds maturing 2018
(3) Term bonds maturing 2019

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

Dated: November 1, 1998

Purpose

To refund the City's outstanding Electric System Revenue Bonds, Series 1992 B 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 and on parity with its Energy System Revenue Bonds, Series 1998 B, Energy System Refunding Revenue Bonds, Series 2001 and Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005.

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:	Wachovia Bank of Florida, Jacksonville, Florida.
Paying Agent:	Wachovia Bank of Florida, Jacksonville, Florida.
Trustee:	Wachovia Bank of Florida, Jacksonville, Florida.
Bond Counsel:	Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's:	Aaa (A1 underlying)
Standard and Poors:	AAA (AA - underlying)
Fitch:	AAA (AA - underlying)

Call Provisions

Optional Redemption

The Series 1998 A Bonds maturing prior to October 1, 2016 are not subject to optional redemption prior to the maturity thereof. The Series 1998 A 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 1998 A 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 1998 A 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 1998 A 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 1998 A Bonds, adversely effect the exclusion of interest on the Series 1998 A Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998 A 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 1998 A 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 1998 A Official Statement plus accrued interest to the redemption date. In the event less than all of the Series 1998 A Bonds are subject to such special mandatory redemption, the City shall select the Series 1998 A Bonds to be subject to redemption in such a manner, as it shall so determine. In the event the Series 1998 A 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 1998 A

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2007	4.500%	$ 1,750,000	$ 6,488,556	$ 8,238,556
2008	5.000%	3,715,000	6,409,806	10,124,806
2009	4.125%	3,905,000	6,224,056	10,129,056
2010	5.000%	4,060,000	6,062,975	10,122,975
2011	5.250%	4,270,000	5,859,975	10,129,975
2012	5.250%	4,495,000	5,635,800	10,130,800
2013	5.250%	4,730,000	5,399,813	10,129,813
2014	5.250%	4,980,000	5,151,488	10,131,488
2015	5.250%	5,240,000	4,890,038	10,130,038
2016	4.750%	5,510,000	4,614,938	10,124,938
2017	4.750%	5,780,000	4,353,213	10,133,213
2018	4.750%	6,045,000	4,078,663	10,123,663
2019	4.750%	6,345,000	3,791,525	10,136,525
2020	4.750%	6,640,000	3,490,138	10,130,138
2021	4.750%	6,955,000	3,174,738	10,129,738
2022	4.750%	7,290,000	2,844,375	10,134,375
2023	4.750%	7,630,000	2,498,100	10,128,100
2024	4.750%	7,990,000	2,135,675	10,125,675
2025	4.750%	8,370,000	1,756,150	10,126,150
2026	4.750%	8,770,000	1,358,575	10,128,575
2027	5.000%	9,195,000	942,000	10,137,000
2028	5.000%	9,645,000	482,250	10,127,250
TOTALS		**$ 133,310,000**	**$ 87,642,847**	**$ 220,952,847**

$49,220,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 1998 B

Dated: November 1, 1998

Purpose
To fund a portion of the costs of construction of planned generation 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 and on a parity with its Energy System Refunding Revenue Bonds, Series 1998 A, Energy System Refunding Revenue Bonds, Series 2001, Energy System Refunding Revenue Bonds, Series 2002 and Energy System Revenue Bonds, Series 2005.

Form
$25,020,000 Serial Bonds, and $24,200,000 5.05% Term Bonds due October 1, 2028. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest payable semi-annually on each April 1 and October 1 commencing April 1, 1999.

Agents
Registrar:	Wachovia Bank of Florida, Jacksonville, Florida.
Paying Agent:	Wachovia Bank of Florida, Jacksonville, Florida.
Trustee:	Wachovia Bank of Florida, Jacksonville, Florida.
Bond Counsel:	Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings
Moody's:	Aaa (A1 - underlying)
Standard and Poors:	AAA (AA - underlying)
Fitch:	AAA (AA - underlying)

Call Provisions
Optional Redemption
The Series 1998 B Bonds maturing on and prior to October 1, 2007 are not subject to optional redemption prior to the maturity thereof. The Series 1998 B Bonds maturing October 1, 2028, 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 1998 B 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, 2023 and on each October 1 thereafter in the following principal amounts in the years specified:

Year	Amount
2023	$2,200,000
2024	$3,980,000
2025	$4,180,000
2026	$4,390,000
2027	$4,610,000
2028 (final maturity)	$4,840,000

Special Mandatory Redemption

In the event the City sells or disposed 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 1998 B Bonds, adversely effect the exclusion of interest on the Series 1998 B Bonds from the gross income of the holders thereof for purposes of Federal income taxation, all or a portion of the Series 1998 A 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. In the event less than all of the Series 1998 B Bonds are subject to such special mandatory redemption, the City shall select the Series 1998 B Bonds to be subject to redemption in such a manner, as it shall so determine.

Redemption Period	Redemption Price
October 1, 1999 to September 30, 2000	105.0%
October 1, 2000 to September 30, 2001	104.5%
October 1, 2001 to September 30, 2002	104.0%
October 1, 2002 to September 30, 2003	103.5%
October 1, 2003 to September 30, 2004	103%
October 1, 2004 to September 30, 2005	102.5%
October 1, 2005 to September 30, 2006	102%
October 1, 2006 to September 30, 2007	101.5%
October 1, 2007 to September 30, 2008	101%
October 1, 2008 to September 30, 2009	100.5%
October 1, 2009 and thereafter	100%

$49,220,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 1998 B

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2007	4.000%	$ 3,670,000	$ 1,356,800	$ 5,026,800
2008	5.000%	-	1,210,000	1,210,000
2009	5.000%	-	1,210,000	1,210,000
2010	5.000%	-	1,210,000	1,210,000
2011	5.000%	-	1,210,000	1,210,000
2012	5.000%	-	1,210,000	1,210,000
2013	5.000%	-	1,210,000	1,210,000
2014	5.000%	-	1,210,000	1,210,000
2015	5.000%	-	1,210,000	1,210,000
2016	5.000%	-	1,210,000	1,210,000
2017	5.000%	-	1,210,000	1,210,000
2018	5.000%	-	1,210,000	1,210,000
2019	5.000%	-	1,210,000	1,210,000
2020	5.000%	-	1,210,000	1,210,000
2021	5.000%	-	1,210,000	1,210,000
2022	5.000%	-	1,210,000	1,210,000
2023	5.000%	2,200,000	1,210,000	3,410,000
2024	5.000%	3,980,000	1,100,000	5,080,000
2025	5.000%	4,180,000	901,000	5,081,000
2026	5.000%	4,390,000	692,000	5,082,000
2027	5.000%	4,610,000	472,500	5,082,500
2028	5.000%	4,840,000	242,000	5,082,000
TOTALS		**$ 27,870,000**	**$ 24,124,300**	**$ 51,994,300**

THE 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 and the Stormwater Drainage 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 101.9 square miles within the City limits.

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. Section 180.191 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 pertinent Bond 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 R.W. Beck to assist the City in performing 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 requirements.

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 both the first and second years of the study period.

Water and Sewer Rates

In May 2005, the County and the City executed a new Water and Sewer Franchise Agreement (the Franchise Agreement) that allows for the non-City residents surcharge for rates and systems charges to be increased from the current 37.5% to 50% on October 1, 2005. The surcharges will be reviewed as part of a comprehensive rate study. A surcharge of 50%, applied by the City to water rates for customers in Wakulla County, will remain unchanged. On March 8, 2006, an ordinance was introduced and passed to increase water and sewer rates and various fees and charges, including tap fees and systems charges. The water rate increase is approximately 6% and resulted in the volumetric usage rate increasing from $1.22 to $1.29 per 1000 gallons effective October 1, 2006. The corresponding volumetric sewer rate increased by approximately 4% from $2.68 to $2.79 per 1000 gallons effective April 1, 2006; a second increase of 10% from $2.79 to $3.08 per 1000 gallons effective October 1, 2006; and a third increase of 12% from $3.08 to $3.46 per 1000 gallons effective October 1, 2007. After October 1, 2007, both water and sewer rates will be automatically adjusted by a Consumer Price Index each year. The water tap fees increased effective April 1, 2006 to capture current actual costs and, for example, increased from $500 to $650 for a ¾-inch tap that would feed a standard 5/8-inch residential meter. The sewer tap fee will be based on actual cost effective April 1, 2006.

Water and Sewer System Development Changes

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. The current System Development Charge for the Water System (the Water System Development Charges) is $430 per residential equivalent unit within the incorporated area, and for the Sewer System (the Sewer System Development Charges) is $2,520 within the incorporated area, both of which have been in effect since 1994. For customers located outside the City limits, these System Development Charges are increased by 50% in both Leon County and Wakulla County. As discussed in the preceding Rates paragraph, the water systems charge increased effective April 1, 2006 from $430 to $630 for a standard 5/8-inch meter that would serve a standard residential connection, and the sewer systems charge will increase from $2,520 to $3,000 for a standard residential connection.

City/County Water and Sewer Agreement

In May 2005, the County and the City executed a new Franchise Agreement that granted the City the water and sewer franchise for all remaining unfranchised area in the County. The Franchise Agreement includes criteria, which require connection to the Utility System if the Water System or the Sewer System is available within specified distances. The Franchise Agreement requires for the City to provide long-range master plans with five-year capital improvement plans. Since the current agreement is incorporated into the City-County Comprehensive Plan, Planning Department staff is developing plan amendments to remove the provisions of the current agreement from the Comprehensive Plan.

In addition to the new Franchise Agreement discussed above, the County and the City executed a separate agreement to provide City sewer service to Killearn Lakes, Units I and II, an existing residential subdivision of approximately 1,300 lots where septic tanks are failing due to unsuitable drainage and soil conditions. The County is paying for the construction of a low-pressure sewer system that the City will accept for ownership, operation, and maintenance. Each lot will connect to the central sewer system via a privately owned grinder pump and pressure line. The customers will connect voluntarily, or when their septic tank system fails, and pay applicable outside-City fees and charges. The City has agreed to finance such fees and charges in accordance with its existing water and sewer loan program. Talquin Electric Cooperative, Inc. (Talquin) currently provides water service to the subdivision. Construction of the low-pressure sewer system is expected for completion in August 2006.

WATER SYSTEM

Management Discussion of Operations - Water System

The City owns, operates, and maintains a water system consisting of 26 water supply wells, 8 elevated storage tanks, approximately 1,100 miles of water main and 5,700 fire hydrants. There are 75,242 water customers. In FY 2006, revenues for the Water Utility were approximately \$23.5 million, and expenses were approximately \$17.8 million, which resulted in a surplus of approximately \$5.7 million. Such surplus was applied in accordance with the City financing policies.

Two typical concerns regarding water supply in Florida, by which the City is not affected, are the danger of running out of water and of salt-water intrusion. The United States Geological Survey (USGS) reports that the annual water flow in the Floridan Aquifer underneath the Tallahassee area exceeds 130 billion gallons. The City is the largest user, yet withdraws less than 7% of the available flow each year, with much of its usage being returned to the Floridan Aquifer via its wastewater effluent disposal/reuse system. In February 2006 the Northwest Florida Water Management District renewed the City's Consumptive Use Permit for five more years. The permit authorizes the City to make an annual average withdrawal of 33,700,000 gallons per day and a maximum combined withdrawal of 59,310,000 gallons in a single day.

The water quality of the Floridan Aquifer is excellent with most City wells requiring only the addition of chlorine and fluoride. However, in the downtown area seven wells were fitted with granular activated carbon (GAC) units in 1990. These units are effectively removing tetrachloroethlylene, also known as PCE, from the well water. PCE is a very low-risk contaminant that poses the risk of one excess cancer in a population of one million people drinking water containing PCE for 70 years. Monitoring all wells for PCE indicates that the PCE concentration has stabilized. In fact, the GAC system at one of the wells (No. 3) has been placed out of service due to a decrease in the PCE below contaminant levels.

As recommended by the Vulnerability Assessment completed in 2003, the Water System continues to implement security improvements at water supply well and storage tank sites. Due to the widespread location of facilities and the need for additional funding, completion of the security improvement plan has been adjusted to the end of 2008. The Emergency Operations Plan (EOP) for the Water System has updated and will be field-tested in FY 2007 in preparation for the hurricane season.

In early 2006 the City won a first-place award from the EPA Region IV Office for its required 2005 Consumer Confidence Report (CCR) that was published and distributed by mail to all customers. The 2006 CCR was also distributed timely in accordance with EPA and DEP requirements.

Construction of Well 28, a major water supply well recommended in the 2004 Master Water Plan (MWP), started in 2006 and will be completed on schedule in the summer of 2007. The raw water quality from Well 28 will require only chlorination and fluoridation treatment, and the pumping capacity will be 2500 gpm. Water modeling is being done in 2006-2007 to determine the optimal sites for new wells in the Northeast and East service areas where major growth continues. Construction of iron/manganese removal facilities at existing Well 26 also started in 2006 and will be completed on schedule in the summer of 2007. This project will result in improved water quality in the Northwest service area.

Other major water projects completed in 2006 include major extensions of the water system on US Hwy 90 West and Buck Lake Road in Leon County in response to the new Franchise Agreement, refurbishment/upgrading of Water Well Houses Nos. 3, 4, and 5, and cleaning/re-painting of Storage Tanks Nos. 2 and 3. Two more well houses and another water tank will be addressed in 2007. The MWP identified some localized residential areas in the northeast service area that experience low pressure during very dry, hot conditions and corresponding heavy irrigation demands. A water-modeling project was started in 2006 to determine the feasibility of pressure booster improvements for these areas. The study should be completed and funding identified in 2008 for the necessary system improvements. Replacement of undersized or aging water distribution system infrastructure was completed in conjunction with roadway improvement projects and will continue in successive years to maintain water system infrastructure reliability.

WASTEWATER SYSTEM

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 968 miles of sanitary sewer mains, and 96 pumping stations. There are approximately 66,063 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.

Management Discussion of Operations - Sewer System

The most significant accomplishment during 2006 was the Settlement Agreement reached between the City and the Petitioners who challenged the proposed renewed operating permits for the Lake Bradford Road Wastewater Treatment Plant (LBR) and the Thomas P. Smith Water Reclamation Facility (TPS), which includes the Southeast Farm (SEF) disposal site. In February 2006, two years following the original submittal of the permit applications, the Florida Department of Environmental Protection (DEP) published a Notice of Intent to issue the permits for a renewal period of five years. However, in March 2006 three petitioners, namely the Florida Wildlife Federation, Wakulla County, and Mr. Joseph Glisson (an individual Wakulla County resident). challenged the proposed permits on the alleged basis that the permits did not provide for the adequate protection of the water quality in Wakulla Springs. Subsequently, the presiding Administrative Law Judge directed the parties to attempt resolution by mediation. After several meetings the Settlement Agreement was executed on December 18, 2006. The major provisions of the agreement included: the upgrading of the LBR facilities within three years of permit issuance to meet advanced wastewater treatment standards of 5 mg/liter (mg/l) –Carbonaceous Biochemical Oxygen Demand (CBOD), 3 mg/l –Total Suspended Solids (TSS), 3 mg/l Total Nitrogen (TN), 2.5 mg/l Total Phosphorous (TP); the upgrading of the TPS facilities to the same advanced standards as those for LBR, with the first TPS treatment train to be upgraded within 3.5 years of permit issuance and the second and third trains to be upgraded in successive one-year increments; the addition of high-level disinfection facilities at both facilities to produce public access reuse quality effluent; the upgrading of solids treatment facilities at TPS within three years of permit issuance to produce Class AA biosolids; an annual nitrogen reduction schedule corresponding to the advanced treatment upgrades and the implementation schedule; the continued use of the SEF with development of vegetative cover to optimize nitrogen uptake and result in harvesting of the vegetation; prohibition of supplemental fertilizer and animals at the SEF; completion of a reuse system feasibility study within one year of permit issuance; and lastly, establishment of a Wakulla Springs Watershed Protection Committee. The settlement provision will be incorporated in the final DEP operating permits, which are expected to be issued in the early summer of 2007.

The City's initial estimate of the financial impact of the advanced wastewater treatment improvements stipulated by the Settlement Agreement is the addition of $60-70 million to the current FY 2007-2011 Capital Improvement Plan. City staff with the assistance of consultant R.W. Beck will conduct a preliminary study in the summer of 2007 to determine the impact on sewer rates and the need and timing for the capital financing.

In February 2007 the City completed the requirements of the Consent Order issued by the DEP in May 2005 to address Total Suspended Solids (TSS) violations that had occurred at the

TPS Plant. The major provisions of the Consent Order required the City to: reduce solids inventories and maintain solids levels at the TPS Plant at normal operating levels to preclude further violations; to develop a contingency plan to ensure proper notification of future violations to DEP; drain and clean the storage pond that received the "washed-out" solids at the Southeast Farm wastewater disposal facility; report quarterly on solids processing at the TPS Plant; pay a $500 administrative penalty; and pay a civil penalty of $41,300, or in lieu of this cash payment, implement an in-kind project (at a cost of 1.5x the penalty amount) that is approved by DEP as an environmental enhancement, education, or restoration project, or a facility capital improvement project. The City did implement a DEP-approved in-kind project that entailed the extension of City water and sewer services to the Deertree Hills Condominium development on State Highway 20 in western Leon County. This project resulted in the elimination of a private wastewater treatment plant that had frequently been in non-compliance and subject to violations. City forces installed improvements, but at a cost below the surcharged penalty amount, and the City has paid the difference of approximately $6400 to satisfy the penalty and Consent Order.

Phase I of the Master Sewer Plan was completed in 2006 and resulted in the development of a computer model of the wastewater collection gravity system and also the identification of deficiencies in system capacities. Phase II will begin in March 2007 and will entail the development of a computer model of the wastewater pumping system and a ten-year capital improvement plan to address system deficiencies and improvements needed to meet future growth. Phase II will be completed in early 2008.

Phase II of the Master Wastewater Treatment Plan (MTP) is nearing completion, with final report expected in the summer of 2007. The overall master plan is intended to address long-range wastewater treatment and disposal issues and will have a 20-year timeframe. Phase II will result in recommendations for the advanced wastewater and solids treatment technologies to meet the requirements of the Settlement Agreement outlined above and the expansion alternatives, including the timing, for both treatment and disposal when the capacities of existing facilities have been reached.

The three-year groundwater study conducted jointly by the United States Geological Survey (USGS) and the City was completed in late 2006. The study was initiated in response to increasing concern about the possible impact of the City's Southeast Farm wastewater disposal facility on the Floridan Aquifer and the Wakulla Springs watershed. The study addressed the water quality and flow direction in the aquifer as the groundwater moves under and beyond the farm's boundaries. Several monitoring wells and state-of-the-art analytical methods were employed. The major product of the study was the development and application of a sophisticated groundwater model to track flow and water quality in the aquifer. The City provided a total of $300,000 in support of the study. The study results indicated that the current volume of treated wastewater discharge at the SEF was contributing 25-45% of the nitrogen loading above the background at Wakulla Springs. The groundwater model also indicates that the advanced wastewater treatment improvements planned by the City over the next six years will result in very significant reduction of the City's contribution to the nitrogen loading in Wakulla Springs and demonstrates that other nitrogen sources, particularly septic tanks, will have a much greater impact than the City's wastewater disposal in the future.

Final design and permitting of the Tram Road Reuse Facility, the City's first reclaimed water treatment facility, was completed in 2006. Construction will commence this spring and result in a plant with an initial capacity of 1.2 million gallons per day (MGD) to provide public access reuse water for irrigation in the Southwood development area, including the golf course, two high schools, State Office Complex facilities, and roadway/common areas. The plant site of four acres can accommodate an expansion to 2.4MGD. The Northwest Florida Water Management District has provided the City grant funding of $1.3 million to offset the total estimated cost of $4.1 million.

Other major wastewater projects completed in 2006 include the extension of approximately two miles of 6” force main along US Hwy 90E in accordance with the City-County Franchise Agreement; replacement/upgrade of Pump Station 79; replacement/upgrade of the internal recycle pumps at Treatment Train No. 4 at the TPS Facility; and various improvements in the pumping and collection systems to maintain infrastructure quality and reliability. Projects nearing completion of design and permitting and scheduled for construction in 2007 include replacement of Pump Stations 1, 6, 12, 55, and 64; rehabilitation of the Meginnis Arm interceptor sewer; major expansion of City sewer to meet extensive development in western Leon County; and replacement of the primary screens and Digester No. 3 cover at TPS.

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 101.90 square miles within the City's incorporated limits. The Stormwater Drainage System consists of approximately 350 stormwater management facilities, 8,700 drainage structures, 330 miles of enclosed storm drains, 245 miles of roadside ditches, 16 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 storm water 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 stormwater 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 2006, the actual operating revenues for the Stormwater Drainage System were \$12.8 million while expenditures were \$7.1 million resulting in actual income before transfers of \$5.7 million. In accordance with the City's financing policy, \$128,000 was transferred to the Stormwater Renewal, Replacement and Improvement Fund, to offset the need for future debt.

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 2006, the cost for those activities was approximately \$4.7 million. In addition to maintenance, a major portion of annual revenue goes to capital improvements to improve and expand the physical Stormwater Drainage System. The FY 2007 Five-Year Capital Improvement Program includes 31 projects. The total cost of these projects is approximately \$45 million, which is required for FY 2007 through FY 2011. At this time, no debt funding is anticipated for any ongoing or future stormwater projects.

During FY 2006, the base stormwater fee was \$6.59 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 \$6.59 per residence. Non-residential 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 (\$6.59 per ERU) to get the monthly fee for that specific non-residential site.

The Stormwater Drainage System has approximately 77,800 customers. While approximately 92% of the customer base is residential, the 8% non-residential customer base generates approximately 54% of the annual revenue. This again reflects the higher density of impervious area on non-residential sites.

On March 30, 2005, the Commission adopted a resolution indicating their intent to increase the base stormwater fee by a total of \$1.70 per ERU to fund a program to reduce stormwater pollution. The $1.70 increase is being phased in over five years, in 20% increments. At the time of the resolution the base stormwater fee was $6.25 per ERU. Two-step increases of 34 cents each have been implemented in the interim period, resulting in a current FY 2007 fee of $6.93 per ERU. The projected FY 2007 revenue based on the current fee is $13.7 million.

Pollution from stormwater is referred to as "non-point source" 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, or a municipal sewage treatment plant discharging into a stream. Due to its ubiquitous nature, stormwater pollution is very difficult to manage. The new stormwater pollution reduction program will focus on 20 watersheds that have been identified through research and testing by the City to have the highest pollutant loads. While not a final solution, the program is viewed as a responsible and realistic start for what will have to be a very long-term effort.

Selected Consolidated Utility System Statistics

Water System

Fiscal Year Ended September 30	2002	2003	2004	2005	2006
Miles of Water Mains (1)	1,184	1,172	1,131	1,143	1,147
Plant Capacity	73.60	73.60	73.60	73.60	73.60
Daily Avg. Consumption (MGD)	26.87	28.89	30.43	29.33	36.30
Residential					
Avg. No. of Customers	63,312	68,430	68,168	69,869	71,704
Water Sold (000)	5,382,795	4,759,796	5,228,428	4,145,788	4,892,231
Avg. Sales Per Customer	85,020	69,557	76,699	59,337	68,228
Commercial					
Avg. No. of Customers	7,376	8,390	7,869	7,997	8,183
Water Sold (000)	4,424,681	4,145,123	4,500,698	3,584,185	4,178,752
Avg. Sales Per Customer	599,875	494,055	571,953	448,191	510,663

Sewer System

Fiscal Year Ended September 30	2002	2003	2004	2005	2006
Miles of Sanitary Sewers	858*	928	949	968	865
Annual Flow-Millions of Gallons	6,056	6,010	6,063	7,130	6,293
Daily Average Treatment (MGD)	16.59	16.47	16.61	19.53	17.24
Rainfall (fiscal year totals)	49.59	69.43	62.56	57.72	46.43
Gallons Treated Per Customer	102,653	102,688	94,137	107,920	92,645
Avg. No. of Customers					
Residential	54,972	57,761	58,413	59,988	61,747
Commercial	6,006	6,136	5,993	6,075	6,175
Rated Capacity	32	32	32	32	32

(1) Decrease reflects updated data generated in FY 2002 using GIS methodology

Water System Ten Largest Customers by Consumption (as of September 30, 2006)

Customer	Water Usage	Billed Amount	Percentage of Revenues
Florida State University	3,002,844	$427,808	2.79%
State of Florida	2,794,998	421,796	2.60%
City Government	2,137,891	386,109	1.99%
St. Joe/Arvida	1,420,263	115,790	1.32%
Florida A&M University	1,574,209	251,187	1.46%
TMH (Hospital)	1,078,000	143,587	1.00%
Federal Government	1,064,216	144,430	0.99%
Leon County School Board	1,006,489	156,066	0.94%
Leon County Government	995,990	139,704	0.93%
Tallahassee Community College	392,127	57,180	0.36%

Sewer System Ten Largest Customers by Consumption (as of September 30, 2006)

Customer	Sewer Usage	Billed Amount	Percentage of Revenues
Florida State University	2,315,095	751,786	3.60%
State of Florida	1,482,766	561,592	2.30%
Florida A&M University	1,139,929	401,861	1.77%
Federal Government	1,007,777	312,128	1.57%
Leon County Government	918,785	315,586	1.43%
Leon County School Board	747,514	276,300	1.16%
TMH (Hospital)	720,287	214,828	1.12%
City Government	443,936	202,098	0.69%
Blairstone Apartments	219,983	61,560	0.34%
Tallahassee Community College	114,236	45,531	0.18%

Water Rates

		Current
Monthly Rate:		
Customer Charge	$	5.41
Usage Charge Per 1000 Gallons Per Month	$	1.29
Monthly Minimum Charge:		
Nominal Meter Size (inches)		**Amount**
3/4 or Smaller	$	8.64
1	$	21.54
1 1/2	$	43.08
2	$	69.01
3	$	137.89
4	$	215.42
6	$	430.85
8	$	689.37

Sewer Rates

		Current
Monthly Usage Rate:		
Usage Charge Per 1000 Gallons Per Month	$	3.08
Monthly Minimum Charge:		
Nominal Meter Size (inches)		**Amount**
3/4 or Smaller	$	9.67
1	$	24.17
1 1/2	$	48.33
2	$	77.33
3	$	154.67
4	$	241.67
6	$	483.34
8	$	773.34

Consolidated Utility System Debt Service Coverage (in 000s)

Fiscal Year Ended September 30	2002	2003	2004	2005	2006
Operating Revenues					
Water	$20,997	$20,780	$21,783	$21,599	$23,511
Sewer	26,486	26,525	258,202	28,738	30,447
Total Operating Revenues	47,483	47,305	279,985	50,337	53,958
Operating Expenses					
Water	10,667	13,397	14,109	15,975	17,669
Sewer	17,812	20,491	22,631	24,330	24,948
Total Operating Expenses	28,479	33,888	36,740	40,305	42,617
Net Operating Revenue	19,004	13,417	243,245	10,032	11,341
Gross Stormwater Revenue	11,310	11,503	11,874	14,006	14,557
Other Revenue	1,382	1,239	757	750	1,006
Total Pledged Revenue Available for Debt Service	$31,696	$26,159	$255,876	$24,788	$26,904
Debt Service	$6,157	$5,944	$6,154	$5,749	$6,311
Coverage	5.15x	4.40x	4.22x	4.31x	4.26x

CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM
CONSOLIDATED DEBT SERVICE

Bond Year Ending October 1	Total	$ 36,100,000 Series 2005	$23,900,000 Series 2001	$46,780,000 Series 1995
2007	$ 6,310,138	$ 1,496,675	$ 1,930,263	$ 2,883,200
2008	6,083,538	4,156,675	1,926,863	-
2009	6,086,450	4,156,875	1,929,575	-
2010	6,082,250	4,154,675	1,927,575	-
2011	6,081,100	4,158,025	1,923,075	-
2012	6,089,025	4,162,250	1,926,775	-
2013	6,084,863	4,158,813	1,926,050	-
2014	6,087,813	4,161,063	1,926,750	-
2015	2,986,413	752,813	2,233,600	-
2016	2,982,363	752,813	2,229,550	-
2017	2,983,363	752,813	2,230,550	-
2018	2,978,863	752,813	2,226,050	-
2019	2,978,863	752,813	2,226,050	-
2020	1,857,813	1,857,813	-	-
2021	1,853,613	1,853,613	-	-
2022	1,856,363	1,856,363	-	-
2023	1,856,113	1,856,113	-	-
2024	1,857,863	1,857,863	-	-
2025	1,856,363	1,856,363	-	-
2026	1,856,613	1,856,613	-	-
2027	1,858,363	1,858,363	-	-
2028	1,856,363	1,856,363	-	-
2029	1,855,613	1,855,613	-	-
2030	1,860,863	1,860,863	-	-
TOTALS	**$ 84,240,975**	**$ 54,795,050**	**$ 26,562,725**	**$ 2,883,200**

$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 1995, not refunded by the Series 2001 Bonds or the Energy System Revenue Bonds.

Form

$36,110,000 Serial Bonds due October 1, 2029, 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:	Wachovia Bank of Florida, Jacksonville, Florida.
Paying Agent:	Wachovia Bank of Florida, Jacksonville, Florida.
Bond Counsel:	Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's:	Aaa (Aa2 underlying)
Standard and Poors:	AAA (AA underlying)
Fitch:	AAA (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

$36,100,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SERVICES
REFUNDING REVENUE BONDS, SERIES 2005

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2007	3.00%	$ -	$ 1,496,675	$ 1,496,675
2008	3.00%	2,660,000	1,496,675	4,156,675
2009	3.00%	2,740,000	1,416,875	4,156,875
2010	3.25%	2,820,000	1,334,675	4,154,675
2011	*	2,915,000	1,243,025	4,158,025
2012	*	3,025,000	1,137,250	4,162,250
2013	*	3,140,000	1,018,812	4,158,812
2014	*	3,265,000	896,062	4,161,062
2015	*	-	752,812	752,812
2016	*	-	752,812	752,812
2017	*	-	752,812	752,812
2018	*	-	752,812	752,812
2019	*	-	752,812	752,812
2020	4.00%	1,105,000	752,812	1,857,812
2021	5.00%	1,145,000	708,612	1,853,612
2022	5.00%	1,205,000	651,362	1,856,362
2023	5.00%	1,265,000	591,112	1,856,112
2024	5.00%	1,330,000	527,862	1,857,862
2025	5.00%	1,395,000	461,362	1,856,362
2026	5.00%	1,465,000	391,612	1,856,612
2027	5.00%	1,540,000	318,362	1,858,362
2028	5.00%	1,615,000	241,362	1,856,362
2029	5.00%	1,695,000	160,612	1,855,612
2030	4.25%	1,785,000	75,862	1,860,862
TOTALS		**$ 36,110,000**	**$ 18,685,050**	**$ 54,795,050**

* Bonds maturing 2011 are in two issues: $2,165,000 at 3.5% interest rate and $750,000 at 4.00% interest rate.
* Bonds maturing 2012 are in two issues: $1,025,000 at 3.75% interest rate and $2,0,000 at 4.00% interest rate.
* Bonds maturing 2013 are in two issues: $1,140,000 at 3.75% interest rate and $2,000,000 at 4.00% interest rate.
* Bonds maturing 2014 are in two issues: $2,000,000 at 4.00% interest rate and $1,265,000 at 5.00% interest rate.
* 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 1995, not refunded by the Series 2001 Bonds or the Energy System Revenue Bonds.

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:	Wachovia Bank, NA, Jacksonville, Florida.
Paying Agent:	Wachovia Bank, NA, Jacksonville, Florida.
Trustee:	Wachovia Bank, NA, Jacksonville, Florida.
Bond Counsel:	Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's:	Aaa (Aa2 underlying)
Standard and Poors:	AAA (AA underlying)
Fitch:	AAA (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 SERVICES
REFUNDING REVENUE BONDS, SERIES 2001

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2007	4.00%	$ 960,000	$ 970,262	$ 1,930,262
2008	4.25%	995,000	931,862	1,926,862
2009	5.00%	1,040,000	889,575	1,929,575
2010	5.00%	1,090,000	837,575	1,927,575
2011	4.50%	1,140,000	783,075	1,923,075
2012	5.50%	1,195,000	731,775	1,926,775
2013	5.50%	1,260,000	666,050	1,926,050
2014	5.50%	1,330,000	596,750	1,926,750
2015	5.50%	1,710,000	523,600	2,233,600
2016	5.50%	1,800,000	429,550	2,229,550
2017	5.50%	1,900,000	330,550	2,230,550
2018	5.50%	2,000,000	226,050	2,226,050
2019	5.50%	2,110,000	116,050	2,226,050
TOTALS		**$ 18,530,000**	**$ 8,032,725**	**$ 26,562,725**

$46,780,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Revenue Bonds, Series 1995

Dated: July 1, 1995

Purpose

The Series 1995 Bonds were issued to refund a portion of the Series 1991A and 1991B Consolidated Utility System Bonds and to construct certain improvements to the City's Gas System.

Security

The Bonds are payable solely from and secured by a lien upon and pledge of the net revenues of the Utility System, which includes the Water System, Sewer System and Gas System; and the gross revenues of the Stormwater Drainage System.

Form

$28,360,000 Serial Bonds
$ 7,645,000 Term Bonds due October 1, 2012
$ 8,545,000 Term Bonds due October 1, 2014
$ 2,230,000 Term Bonds due October 1, 2019

The Bonds are issued in fully registered form in denominations of $5,000 or multiples thereof. Interest on the 1995 Bonds is payable commencing October 1, 1995, and semiannually each April 1 and October 1 thereafter.

Agents

Registrar:	Wachovia Bank, NA, Jacksonville, Florida.
Paying Agent:	Wachovia Bank, NA, Jacksonville, Florida.
Trustee:	Wachovia Bank, NA, Jacksonville, Florida.
Escrow:	Securing payment for refunded Series 1991 A and 1991 B Consolidated Utility System
Bonds:	Wachovia Bank, NA, Jacksonville, Florida.
Bond Counsel:	Bryant, Miller and Olive, P.A., Tallahassee, Florida.

Ratings

Moody's:	Aa
Standard and Poors:	AA-
Fitch:	AA

Call Provisions

Mandatory Redemption

Term Bonds Due October 1, 2012
Term Bonds Due October 1, 2014
Term Bonds Due October 1, 2019

$46,780,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
REVENUE BONDS, SERIES 1995

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2007	6.000%	$ 2,720,000	$ 163,200	$ 2,883,200
TOTALS		**$ 2,720,000**	**$ 163,200**	**$ 2,883,200**

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 tragic events of September 11th and the economic recession that was already occurring in 2001 have continued to place the airline industry in a precarious state. The airline industry can still 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) are either in or coming out of bankruptcy. Over capacity and fuel prices have continued the airlines precarious financial position.

Tallahassee Regional Airport, not unlike other small hub airports throughout the country operating in a deregulated environment with an industry that has substantive financial and anti-competitive issues, had 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, 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 increasing intrastate jet service.

The City was able to attract service by Northwest/Pinnacle to their Memphis hub in 2000; Delta Connection added jet service to Fort Lauderdale in 2001. During 2004, Continental Express began jet service to its Houston hub and has since increased frequency, US Airways upgraded service to its Charlotte hub with regional jets and has added flights, a Continental Connection (Gulfstream International Airlines) added frequency to Tampa, Orlando, and West Palm Beach.

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 2006 (a 13.2% decrease due to higher fuel costs and reduced capacity within the airline industry), TLH maintains passenger traffic above one million. Flight frequency to some destinations has been reduced, others have increased; weather conditions continue to impact travel; and fares have increased; however, TLH has sustained total passenger levels above one million for the past five fiscal years.

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. 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 local government nor make a transfer to any local government. Citizens who do not use the airport do not contribute to the costs of its operations. Its operations are funded through concessions, parking fees, 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 2006, actual operating income, before transfers, was $3,241,375 or $712,507 more than budget. The $712,507 was allocated between the Airline Prepaid Fees Credit and the Airport RR & I Fund, in accordance with the Airline Use and Lease Agreements. Operating income, excluding transfers, was 8% above projections primarily due to a new management agreement for parking services coming online resulting in above budget parking revenue accruing to the Airport. Expenditures were 1.7% below projections due to actual expenses related to Police and Fire services being less than budgeted.

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. The doubling of FAA grants starting in 2001, and the availability of PFC funds with the successful completion of the Airport's Noise Mitigation Program, have almost tripled the amount of funds available for construction projects and accelerated the Airport's implementation of many projects. In the past five fiscal years (FY 03 to FY 07), the Airport has accepted over $22 million in grant funds from FAA and FDOT. This includes approximately $3.31 million per year from the FAA and $1.15 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 two PFC programs open and a third approved by FAA. Collections of $6.85 million from the first program started in June 1998 and ended in October 2002 with most of the funds utilized by the Airport Noise Mitigation Program. As the Noise Mitigation Program ends, this PFC program will be closed with unspent funds being transferred to the new program. The second open program began collections in October 2002 and is anticipated to be fully funded by May 2007 with total collections of $11.57 million. Most of the second program funds ($8.85 million) are earmarked for rehabilitation and renovation of the Ivan Munroe Passenger Terminal with the remainder used for airfield, security, and planning projects. The third program is expected to begin collections in May 2007 and expands over a nine-year period with estimated collections of $25.58 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 three years, several significant Terminal and Airfield projects have been completed or are very near completion.

(a) <u>Terminal Projects</u>: Airport staff have designed and built-out a variety of projects that improve the terminal building during the past three years. Projects include replacement of the chillers and boilers; addition of outdoor air "pre-treatment" units; addition of two passenger loading 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 upgrades; refurbishment of public restrooms; replacement of inbound baggage handling system; renovation of offices areas, 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; and conversion of existing airline office space to better provide for potential new airlines. Future terminal projects include enhancements to the security check point area and other security improvements; 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; 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 that 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 groups 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. Finally, the third group of projects focused on increasing cargo operations and included projects that expanded the existing cargo apron and added a second cargo apron allowing for the addition of a second cargo carrier access roads and security for the cargo apron and adjacent areas, 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, 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 Management Division provides 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 Business Services 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 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 Division is responsible for police and fire rescue services, safety, security, training, general aviation, ground transportation, and FAA compliance.

The Capital Program Administration Division is responsible for identifying capital program needs, monitoring storm water management and environmental compliance, and providing construction management and engineering liaison services that includes 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	2002	2003	2004	2005	2006
Revenue Per Enplaned Passenger	$ 15.63	$ 16.64	$ 16.45	$ 17.03	$ 19.76
Debt Per Enplaned Passenger	16.75	14.27	12.48	11.15	11.44

Aircraft Operations - Landings and Take-offs

For Fiscal Year Ended September 30	2002	2003	2004	2005	2006
Air Carrier Operations(1)	6,241	5,959	5,099	6,370	4,735
Air Taxi Operations(2)	32,692	26,906	28,622	30,989	29,995
General Aviation					
Itinerant Operations	38,719	38,023	39,114	37,380	37,688
Local Operations	20,027	14,251	12,665	11,422	12,564
Military					
Itinerant Operations	10,987	13,491	11,215	10,749	12,341

(1) Consists of planes of 50 or more seats

(2) Consists of planes having less than 50 seats

Enplanements by Carrier

For Fiscal Year Ending September 30	2002	2003	2004	2005	2006
USAirways/ Piedmont	64,777	29,863	11,417	-	-
Mesa (1)	215	-	25,109	31,465	6,851
CC Air (2)	20,528	1,504	-	-	-
Air Midwest (3)	6,668	234	-	-	-
PSA (4)	-	-	-	22,333	61,211
Delta	136,969	180,578	210,604	233,992	190,555
Comair (5)	86,054	93,446	60,914	53,163	11,129
Atlantic Southeast	55,599	45,798	40,278	22,339	22,268
Skywest (6)	18,834	24,884	12,095	-	-
Chautauqua (7)	-	43,033	101,466	151,006	83,958
Northwest Airlink	27,205	33,286	32,380	38,942	38,678
AirTran Airways (8)	87,770	44,982	8,754	-	-
AirWisconsin (9)	-	58,859	74,266	-	-
Continental Connection/Gulfstream (10)	724	-	445	16,118	26,583
Express Jet Airlines/Continental Express (11)			6,986	19,669	26,458
Freedom (12)	-	-	-	-	41,710
Total Enplanements	505,343	556,467	584,714	589,027	509,401

(1) Mesa discontinued services May 2006
(2) CC Air services discontinued October 2003
(3) Air Midwest discontinued service October 2003
(4) PSA commenced services February 2005
(5) ComAir discontinued services November 2005
(6) Skywest services from January 2002 to April 2004
(7) Chautauqua services commenced January 2003
(8) AirTran services from November 2001 to September 2004
(9) AirWisconsin commenced January 2003 discontinued January 2004
(10) Continental Connection recommenced service September 2004
(11) Express Jet Airlines/Continental Express commenced May 2004
(12) Freedom Airlines commenced service January 2006

Selected Airport Statistics

Historical Operating Results

For Fiscal Years Ended September 30

	2002	2003	2004	2005	2006
Operating Revenues [1]	$ 7,896,000	$ 9,257,000	$ 9,616,434	$ 11,179,000	$ 10,067,000
Prepaid Fees Credit [1]	823,089	438,358	664,519	979,000	1,370,000
Operating Expenses [2]	(6,216,000)	(7,755,000)	(7,701,955)	(8,313,000)	(8,313,000)
Non-operating Revenues	106,193	60,174	44,135	51,000	1,116,000
Revenues Available for Debt Service	$ 2,609,282	$ 2,000,532	$ 2,623,133	$ 3,896,000	$ 4,240,000
Sr. Lien Debt Service	$982,000	$978,000	$1,058,328	$963,000	$960,000
Sr. Lien Debt Service Coverage	2.66x	2.05x	3.11x	4.05x	4.42x

(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. However, 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:	Wachovia Bank, NA, Jacksonville, Florida.
Paying Agent:	Wachovia Bank, NA, Jacksonville, Florida.
Bond Counsel:	Bryant, Miller and Olive, P.A., Tallahassee, Florida.
Insurance:	AMBAC Indemnity Corporation.

Ratings

Fitch:	AAA
Moody's:	Aaa

$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
2007	2.500%	$ 760,000	$ 201,738	$ 961,738
2008	3.000%	780,000	182,738	962,738
2009	3.250%	800,000	159,338	959,338
2010	3.500%	825,000	133,338	958,338
2011	3.750%	855,000	104,463	959,463
2012	4.000%	885,000	72,400	957,400
2013	4.000%	925,000	37,000	962,000
TOTALS		**$ 5,830,000**	**$ 891,013**	**$6,721,013**

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 11 additional cities and three counties. The Commission was created to provide large, sophisticated governments the opportunity to work together to create low cost, flexible financing instruments.

Variable Rate Loan

In 1986, the Commission sold $300 million in multi-modal variable rate revenue bonds and made the proceeds available to its members. As a multi-modal program, the loan pool requires both supporting reimbursement (letter or line 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 of September 30, 2006, the City had outstanding six loan agreements with the Commission under this program, as described below:

- $18,200,000 in November 1986; secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City and has no specific claims on any revenue stream; mandatory amortization of principal in equal amounts during the years 2011-2016, with all principal to be retired by January 30, 2016; as of September 30, 2006 the balance outstanding on this loan was $16,999,730;
- $3,550,000 in May 1991, description same as (1); September 30, 2006 balance of $3,550,000;
- $1,150,000 in September 1991; description same as (1); September 30, 2006 balance of $1,150,000;
- $36,500,000 in April 1999; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a required final maturity of 2016; September 30, 2006 balance of $31,235,000;
- $7,909,000, in April 2001; secured by a pledge of subordinate revenues from the Energy System; the City intends to make annual payments of principal, in addition to the interest, even though this loan has a final maturity of 2015; September 30, 2006 balance of $6,796,314; and
- $5,050,000, in April 2001; secured by a covenant to budget and appropriate from all non ad-valorem revenues of the City and has no specific claims on any revenue stream; interest to be paid monthly with annual principal payments due on October 1 beginning in 2001; loan has a final maturity of 2015; September 30, 2006 balance of $3,496,845.

Commercial Paper Program

In order to meet the demands of its members the Commission created a second borrowing pool in 1994. The 1994 program is a true commercial paper program wherein the Commission, simultaneous with the origination of a loan, issues additional commercial paper in a like amount. In addition to the security pledged by the individual borrowers on their loans, all loans are secured by bond insurance provided either by Ambac, FGIC, MBIA, or FSA. As with the 1986 program, there is no cross indemnification among borrowers, and borrowers are contractually obligated to repay the principal as set forth in their loan agreements, and to pay their pro-rata share of the interest on the outstanding commercial paper, along with all related costs of the Commission associated with operating and maintaining the program.

As of September 30, 2006, the City has outstanding loan agreements with the Commission under this program, as described below:

- $9,265,000 Electric System Loan, secured by a pledge of subordinate revenues from the Electric System. The proceeds of this loan were for a portion of the initial payment on the General Electric Long-Term Services Agreement for Purdom Unit 8. The final maturity of this loan was paid out October 1, 2006;
- $11,370,000 Gas System Loan, secured by a pledge of subordinate revenues from the Gas System, for the purpose of Gas System expansion and improvements. The City intends to make annual payments of principal, in addition to the interest, even though this loan has a required final maturity of 2016. September 30, 2006 balance of $9,762,000;
- $10,000,000 General Government Loan maturing October 1, 2025, secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City and has no specific claims on any revenue streams. September 30, 2006 balance of $9,500,000; and
- $10,550,000 General Government Loan maturing October 1, 2030, secured by a covenant to budget and appropriate from all non-ad-valorem revenues of the City and has no specific claims on any revenue streams. September 30, 2006 balance was $10,550,000.

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., Tallahassee Community College Foundation, Inc., and Florida State University Schools, Inc.

Tallahassee Memorial HealthCare, Inc. currently has five bond issues outstanding for which the City acted as a conduit. Tallahassee Community College, Inc. has one such issue outstanding, and Florida State University Schools, Inc. has two issues outstanding.

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. Originally, there were two issues for Rose Printing. A second issue was called and refinanced by the issuer during FY 2004. The refinancing paid off the full amount of this second issue; the refinancing was accomplished without City involvement. There is currently one issue of Industrial Development Revenue Bonds outstanding for which the City has acted as the conduit issuer. These bonds are issued 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. The Industrial Development Revenue Bond currently outstanding was issued as follows:

- $2,200,000 City of Tallahassee, Florida Industrial Development Revenue Bonds (Rose Printing Company, Inc. Project), Series 2000 A. Trustee - Wachovia Bank, NA, Jacksonville, Florida.